



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Meeting of the Parliament

**Tuesday 8 May 2018**

**Session 5**



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# Scottish Parliament

*Tuesday 8 May 2018*

*[The Presiding Officer opened the meeting at 14:00]*

## Time for Reflection

**The Presiding Officer (Ken Macintosh):** Good afternoon. The first item of business this afternoon is time for reflection. Our time for reflection leader is the Rev Sang Cha, minister at St Mungo's parish church in Alloa.

**The Rev Sang Cha (St Mungo's Parish Church, Alloa):** The skies of Clackmannanshire are often sullen and overcast, with storms brewing above, but it is a place where the people who live under its foreboding skies are illuminated by a heady resilience. It is a place mingled with great sadness, loveliness and passion. It has the fourth lowest employment level in Scotland, with a high dependency on out-of-work benefits. Since my first days in the wee county, seven years ago, I have seen all kinds of people and things: high school students, all full of undisciplined energy; the high street, blighted by bookies; and people fighting on boxing day with too much drink and ruining each other's lives.

However, Clackmannanshire is also a place where people are striving. Each day, I see the people of this smallest county trying to transpose its challenges into something good. St. Mungo's and, indeed, the Church of Scotland have been and continue to be an important part of that narrative and conversation. I say this often, but I cannot say it often enough: we may be the smallest county, but we are a pretty good one, too.

My friends, my betters, the people of Scotland are looking to you for moral leadership in this period of uncertainty and geopolitical change. It is often said that politics is a blood sport. It is my prayer that, no matter what our political differences, we do not lose the civility in the nature of our public discourse.

Several years ago, I visited a young mother who had given birth to a baby boy the day before. The parents had decided to call this baby boy Magnus, after the great king Charlemagne. Have you ever held a day-old baby in your arms? As I held this child, I was reminded of what President Clinton once said. It dawned on me that coursing through his blood, and my blood, is our DNA—the stuff of life—which is 99.999 per cent identical. It is a reminder that what we share in common is so much more than the sum of our collective differences. Perhaps it is a matter of blood.

I am certain that we, together as an ancient and great nation, will rise once more to face the challenges that confront us as a people in this hour, for the glory of God and for the glory of Scotland.

Thank you.

## Topical Question Time

14:04

### ScotRail (Performance Fines)

#### 1. Mike Rumbles (North East Scotland) (LD):

To ask the Scottish Government what discussions it has had with ScotRail, in light of the company reportedly receiving record fines for its performance in the last financial year. (S5T-01066)

**The Minister for Transport and the Islands (Humza Yousaf):** I spoke to Alex Hynes over the weekend and reiterated that it is simply not good enough. Officials at Transport Scotland discuss performance with ScotRail on an almost daily basis and challenge it on areas that are not performing to an acceptable level. That has resulted in ScotRail providing action plans for several areas of concern and initiating two internal reviews: one on recruitment and resourcing, and one on managing proactive and reactive maintenance and repairs. That approach ensures that the onus to improve substandard assets, facilities, stations and trains rests squarely on the shoulders of the franchisee, as penalties are deducted from the subsidy that it receives and reinvested in driving up quality through other customer-facing improvements.

Despite the volume of penalties that ScotRail has accrued through the service quality incentive regime—SQUIRE—it is worth noting that there have been recent improvements in performance, particularly on train punctuality and the recommendations in the Donovan review.

**Mike Rumbles:** The minister is aware that ScotRail missed the performance targets in 22 out of 34 areas, including trains arriving on time, trains skipping stops, poor train seating and cleanliness. In the first three months of this year, ScotRail accumulated £1.6 million in financial penalties. Members have discussed the issue at length in Parliament and in committee in the context of the Scottish Government's rail improvement plan. What has happened to the Government's rail improvement plan, which the minister told us would drive up performance levels?

**Humza Yousaf:** I think that Mr Rumbles is confusing a couple of areas. I will provide some clarity in a genuine attempt to be helpful.

Mr Rumbles mentioned the public performance measure and the skipping of stops. Those issues were considered as part of the internal Donovan review, which made 20 recommendations. ScotRail decided to accept every one of those recommendations and, as a result, PPM is on a positive trajectory. For example, last week most of

the performance during the morning and evening peaks was in the mid to high 90s—in fact, the best day of 2018 was recorded last week. ScotRail continues to be the best large operator.

We are also seeing the fruits of the recommendation on skipping stops. For example, on Friday not a single train skipped a stop. We are seeing improvements in some areas, but we are not seeing improvements in the areas that SQUIRE measures, so some action plans have been requested. We request action plans when the trajectory has been downward in two consecutive SQUIRE periods. I will keep the member updated on progress. There is still a way to go, but it would be wrong to suggest that there have been no performance improvements when it is clear that there have been some.

**Mike Rumbles:** No one is suggesting that there have been no improvements, but ScotRail has failed in 22 out of 34 areas. I will give an example—trains arriving on time, the figure for which is 57 per cent, which is lower than anywhere else.

On 30 March, ScotRail announced that it had commissioned an independent rail expert to produce its own improvement plan. Twenty actions were set out that were aimed at improving infrastructure and rolling stock performance, and a commitment was made to suspend stop skipping except as a last resort. Therefore, what confidence can members of the Scottish Parliament and the people we represent have that yet another improvement plan will be successful?

**Humza Yousaf:** I think that members can have confidence because of what I said in my previous answer. The review took place. Nick Donovan is an expert who is well respected in the rail industry. He conducted a forensic examination of performance and made 20 recommendations. Within weeks, we are already seeing the fruits of that work, which is positive in relation to PPM improvements.

I sound a note of caution on right-time arrivals. To-the-minute train arrival data is not used for a reason. I will give an example. This morning, my train's arrival at Edinburgh Waverley was delayed by a few minutes. When I asked the conductor why that was, he said that it was because he had had to help a disabled passenger and it took him a bit longer to help with some of the access issues. That is one of the reasons why PPM is used rather than right-time arrivals.

To give members confidence, there are action plans in place and the Donovan review's 20 recommendations will see a drive to improve performance. However, I am not taking away from what the member said, because it is disappointing and, frankly, not acceptable that the SQUIRE

measurements and criteria are not being adhered to. I know that the member has Alex Hynes in front of his parliamentary committee tomorrow and I have no doubt that he will, rightly, ask the questions that the Government is also asking ScotRail.

**Stewart Stevenson (Banffshire and Buchan Coast) (SNP):** Recognising that many factors affect ScotRail's performance, can the minister advise us of what adverse effects derive from Network Rail?

**Humza Yousaf:** There is a very sensible conversation to be had with the United Kingdom Government about the further devolution of Network Rail. The politics of devolution will undoubtedly rumble on, but there is a space to have a conversation with the UK Government about some areas where there can be greater devolution to this Parliament. The sooner that that can happen, the better for all of us. It will be no surprise to members to hear that I think that Network Rail should be fully devolved and accountable to this Government and this Parliament. However, just one example of its performance is that 54 per cent of delays on the railway are attributable to the infrastructure, which is of course owned by Network Rail. I hope that most members in the chamber can agree that we should have a sensible conversation with the UK Government, particularly when it appoints a new chief executive of Network Rail, about the further devolution of Network Rail to this Parliament.

**Colin Smyth (South Scotland) (Lab):** The SQUIRE performance figures show that ScotRail hit 19 targets in 2015-16 for the same quarter for which it hit just 12 in 2017-18. Behind those figures are hard-pressed passengers paying ever-increasing fares for a failure of performance in two thirds of targets, from the state of stations to the cleanliness of the trains that they travel on. Will the transport minister therefore issue a public apology to those passengers? Further, given that Abellio has never met the target for station closed-circuit television and security since it was awarded the ScotRail franchise, when will the transport minister personally intervene to put a stop to the cuts in CCTV staffing being implemented by ScotRail that have led to the current industrial dispute and plummeting performance?

**Humza Yousaf:** Given that I have just mentioned that last week ScotRail had its best performance day of 2018, that it is the best large operator in the entire UK and that skip-stopping has been reduced to its lowest figures in recent times, it is incredible that the member cannot recognise that and put on the record his thanks to railway workers for the incredible effort and tireless energy they put into building Scotland's best ever railway. That speaks volumes about how

interested he is in making cheap political attacks as opposed to standing up for railway workers who are doing a great job.

To answer Colin Smyth's question in a bit more detail, I say that I also find it incredible that he never comes to the chamber with any constructive ideas. When it comes to SQUIRE, there are action plans in place. Instead of sniping from the sidelines, he might want to come forward with something constructive and get involved in the effort to build the best railway that Scotland has ever had.

**Jamie Greene (West Scotland) (Con):** The transport minister wants to have a conversation about the full devolution of Network Rail, but it is not in charge of litter, train cleanliness, seats, food and beverage, help points, ticket machines, toilets, taxi ranks, CCTV or station parking. ScotRail is. Given that ScotRail has failed 75 per cent of those key performance measurements, is the transport minister satisfied with its current performance? If he is not, what is he going to do about it?

**Humza Yousaf:** I think that I was clear in my answer to Mike Rumbles that no, I am not satisfied. It is not acceptable that there are a number of areas in SQUIRE, which is the toughest audit regime anywhere in the UK when it comes to train and railway performance, where ScotRail is not performing to the levels that I would expect it to. It is sensible to ask what we will do about that. Again, in answer to Mike Rumbles, I pointed out that there are now a number of action plans that I requested for areas of the SQUIRE regime that have fallen below particular levels of the benchmark in two consecutive SQUIRE periods. We therefore have those action plans, but there are also two internal reviews.

When it comes to SQUIRE, about a third of the failings are due to the fact that ScotRail has not recruited enough staff. ScotRail is going through a recruitment process, as the unions—to be fair—have been asking it to do. That process will make a difference, particularly for the staffing of ticket stations, for example. That staffing issue is now being addressed. When Alex Hynes is in front of the parliamentary committee tomorrow, I am sure that the member will take the opportunity to question him further on that.

#### **D F Barnes (Burntisland Fabrications Redundancies)**

**2. Claire Baker (Mid Scotland and Fife) (Lab):** To ask the Scottish Government what discussions it has had with D F Barnes since the announcement of redundancies at BiFab on 4 May. (S5T-01069)

**The Cabinet Secretary for Economy, Jobs and Fair Work (Keith Brown):** I met

representatives of DF Barnes on Wednesday 2 May, at which point I was made aware of the redundancies. I subsequently spoke to Gary Smith of the GMB trade union and Bob MacGregor of Unite the union on Friday 4 May. In addition, Scottish Government officials remain in close contact with the companies concerned, as well as with the relevant trade unions.

**Claire Baker:** We all welcomed the announcement of the new ownership of BiFab. The news was particularly welcomed in Fife, and I recognise the positive role of the Scottish Government in achieving that. I accept now, as I did then, that securing new contracts is vital to the future of the company and that there will be challenging times ahead, but the workforce and their unions, who fought so strongly for their jobs, as well as the wider Fife economy were all shocked by the announcement of redundancies among core staff on Friday only weeks after hearing such positive news.

As he has outlined, the cabinet secretary has a significant stake in BiFab. However, as he has said, he first found out about the redundancies on 2 May. Does he appreciate the shock that was experienced by the workforce and the trade unions, who were taken by surprise by the announcement on Friday? What can the Scottish Government do to ensure that the unions are fully engaged in decision making?

**Keith Brown:** I appreciate the shock that was caused. As I have mentioned, I spoke to representatives of both trade unions on Friday, when the redundancies were announced. I appreciate the completely understandable reaction of the trade unions. As for ensuring that the proper communication channels are held open, the Scottish Government has had regular contact with the trade unions right the way through the process and has committed to continuing with that.

The redundancies follow on from the Beatrice Offshore Windfarm Ltd contract, which was at the centre of BiFab's difficulties. We got involved because of those difficulties. As I have mentioned before to Parliament, there were three times in one week—or certainly in two weeks—when the company was going to go into administration and its gates were going to be closed. We managed to stop that and to reach a point at which the BOWL contract could be delivered.

Claire Baker is absolutely right to say—as I said to Parliament when I spoke about the deal that had been done—that the situation is entirely bound up with winning future work. As well as hearing from the company about the redundancies, we spent much of the meeting on Wednesday talking about how we could best achieve the new contracts—two of them, in particular. That is where the focus of Scottish

Government efforts has been. It is also where the focus has been of efforts by the trade unions and by the company. It is simply the case that having work in the future and expanding the workforce will depend on winning the work, and that is where our energies are focused. However, we will, of course, put in place whatever support we can for the employees who are affected by the latest announcement.

**Claire Baker:** At the announcement of the rescue deal in Methil, the First Minister, the cabinet secretary and representatives of D F Barnes all spoke about employment, growth and continuity. Although I appreciate the cabinet secretary's comments about the work that is being done to secure new contracts, we face an immediate problem. I believe that there is still an opportunity to bridge the gap at the yard at the moment, keeping what are valued jobs.

Previously in the steel industry, Scottish Enterprise has stepped in to provide training and support for diversifying skills. Is consideration being given to the role of Scottish Enterprise in maintaining employment? Is the Scottish Government exploring any opportunities, particularly in the oil and gas sector, to bring short-term work to the yard and to help to bridge the gap that we are currently facing?

**Keith Brown:** D F Barnes takes the operational decisions for the company, but we recognise that the Government has a role to play in helping to secure work under the procurement guidelines that apply.

It has been made clear to Scottish Enterprise that it should provide whatever support is possible to the company, potentially including training, which Claire Baker mentions. Scottish Enterprise played a constructive part in the deal that was put together to keep BiFab a going concern, and it will commit to doing whatever it can. That discussion is on-going, and Scottish Enterprise and Skills Development Scotland are being advised to be as helpful as possible, given what has been said.

The company will be seeking work opportunities in various areas as well as in those areas where the Government feels it can be helpful. The company's background is in oil and gas, and it is actively looking at other contracts.

I mention oil and gas because Claire Baker raised the matter. She is also aware of the two contracts relating to renewables that I referred to. Beyond that, D F Barnes has a number of interests and the ability to do other work. I think that that was mentioned in response to a previous question about fabrication from Lewis Macdonald. The company is exploring all those opportunities, and the Scottish Government will provide whatever support we can to keep employees there



for as long as possible or to shorten the time between contracts being finished and new contracts coming on stream.

**Jenny Gilruth (Mid Fife and Glenrothes) (SNP):** Does the cabinet secretary agree that, following the challenges that BiFab has faced, there is now a need for a concerted regional effort to bring jobs to and keep skills in Fife and to grow the wider Fife economy, thereby tackling the deep-rooted poverty that is still present in Fife communities?

**Keith Brown:** There is a big job of work to be done, and my colleague Paul Wheelhouse and I have been actively involved in that on a number of fronts, not all of which we can make public. I understand the need to bring jobs—not just jobs, but good-quality jobs that pay the living wage—to areas such as Fife. We will continue to work on that, and I am happy to have a discussion with Jenny Gilruth, perhaps through Paul Wheelhouse, to update her on the activity that we are undertaking.

**The Presiding Officer (Ken Macintosh):** I am afraid that there is no more time for questions, as we are short of time. I apologise to Mark Ruskell, Willie Rennie, Jackie Baillie and Dean Lockhart, all of whom wanted to ask questions on that issue.

## Scottish National Investment Bank

**The Deputy Presiding Officer (Linda Fabiani):** The next item of business is a debate on motion S5M-12076, in the name of Keith Brown, on the Scottish national investment bank.

14:22

**The Cabinet Secretary for Economy, Jobs and Fair Work (Keith Brown):** It is just over a year since the Scottish Government's Council of Economic Advisers identified the importance of long-term patient capital in supporting economic growth. Building on that, we announced in the 2017-18 programme for government plans to establish a Scottish national investment bank.

The First Minister asked Benny Higgins, the former chief executive officer of Tesco Bank, to lead the work on the case for Scotland having its own national investment bank. Mr Higgins's insight, commitment and vision have led to a unique and game-changing set of proposals. His plan sets out a clear vision of what a national investment bank can achieve, and the practical steps that will be required to make that vision a reality. The Cabinet has been impressed by the breadth and depth of Mr Higgins's work, and by the advisory group that he gathered around him. The prospect of a national promotional bank has therefore never been more certain.

The First Minister made several important points when she received Mr Higgins's implementation plan on 28 February. The new bank should be a public body, and it should operate independently within a strategic framework that has been set by the Government. It should be mission driven, it should focus on investment that is not currently provided by the market, and in a way that seeks to shape and to create markets, and it should address Scotland's economic priorities in an inclusive and ethical way.

I can announce today that the Cabinet has considered in detail the proposals that are outlined in Mr Higgins's plan and has agreed that the Scottish Government will accept all the 21 recommendations that he made. I do not have time to speak to all 21 recommendations, but there are a few key points that I wish to highlight.

We have made great strides in the economy; for example, in encouraging more ambitious start-ups and more companies of scale to provide the jobs of the future and to improve business expenditure on research and development. We have also helped to achieve higher investment than is the case in the rest of the United Kingdom, and to close the productivity gap.

However, we still lag behind comparator countries, and there is considerable variation within Scotland. Since the financial crisis, finance for small and medium-sized firms has been in shorter supply, which has had an impact on our economic growth. That is, of course, before we factor in Brexit.

Looking ahead, we need to be able to meet head on the great challenges of the day, including decarbonisation, demographic change and the need for more inclusive growth. Many countries around the world with investment banks benefit from the provision of patient strategic investments that focus on the major economic challenges. National promotional banks play an important role in creating and shaping new markets, in helping countries to rebalance their economies, in improving productivity, and in tackling big societal challenges. Countries including China, Germany and other European nations are confronting key social and environmental challenges in that way. For example, the German KfW supports small and medium-sized enterprises, export promotion, environmental protection, innovation and international development. Mariana Mazzucato is championing that approach through her membership of the Council of Economic Advisers, and I thank her for her work.

The bank's role will be to finance and direct investment by leveraging public and private capital into a significant source of strategic and long-term finance that can be channelled into key areas and be transformative for our economy.

**Murdo Fraser (Mid Scotland and Fife) (Con):**

We have the Scottish Investment Bank, the SME holding fund and Scottish Enterprise all supporting business. Will the cabinet secretary illustrate how the new bank will provide functions that are not already provided?

**Keith Brown:** I will come to that topic later in my speech. It is worth saying that two of the three instruments that Murdo Fraser mentioned should work within the bank in due course, which will help with any clutter.

The scale of the moneys that will be available to the investment bank and its activities in shaping new markets are two of a number of ways in which it will be different from that which has gone before. That seems to have been accepted by the stakeholders and many commentators, when the case was made for the bank.

As I have said, the Scottish Government has accepted the plans and the recommendations on capitalisation, and is committed to investing £2 billion over 10 years. That scale, which is deemed to be ambitious and achievable, will make a material difference to the supply of capital to the Scottish economy. It will require an average £200

million a year of capital over a decade from the Scottish Government. The initial £2 billion target is consistent with what is invested in other national investment banks. International comparators indicate that the level of public capitalisation typically ranges between 0.5 and 1.5 per cent of gross domestic product. In a Scottish context, £2 billion roughly equates to 1.3 per cent of GDP.

We have taken the first steps. The 2018-19 draft budget included £150 million over three years for the new building Scotland fund. That fund, and its investments, should in due course come under the bank's remit. A further £340 million is to be made available between 2019 and 2021, subject to future budgets. Therefore, almost half a billion pounds have been identified as the initial down payment on the £2 billion figure. That is only the start of building up a significant asset base.

A key objective of the bank will be to bring in additional capital from private sector investors and to increase the number of private investors in the Scottish marketplace. For example, co-investment with the business angel community is an established and successful model that is used by Scottish Enterprise. It has helped to increase the number of investment deals that take place in the early-stage risk-capital investment market, and has grown the number of private sector players.

The institution will operate on a commercial basis. It will offer debt and equity that should be repaid over 10 to 15 years. It will be independent from ministers, with the board deciding where to invest and on what terms. That is essential in order for it to be flexible and responsive.

Ministers will set the bank's priorities, although the types of investment will be determined by the board. That should include strategic patient capital over all stages of firms and businesses' investment life cycles, so that they are able to accelerate innovation and make a stronger contribution to the economy. It should include substantial financing for major projects that support regeneration and communities, and it should include investment in new ideas to help us to meet key economic, environmental and social challenges.

We want Scotland to be a leader in technological change, so the bank will be essential in placing Scotland at the forefront of economic change and innovation. Initial capitalisation and strong financial transactions for the bank will offer finance to private sector entities. However, dependent on future capitalisation plans, the bank should be well placed to expand lending opportunities.

A unique feature of the bank is its mission-based approach to investment. That means that Scottish ministers will identify a set of medium-

term outcomes and a focus for the bank's investment. However, the bank will decide how it responds to the missions, and it will report its progress against those missions to ministers. Core to that will be the bank's alignment with the wider economic strategy and the priorities that have been identified and set by the Scottish Government. That approach gives Scotland the potential to demonstrate global leadership on common challenges, including the transition to a low-carbon economy, responding to having an ageing population and wider population health issues, and the promotion of inclusive growth through place making and regeneration. That is why the Cabinet has endorsed those areas as the types of mission that we expect the bank to undertake. Through consultation with stakeholders, the Scottish Government will refine its expectations on the missions that are set for the bank.

Initial contact was made with HM Treasury officials about the bank, and the additional year-end budget flexibility that will be required for it, prior to the publication of the implementation plan. The bank will need that flexibility if it is to have the desired impact on the Scottish economy and the ability to manage effectively a pipeline of investments. There is precedent, in the British Business Bank and the Green Investment Group, for using the approach that the Scottish Government proposes be used to inform the arrangements. Engagement with the Treasury about flexibility continues.

The Scottish Government agrees that the bank should be a public body that is classified to ensure direct alignment between the bank's activities, broader economic policy and the Scottish Government's enterprise and skills agencies.

The implementation plan recommends that all financing activities come under the bank's remit, including the Scottish Investment Bank, which Murdo Fraser mentioned. Thinking has begun on how the bank will relate to existing bodies, initiatives and financing activities, which we think should be consolidated within the bank, where appropriate.

Existing business advice and support that is provided by the enterprise agencies, and infrastructure advice via the Scottish Futures Trust, should be aligned with the bank's activity.

There is an opportunity to enhance the work that we currently do to stimulate demand for finance in the Scottish economy, and to enhance firms' financial readiness. There is also an opportunity to streamline provision of and access to finance for businesses.

The bank will have a board. The chair of the bank and the non-executive board members will

be appointed by the Scottish ministers, and it is envisaged that the executive management team appointments will be made by the board. Work to establish the most effective operating model for the bank will be agreed during 2018.

It is essential that the bank secures the right people. Despite its intended status as a public body, terms and conditions of employment must reflect its place in the finance sector. That does not mean that bankers' salaries, with all their negative connotations with which we are all familiar, will be paid. It means that a market-based approach that reflects the institution's requirements and characteristics will be taken. Further work will be undertaken to establish options for pay and salaries and overall conditions of employment.

**Dean Lockhart (Mid Scotland and Fife) (Con):**

On recruitment of the people who will be necessary to run the bank, it is estimated that the bank's annual running costs will be about £30 million. Do you have concerns about duplication of costs in setting up and running the new bank as well as the various other enterprise agencies?

**The Deputy Presiding Officer:** I remind members to speak through the chair, please.

**Keith Brown:** I mentioned the consideration that is being given to decluttering the landscape, which could realise some savings. We do not envisage that the bank will supplant the activities and functions of the enterprise agencies or other agencies beyond those that I have mentioned, so I do not have concerns about the issue that Dean Lockhart has raised. To be fair, though, I note that there is more work to do on costs.

The governance arrangements—things like pay and costs—will be subject to proper review and assessment, to ensure value for money and control of costs, through full and thorough scrutiny of plans for the bank's operation. Early establishment of a stakeholder group will guide development of the bank's operational detail, governance and accountability arrangements, and wider society interests will have a role in informing and shaping the bank, balanced against the board's independence and accountability. I am keen to explore how that can be delivered.

A bill to establish and capitalise the bank will be introduced in 2019. We aim to have the bank operating in shadow form in 2019, pending the passage of the bill.

A publicly owned investment bank will become a cornerstone of the economy that we want to create in Scotland. It has the potential to be transformative and will operate under a core set of principles and missions. It will support sustainable growth and bring benefits to individuals and communities across the country, in the process

making Scotland a fairer and more prosperous country. I invite members to support the motion.

I move,

That the Parliament notes the publication of the Scottish National Investment Bank Implementation Plan, which sets out proposals and recommendations for the establishment of the bank, and further notes the emphasis that these proposals place on the bank being bold and ambitious by providing patient mission-based finance, which will help create and shape future markets and help Scotland achieve its full economic potential.

14:34

**Dean Lockhart (Mid Scotland and Fife) (Con):** This debate on the proposed Scottish national investment bank is important, because Scotland's economy continues to face a number of challenges.

The challenges were highlighted in the evidence that Nora Senior gave to the Economy, Jobs and Fair Work Committee. She identified a number of economic targets on productivity, innovation, internationalisation and business investment that have been missed, and said that Scotland's economic growth has trailed behind that of the United Kingdom every year since 2009. Failure to reach those and other economic targets has cost the Scottish economy more than £80 billion, so we agree that it is time for a step change in policy. To address some of the challenges, the Scottish Government has proposed the establishment of the bank, which, as the cabinet secretary said, will provide greater levels of patient long-term capital, increase support for exporting companies and help SMEs to scale up.

The implementation plan for the bank points to examples in other countries in which national investment banks have improved economic performance. I have worked with such banks in China, Singapore, India and Japan, and I agree that they can improve economic performance. However, they can do so only if they are part of a coherent economic policy framework in which there is clarity of focus and delivery, alignment across Government enterprise agencies and business, and a supportive environment for the establishment and growth of business in the first place. Conservatives' concern is that such clarity, alignment and support for business have been absent from Scottish National Party economic policy for a number of years. As the Fraser of Allander institute has commented, the SNP has lost

"clarity of focus and delivery ... with a myriad of different strategies, advisory groups and bodies now cluttering the landscape".

The institute goes on to say that that is holding back growth and leading to confusion, a lack of

alignment, duplication and weakened accountability.

**The Cabinet Secretary for Finance and the Constitution (Derek Mackay):** Can Dean Lockhart identify even a few strategies that the Conservatives think the Scottish Government should do without?

**Dean Lockhart:** The Economy, Jobs and Fair Work Committee has been looking at the performance of Scotland's economy—*[Interruption.]* Let me answer the question. The concept of inclusive growth, which is the Government's overarching strategy, has no economic meaning: Nora Senior says that it means different things to different people. How can agencies align around an economic policy that has no economic meaning? I say to Derek Mackay that that is one big area that we would fix.

**John Mason (Glasgow Shettleston) (SNP):** Will the member give way?

**Dean Lockhart:** I need to make some progress.

Conservatives support many of the objectives behind the proposals, but the bank is being introduced in an enterprise landscape that is already cluttered and confused, and through an economic policy framework that lacks strategic direction. Stakeholders and business organisations have raised concerns in the consultation process and, if the Scottish Government wants our support for the bank proposals, it will have to address a number of them.

First, the proposals need to avoid duplication of costs and activities. They also need to deliver greater value for money for Scottish taxpayers, who already pay more than £100 per head more on enterprise development than taxpayers in the rest of the UK, but with poorer outcomes. The cost to the Scottish taxpayer is set to increase. As I mentioned to the cabinet secretary, the estimated cost of running the new bank is £30 million a year, which is in addition to the £120 million that is spent on the operational costs of the other enterprise agencies. In other words, the Scottish taxpayer will be forking out £150 million a year in running costs for those agencies—and that is before a single penny is given to help business. Therefore, the cabinet secretary has to explain how he will cut out that duplication of running costs and achieve much greater value for Scottish taxpayers.

The second point that we want the Government to address is the need for greater clarity on how the bank will interact with the various other enterprise agencies, as has been touched upon. In giving evidence to the economy committee, Jim McColl said that

“the landscape is too cluttered and the support needs to be focused”,—[*Official Report, Economy, Jobs and Fair Work Committee*, 30 January 2018; c 22.]

with which we agree.

**Keith Brown:** Will the member take an intervention on that point?

**Dean Lockhart:** I will in a bit.

If the bank is to have any positive impact on Scotland’s economy, the Scottish Government will need to take steps to streamline that landscape. Perhaps the cabinet secretary would like to tell us how he will do that.

**Keith Brown:** I have already mentioned a couple of examples where that might happen in relation to the Scottish Investment Bank. A number of commentators have mentioned the cluttering of the landscape when referring to the activities of both the Governments that are involved in the Scottish economy. Does Mr Lockhart think that there is any scope for decluttering on the part of the UK Government?

**Dean Lockhart:** We have spoken about this before, but the Scottish Government is putting together this long-term plan to address the situation, so presumably it thinks that it has control over most of the areas.

The bank has to gain credibility in the marketplace and be run independently of ministerial interference. We cannot have a repeat of the shambles that we saw last year with the Scottish growth scheme, which was announced by the First Minister as

“a half-billion pound vote of confidence in ... the Scottish economy”,

only for less than 5 per cent of that amount to be made available to business.

The Scottish Government’s motion talks about the bank helping

“Scotland achieve its full economic potential.”

For Scotland to achieve its full economic potential, it is not enough just to make additional finance available. There has to be an environment that is conducive to small businesses growing, exporting and scaling up, and the Scottish National Party’s policies over the past decade have not helped that environment. The large business supplement punishes business for expanding, increasing business rates are forcing businesses to close, and making Scotland the highest-taxed part of the UK is making it difficult for innovative companies to expand.

**Gillian Martin (Aberdeenshire East) (SNP):** Will the member take an intervention?

**Dean Lockhart:** I need to conclude.

The most important challenge that the Scottish economy faces today is the SNP itself. Failure by the SNP to reach its own economic targets has cost the Scottish economy more than £80 billion.

**Kate Forbes (Skye, Lochaber and Badenoch) (SNP):** Will the member give way?

**The Deputy Presiding Officer:** The member is just closing.

**Dean Lockhart:** Our amendment reflects concerns raised by leading organisations across Scotland that the enterprise landscape is too cluttered and is leading to confusion, a lack of alignment, duplication and weakened accountability. We support many of the objectives behind the bank, but the Scottish Government must address the issues that we have raised today if it expects our support for those proposals in the future.

I move amendment S5M-12076.1, to insert at end:

“; acknowledges concerns expressed by stakeholders that a cluttered policy landscape can lead to confusion, a lack of alignment, duplication and weakened accountability, and calls on the Scottish Government for clarity of focus and delivery with respect to the role and objectives of the bank.”

14:41

**Jackie Baillie (Dumbarton) (Lab):** They say that good things come to those who wait. Well, we have been extraordinarily patient, because it is fair to say that it has been years since the Scottish national investment bank was first announced, then re-announced, and re-announced again. In fact, I think that I counted nine separate announcements spanning a number of years and cabinet secretaries, so let me truly welcome the imminent creation of the Scottish national investment bank and welcome, too, the acceptance of all the recommendations in the implementation plan.

Having waited this long, I would at least have expected the plan to be slightly bolder and more ambitious. I welcome the implementation plan put forward by Benny Higgins, but I consider the amount of funding announced so far to be quite timid. Now is the time, surely, for radical decisive action. Our economy is stagnating and the truth is that we are flirting with recession. Gross domestic product for the previous quarter showed growth of a mere 0.3 per cent. The Scottish Fiscal Commission is forecasting growth of less than 1 per cent up to 2020, and over the past few years our growth has trailed behind growth in the rest of the UK as a whole.

That context makes stimulating economic growth an absolutely urgent priority. The problem for the Scottish Government in the past was that it

had no means to capitalise the bank, so it never really got off the ground. Now, the Government has financial transaction money from the UK Government. It was described by the Cabinet Secretary for Finance and the Constitution, Derek Mackay, as “funny money” when it was first announced by the Chancellor of the Exchequer, and now it is welcomed with open arms as a key part of the Government’s budget. There is nothing quite like a convert.

**Derek Mackay:** Will the member take an intervention?

**Jackie Baillie:** No.

Whatever one’s view, that transaction money provides some of the capital required to fund the bank, albeit that it is loan funding. It is the scale that is the issue. A sum of £340 million has been announced so far, and there will be up to £2 billion in the next 10 years. It is a start, but I do not believe that it will create the kind of transformational change that we all want to see in the Scottish economy.

In contrast, Scottish Labour would invest £20 billion over the same period in the Scottish national investment bank—10 times the amount proposed by the Scottish Government. We want to see the money invested in SMEs, because they make up the overwhelming majority of our economy, in environmentally transformative projects and renewables, and, of course, in innovation. There is much on which we agree with the cabinet secretary.

**Keith Brown:** Of the £20 billion, could Jackie Baillie itemise how much was allocated in Labour’s draft budget for the Scottish national investment bank this year, and how much she would intend to allocate from future budgets?

**Jackie Baillie:** I have only six minutes. We would not only match the plans that you currently have in place, but attempt to exceed them. As I described, Labour would put in place a £200 billion national investment bank across the UK, of which Scotland’s share would be £20 billion. That is ambitious. The difference is that the bank would sit in a coherent industrial strategy that would grow our economy and create jobs.

That is not all. The Scottish Government has access to capital borrowing of up to £450 million every year, some of which could be used. Scottish Labour would go further. Over 10 years, through Labour’s national transformation fund, we would invest another £20 billion, which would be serious money for investing in key infrastructure and boosting research and development. We should all welcome that. That is £40 billion of investment in infrastructure, housing, businesses, jobs and growing the economy. It is the kind of investment

that would be transformative; it is bold, ambitious and not tinkering about the edges.

**Derek Mackay:** Will the member take an intervention?

**Jackie Baillie:** No, I have already taken one.

Aside from the difference in scale, there is the expectation of delivery. The SNP Government is very good—I would go so far as to say excellent—at making grand announcements, but it is not so good at delivering against them. We have the Scottish growth scheme, which was the centrepiece of the programme for government in 2016. It was to be a £500 million scheme that would help to transform the economy, yet only 31 businesses have received investment since 2016, and just 6 per cent of the money available has been allocated. That is woeful. I am not sure whether the criteria are too onerous or whether it is a bureaucratic nightmare but, whatever the reason, we need to do much better. We need access to the Scottish national investment bank to be easy and simple so that barriers are not created that put off businesses from applying. It is one thing to announce money and another entirely to ensure that it is delivered to the businesses that need it.

It is important that the Scottish national investment bank complements overall policy. However, the SNP Government lacks an up-to-date economic strategy and has no industrial strategy—you do not even align yourselves with sections of the UK industrial strategy as they affect Scotland—and commentators have observed that there is little policy alignment or coherence. The landscape is cluttered with various initiatives, but they do not add up to a policy whole. That is a pretty damning verdict.

What this needs is ambition, a vision and a plan, and then it is all about delivery. The Scottish Government should learn from the mistakes that it has made before and ensure that the Scottish national investment bank has sufficient capital and is easy to access. Our economy is not in a good place. A Scottish national investment bank could make a difference, but the cabinet secretary and the Government need to be focused on making sure that it delivers.

I move amendment S5M-12076.2, to leave out from “the emphasis” to end and insert:

“that, with economic growth in Scotland continuing to trail equivalent growth across the UK, it is crucial that the Scottish National Investment Bank is created as soon as possible; further notes with concern that existing measures to boost growth, such as the Scottish Growth Scheme, have not been fully utilised; believes that the Scottish National Investment Bank should not start life under-capitalised, and calls on the Scottish Government to bring forward a comprehensive industrial strategy to maximise the impact of the Scottish National Investment Bank and

drive increased growth.”

**The Deputy Presiding Officer:** Before I invite Mr Wightman to speak, I remind members that these are not private conversations and that everything, whether in their speeches or during interventions, should be directed through the chair.

I call Andy Wightman.

14:48

**Andy Wightman (Lothian) (Green):** The Greens welcome the debate on the Scottish national investment bank. Over the years, a wide range of thinkers have advocated the creation of such a bank, most recently the New Economics Foundation, Friends of the Earth Scotland, Common Weal and the move your money campaign, whose 2016 report “Banking for the Common Good” outlined a vision of such a state investment institution and the role that it could play in Scotland.

The debate is particularly important given that the UK has a very distorted banking and financial services environment with privately owned global institutions, a recent history of speculation and wealth transfers in property markets, and the development of exotic derivative financial instruments, rather than a practice of investment in the real economy. In Scotland, too, we have a history and habit of fetishising the financial services industry when, in reality, parts of it—such as the Royal Bank of Scotland—were, historically, destroying the economy rather than supporting it.

In this context, other countries provide examples of more sustainable models of banking, such as the German Sparkassen, which are 431 locally owned public savings banks that own the eight Landesbanken and work with the German state investment bank KfW—Kreditanstalt für Wiederaufbau—which the cabinet secretary referred to, to make loans. Indeed, the Sparkassen provided 45 per cent of all long-term business lending in Germany in 2012, which was more than double what was provided by German commercial banks. There is a lesson there, from which we need to learn as a matter of urgency.

I note the Government’s intention that the bank be “bold and ambitious”. We share that vision but, as the cabinet secretary acknowledged in his opening remarks, there is much work ahead to make that a reality. My amendment lays out a number of the issues that we consider need to be addressed. In particular, although the implementation plan dismisses the argument for a banking licence, we invite the Government to consider whether a licence could offer greater flexibility in providing for the power to take deposits and create electronic money.

In our amendment, we also highlight the need for a strategic focus on the future of the Scottish economy by investing in low-carbon technologies to build energy resilience, and the question of housing. No economy can be sustainable when growing numbers of its young people cannot afford basic affordable and warm homes. With social renting off limits to all but the most financially challenged, and affordable housing not worthy of that descriptor, an investment bank has a key role to play in providing the strategic housing investment that is desperately needed.

I question the focus in the implementation plan on catalysing

“private investment to achieve a step change in growth for the Scottish economy”.

Growth—even inclusive growth—is a questionable goal when some of the key investments that we need in energy efficiency, for example, will in the long term reduce conventional metrics such as GDP, as indeed will investment in sustainable transport. That is why we are not inclined to support the Labour amendment with its uncritical arguments for growth.

As Mariana Mazzucato said in *The Spectator* this week,

“Many ... businesses we are told are value creators are actually value extractors”.

In an interview in the *New Statesman* this week, she points out that the financial services industry was never included in GDP until the early 1970s because many such services are no more than transactions and add nothing to economic activity.

A public investment bank does not exist to plug gaps in conventional commercial lending; I think that we are all agreed on that. It should have a role in the prudent provision of patient capital, but its role should be strategic, focused and long term.

Our amendment calls for Parliament to have a key role in establishing the bank’s ethical investment code—the implementation plan refers to that merely as a backstop, but in our view it should be enshrined in the primary legislation that establishes the bank. The legislation should also set down the mission, governance and accountability mechanisms. We also float the idea that the bank could provide a Scottish payments company to reduce the cost to small businesses of processing payments. That cost reduction would again lower GDP but increase productivity. Currently, around 2 per cent of the value of the payments—about £1 billion at a rough estimate—is lost to the Scottish economy.

My amendment calls for a diverse board, which is a key piece of the Government’s framework and a matter on which I would welcome the cabinet secretary’s early confirmation. In the

implementation plan, the scoping statement for the bank states that it

“should be set-up to be an enduring institution that provides a step change in Scotland’s economic architecture.”

We agree and, for a start, that means focusing on delivering an institution that thinks and does things very differently, and which brings a clarity and focus in the “cluttered policy landscape” that is identified in Dean Lockhart’s amendment, for which I have some sympathy. There are plenty of good examples of how to create effective public investment banks. We would like to acknowledge the work of Professor Mariana Mazzucato and Laurie Macfarlane in drawing attention to institutional international examples of best practice. We all have a vested collective interest in ensuring that the bank, as a national financial institution, will invest in projects and programmes that deliver a sustainable future.

It will be helpful if the cabinet secretary can tell Parliament what discussions are under way with the Treasury, the Bank of England, the Financial Conduct Authority and, indeed, the European Union to pave the way for a bank that is able to raise its own finance and leverage its balance sheet. It would be useful to be clear on how the bank’s mission will be set and to have confirmation that that will be a role for Parliament.

I move amendment S5M-12076.3, to insert at end:

“along with better social and environmental outcomes; believes that the bank should develop a strategic programme of low-carbon investment, including housing and broadband infrastructure; further believes that the bank’s Executive Board should represent a wide range of interests and that the Parliament should play a key role in shaping the bank’s ethical investment code, and agrees that future development work should consider whether a banking licence would increase the bank’s financial options and the opportunities that a Scottish payments company would provide to reduce the costs to small businesses of processing payments.”

14:54

**Willie Rennie (North East Fife) (LD):** Scotland’s growth is stagnant. A brush with recession this time last year has been replaced by marginal growth. Annual growth of 0.8 per cent in Scotland in 2017, compared with 1.8 per cent in the UK, is pretty pathetic. When it comes to jobs, Scotland now trails the UK as well. The boasts of ministers have come undone.

The question is how we can kick-start the economy. My party has called for transformational investment in education and mental health. Investing in people is the best way to enable everyone to achieve their potential, boost productivity and establish a high-wage and highly skilled economy for the long term.

Creating new and additional business lending can also be part of the solution. When he was business secretary in 2012, Vince Cable reached the same conclusion and created the British Business Bank. Benny Higgins fleshed out the detail and principles with the implementation plan, which was published recently. It identifies the opportunities that come with having a different risk appetite and strategic focus, and it suggests what the initial product range could be.

I would like to pick up briefly on a few of the recommendations. Alongside making a return, the bank is set to be closely aligned to Government economic and social policy. What will its policy be on assisting companies that do not pay the living wage? We know that healthy employment practices contribute to a healthier economy and I do not want to see a repeat of Scottish Enterprise giving Amazon millions of pounds while turning a blind eye to the needs of its workers.

Will recommendation 7, which calls for reports on the bank’s social, environmental and ethical returns, be taken forward? There is also the small matter of how much capital and leverage the bank will attract. It needs to pack a punch and deliver serious investment for the Scottish economy, but to do so within a framework that takes a broader view of what constitutes a worthwhile return.

Any bank that is in possession of hundreds of millions of pounds, whether retail or investment, needs experienced people with sound judgment. Recommendation 20 says:

“The Bank will need staff with the right mix of skills and experience to ensure its success and sustainability. The Scottish Government should ensure that the Bank can offer employment and remuneration terms which are sufficiently competitive to attract suitably skilled and experienced people.”

We know that those who are at the top of the financial sector are accustomed to salaries and bonuses that far exceed the average. However, people would not expect that to be replicated in this public sector institution. Lavish salaries are not an option. It will be the responsibility of ministers to strike the balance. I am sure that Parliament would welcome an early indication of how the bank will get the right people with the banking and investment backgrounds at each level of the organisation and at a cost that the public sector will consider reasonable.

I was pleased to see the expectation that the bank’s board and executive management team will be gender balanced, and I trust that that will be matched by a gender pay gap of zero. Thanks to the transparency measures that were introduced by my colleague Jo Swinson, we now know that financial services have some of the biggest differences between the average hourly earnings of women and men. At HSBC, the difference is as



high as 59 per cent. The Scottish national investment bank has the opportunity to demonstrate leadership on this, and I would like to hear from the minister on that matter when he sums up.

Of course, there is a precedent for creating such a bank. Benny Higgins counted 90 such institutions around the world. The British Business Bank has been up and running since November 2014; in Scotland, 5,382 SMEs have received funding via its programmes and 3,063 start-ups have also benefited.

In the SNIB implementation plan, Benny Higgins recommends:

“The Bank’s activities should be aligned with the activities of the British Business Bank in Scotland, which may require establishing a strategy for alignment between both institutions.”

The two institutions should be complementary, ensuring that the right mix of support is available. It should also be made clear to businesses north of the border that the existence of a Scottish equivalent will not preclude their accessing finance through the British Business Bank.

As Dean Lockhart’s amendment notes, the Fraser of Allander institute has warned that a “cluttered policy landscape” risks diluting the Scottish Government’s economic strategy. It has launched so many programmes and strategies that ministers cannot see the wood for the trees. We cannot afford to have time and resources expended on creating the bank only for it to be added to the list of initiatives that have failed to have some kind of impact.

At the top of that list, arguably, is the £500 million growth scheme. The big idea for 2016—the year before the bank was given the same billing—the growth scheme is still to pay out a single penny in loans and guarantees. Equity funding is not new. Why should businesses have any confidence if, 20 months later, that scheme is still not doing what it said on the tin? Benny Higgins has written on the side of the tin for the Scottish national investment bank. He has set out the purpose and the essential ingredients. Now it is up to ministers to ensure that the bank provides a much-needed stimulus for the Scottish economy.

**The Deputy Presiding Officer:** We now move to the open debate. We are a bit pushed for time, so I ask for speeches of no more than six minutes, please.

15:00

**Ivan McKee (Glasgow Provan) (SNP):** I remind members of my role as the parliamentary liaison officer to the Cabinet Secretary for the Economy, Jobs and Fair Work. I also draw

members’ attention to my entry in the register of members’ interests as a director of the Common Weal, an organisation that has done significant work on placing the concept of the Scottish national investment bank at the centre of the Scottish economic policy debate.

National investment banks are an increasingly common phenomenon across the industrial development landscape of many countries from Germany to our Nordic neighbours and globally, including countries in Asia and Latin America. The traditional role of national investment banks has been to support infrastructure spend and to provide countercyclical lending as part of Keynesian interventionist measures. In many countries, however, the role of national investment banks is now wider and is focused on the delivery of strategic missions, be they the development of specific sectors and industries of national importance, the fulfilling of cross-sectoral objectives such as support for new technology roll-out, or support for national economic objectives such as the driving of inclusive growth, support for internationalisation or improved levels of innovation and competitiveness.

Those objectives are embodied in the mission statements of the national investment banks, and it is on that area that I intend to focus my remarks in the limited time that I have available, considering some potential sector and technology-specific areas of focus for the SNIB.

The national investment bank model separates the execution and implementation functions from the mission setting or strategic direction process. The former is run to the highest standards of professionalism to ensure that the funds that are invested are managed so that rigorous and full risk-reward criteria are followed, protecting the significant public investment that is involved.

The mission-setting process, however, is where the direction is set for the bank, and that is where the value is added to the process in terms of how it benefits the national economy. The SNIB implementation plan identifies three broad categories for the focus of the bank:

“Support for early stage SME investment ... Scaling up SME investment”

and

“Mission-led, patient long-term investment”.

The plan also identifies the need to address market failure where private sector investment is absent, often as a consequence of differing risk appetite profiles. It is to that area, where the need for patient capital intersects with the national strategic economic objectives and direction, that the bank can contribute greatly and can deliver its twin objectives of making a return in excess of the

cost of capital at portfolio level and achieving inclusive and socioeconomic benefits.

The implementation plan also recognises the need to ensure that investments that are made by the bank act as a catalyst for additional private sector investment and do not crowd out private investors.

Mission setting is key to the long-term success of the SNIB and to how much it can contribute to Scotland's economic growth. It gives us the ability to focus on building specific sectors that are tailored to our economy's strengths and opportunities. That includes not only the need to support the creation of new sectors and technologies but the creation and shaping of markets for the products and services that are generated by those new industries.

Scotland has no shortage of sectors in which we can leverage strengths, combining industrial capability, brand recognition and academic excellence. Those include the life sciences, food and drink, tourism, renewable energy and the creative industries, to name but a few. Housing and energy are also areas in which investment would result in significant benefits in terms of job creation, social benefits and environmental impacts.

I will focus briefly on a sector that I think the Scottish national investment bank would do well to consider including in its scope—that of automation and, in particular, autonomous vehicles. That is, I suggest, an ideal candidate to be one of the technologies that are included in the bank's mission statement. Members will be aware of my interest in the area, as I have brought self-drive vehicles into the chamber on several occasions, although not literally. It is an area in which an opportunity exists to shape markets and industries, and the timing is right, with the ramp-up in self-drive adoption expected to be significant in the next five to 10 years.

Investment in an industrial hub to support autonomous vehicle technologies—in which several companies in Scotland are already involved—alongside the roll-out of the technology in specific urban and rural settings would generate global interest and act as a magnet for additional private sector investment, which is one of the key objectives of the Scottish national investment bank. The SNIB gives us the opportunity to leap forward in the technology game, and it should be seen as doing that, not just as an opportunity to prop up sectors in which managed decline is required.

The mission statement for a national investment bank is key to its success and is, in effect, the embodiment of an industrial strategy. Indeed, it goes further than an industrial strategy, as it

provides not only the intent but the mechanism for delivery of the elements of the industrial strategy.

Some comments have been made about the cluttered landscape of investment support. Notwithstanding the fact that different challenges require different tailored investment solutions at different times and the fact that having different investment support opportunities available to businesses can be of benefit to those businesses, the implementation of the Scottish national investment bank will serve to simplify the current landscape. As the implementation plan makes clear, it will consolidate several existing investment provisions under one roof.

In an environment in which many significant levers of economic control, including those impacting macroeconomic policy, are not under the control of our national Parliament, it is essential that we take every opportunity to drive inclusive growth in Scotland, and the Scottish national investment bank is one significant step in that direction. It is about building up the Scottish economy, following a model that is well tried and tested internationally. I look forward to the roll-out of the bank and the benefits that it will bring.

15:06

**Alexander Burnett (Aberdeenshire West) (Con):** I am grateful to have the opportunity to take part in this debate on the “Scottish National Investment Bank Implementation Plan”. As my colleagues have touched on, the Scottish Conservatives are supportive of policies and proposals that seek to boost Scotland's small businesses and high streets and our wider economy. As I come from a business background, I know all too well how helpful—or not—Governments can be in assisting businesses to reach their potential. I am wary of the proposals that the SNP has set out, but I am keen for us to work together to ensure that our overall goal to help businesses remains the focus of the conversation.

Before I continue, I note my entry in the register of members' interests, particularly in relation to businesses that I own and have shares in.

On first view of the plans for the Scottish national investment bank, one cannot help but get a sense of déjà vu, for it appears that the plans are a simple rehash and shift of the SNP's other investment agencies to bring them under one roof. Those are: the Scottish Investment Bank, the SME holding fund, the Scottish growth scheme, the building Scotland fund and further Scottish Investment Bank funds. It appears that the SNIB is simply a collaboration of the SNP's numerous other investment products.

At a time when we are falling behind on productivity, we must not duplicate effort. That is why my colleagues and I are today asking for clarity on how the Scottish national investment bank will operate and how it will fit into an enterprise landscape that is already overcrowded. Perhaps the SNP will admit that the Scottish national investment bank is a duplication, given that it mentions in its own implementation plan that it remains an option to simply increase funding for the Scottish Investment Bank. To give a more specific example, the Scottish national investment bank proposals seek to fill the gap in the market for financing SMEs by up to £10 million, but the Scottish Investment Bank already does that, as is stated in the implementation plan.

We need to focus on matching the UK's growth rates. Instead of looking for the next press headline, we must start focusing on the long-term policies that can really benefit our businesses. The SNP's lack of focus is having an impact, and today's newspapers show that the SNP has missed plans to match UK GDP growth and even small EU countries' GDP growth and that it has failed to increase productivity, exports and research and development. In total, that has cost Scotland more than £80 billion during the SNP's time in charge.

**Keith Brown:** Does Alexander Burnett acknowledge that the most recent GDP growth figure for Scotland is, as Jackie Baillie said, 0.3 per cent and that the figure for the UK is 0.1 per cent? Does he acknowledge—as his front bench will not—that the UK Government is an active player in the Scottish economy?

**Alexander Burnett:** If we ask any business in Scotland who has been in charge and has been affecting its business the most over the past 10 years, it will talk about the SNP and the Scottish Government.

As my colleagues have mentioned, the Fraser of Allander institute has criticised the SNP's cluttered landscape and has said that it has lost clarity of focus, which is hurting economic growth. The SNP has cluttered the landscape so much that Nicola Sturgeon's own staff had to ask which investment bank a freedom of information request was referring to. If the SNP does not have clarity over what is happening, how can it expect businesses to?

I worry that a failure to deliver comes with that lack of clarity. It is not the first time that the SNP Government has announced a promise to invest in our business community with no follow through. The Scottish growth scheme has failed to deliver a single penny of loans and guarantees, even though we are 18 months into the three-year scheme and such support was the original reason for its being established. That is no surprise, as

only £25 million has been allocated, even though it was supposed to be a £500 million, three-year plan.

That is only one example of the many promises that the SNP has broken. I reiterate that the Scottish Conservatives are supportive of measures that can begin to fix our poor economic record. Coming from a business background, I have seen the benefit that Governments are able to bring to the business world through policy. The Scottish Conservatives want businesses to thrive, as we know that that benefits workers, which in turn benefits our communities. We fully support the intent behind the Scottish national investment bank, as we know that it will help to address challenges and boost the Scottish economy. Nevertheless, I ask what difference the SNP envisages that the bank will make to the development of businesses in the north-east, and I join my colleagues in their call for further clarity on the details of the proposal to ensure that we do not face a simple rehash of other organisations.

15:12

**Kate Forbes (Skye, Lochaber and Badenoch) (SNP):** I am the parliamentary liaison officer for the Cabinet Secretary for Finance and the Constitution.

Not having had to wait as long as Jackie Baillie for the national investment bank, I think that it is a great idea. I get the impression that most members in the chamber agree with me.

We often have the sense that innovation is best left in the hands of private investors, that politicians should keep to the day job of policy and that long-term innovation will be driven by the Mark Zuckerbergs and Steve Jobses of the world. However, if we look back over the past century, in particular, we see that some of the biggest breakthroughs in technology and innovation have been pioneered by the state. That is usually because it is uncertain whether innovation will be a success, and it takes longer to find that out than the traditional banks and venture capitalists are willing to wait.

In very small countries such as Singapore and in very big ones such as the USA and China, the state has often provided the patient and long-term finance that new technologies need to get off the ground. That has often been driven by big missions—"mission" is a word that comes up a lot in the implementation plan—such as the solving of climate change or putting a human being on the moon. Not only have those missions required that basic research be funded, but it has been a case of applying that research. We see that with a company such as Apple, for which, in the early stages, the Government provided the necessary

cash support to grow the business. Now, every time that we use an iPhone, we can thank a state that once invested in such technology.

I suggest, too, that examples on a much smaller scale are found in our country. On a totally different scale, and with more of a social and economic purpose, Highlands and Islands Enterprise has been able to target investment and funding to achieve its social and economic aims of turning around depopulation and building the economy.

We all seem to be looking for quick fixes for economic growth. The Tories are concerned largely with the blame game and whose fault the figures are. Some might argue, cynically, that that is to divert attention, but I will not go down that route.

**Gillian Martin:** Will the member take an intervention?

**Dean Lockhart:** Will the member take an intervention?

**Kate Forbes:** Two at the same time—ladies first.

**Gillian Martin:** Does the member agree that, when it comes to the Highlands and Islands, the loss of European structural funds is making it even more pressing—

**The Deputy Presiding Officer:** Ms Martin, could you speak into your microphone so that we can hear you, please?

**Gillian Martin:** Does Kate Forbes agree that, given that the European structural funds are about to be removed as a result of Brexit, the problem is ever more pressing?

**Kate Forbes:** I agreed with Gillian Martin the first time, and I agree even more the second time. That is true.

Points have been made about the cluttered landscape. That is a genuine issue, because, with the creation of any new public body, there needs to be a streamlined strategy, with every public body knowing what its primary purpose is, to ensure that there is no duplication. It will be deeply unfortunate when European structural funds are removed.

I look at economic growth through the lens of population, productivity and participation, and we should look at the potential for an investment bank on all three fronts. On population, we want entrepreneurs to move to Scotland, to bring their ideas, to set up businesses and to expand their ideas and employ a workforce that will directly attract more people to move to Scotland. We then want to improve our productivity. That can be done fairly straightforwardly by using technology and innovation. If the investment bank is targeted at

innovation and high-tech start-ups or expansion, the bank will go towards improving our productivity. Finally, on participation, we talk a lot about inclusivity and nobody being left behind so that our employment rates can be as high as possible.

We should think about regional inclusivity, too. None of the three growth sectors in Scotland—food and drink, the renewables industry and tourism—would be doing as well as they are doing without the contribution of my own constituency and my region of the Highlands. As much as people want to come to see Glasgow, I would argue that they are largely on their way to the Highlands. However, there are many small SMEs in the food and drink sector in places such as the Highlands and Islands that do not have access to the funds to enable them to grow because commercial lending has not been accessible to them. Yes, there is a place for advice, expertise and support, but, at the end of the day, they need access to finance in order to grow. SMEs need finance not just to see them through the next year or three years, which is largely what commercial lending will provide; they need finance that will take a risk on them and support them for the next 15 years.

15:18

**Claudia Beamish (South Scotland) (Lab):** I want to take the short time that I have to explore the important development of the Scottish national investment bank. I will put forward some of the criteria that I, and others, think are important for consideration, and I will highlight the range of businesses, organisations and public bodies that should be considered for inclusion among those that can apply for funds.

We must ask ourselves what sort of economy, society and environment we want to support. Recommendation 7 in the Scottish national investment bank implementation plan states:

“A balanced scorecard approach is required that reports on the financial performance as well as on economic impact over time, including social, environmental and ethical returns.”

That is welcome. The submission from Scottish Environment LINK stresses the necessity of taking into account the United Nations sustainable development goals. Clear eligibility criteria for the SNIB will be essential and I welcome the cabinet secretary's announcements today.

I suggest that one of the eligibility criteria could be that whoever applies must be a living wage employer. One example of such a company in my region is Tempest Brewing Company, which is small, thriving and growing. The tired old argument that a firm is too small is not acceptable.

As we shift to the low-carbon economy, the SNIB must provide an opportunity to support developments. The leader in *The Herald* on 3 May stated:

“The thinktank ORE Catapult says thousands of jobs could be created if major new projects got the go-ahead. But the benefits will not appear from nowhere. The Scottish Government has to provide a power boost of its own: investment in the business and technologies that could make it happen.”

The SNIB can make a significant contribution here, but only if it is robustly linked to a real industrial strategy.

In its consultation response, the Scottish Trades Union Congress put a sharp focus on the just transition partnership. It said:

“The STUC would urge the Scottish Government to incorporate Just Transition principles in the remit for the SNIB. The STUC has played an active role in the Just Transition Partnership and is keen to see the new Just Transition Commission having a powerful role, remit and representation, for work ensuring that the transformation to a low carbon economy is carried out fairly, supporting those communities and workers where industries and jobs must change, and investing in retraining and measures to tackle disadvantage in the labour market.”

Regionality should also be considered as a fundamental criterion to ensure that all of Scotland—from the Highlands, which Kate Forbes highlighted, to my region of South Scotland—benefits from the new public bank. Figures from Dumfries and Galloway put the need to support small local enterprises in rural Scotland into stark perspective. There, 90 per cent of the 6,000 businesses that are registered have 10 employees or fewer. Those that have the potential to expand have not always been properly supported through the business gateway. How can that be? There is now an opportunity to link the new South Scotland enterprise agency with clear pathways to the SNIB. One of the companies that I am talking about is MacRebur, an innovative firm that is in the vanguard of the circular economy. It makes road surfaces out of recycled plastic. It is remote, rural and growing, and it needs support, as do many other such companies.

Another eligibility criterion must surely be the consideration of inclusive ownership models: municipal, public, community and co-operative. In my view, part of the SNIB’s remit should be to support the expansion of the co-operative, mutual and social enterprise sector through the provision of patient capital. The role of Co-operative Development Scotland could be enhanced so that it operates as a champion of the co-operative and mutual sector and feeds into the SNIB. There could even be an annual report on investment in the co-operative sector by the SNIB.

Support for businesses that put money back into the local economy should be a priority. Despite the

crucial role that the social, co-operative and SME sectors play in the economy, they face a number of barriers to growth, including difficulty in getting investment from high street lenders and the high cost of credit. The SNIB can and must put a strong focus on helping those companies that experience such barriers.

A further way in which the SNIB can give support and relieve unnecessary stress is by assisting charities and third sector groups that do not have significant bank reserves, such as the Lanark Community Development Trust. Because the grant that the trust was offered by LEADER was to be paid retrospectively, it would not have been able to take it if a local business had not stepped in, but that cannot always happen. The SNIB could offer short-term loans at very low rates, which I am sure would help many charitable groups.

For many of the types of enterprise that I and others have highlighted, patient capital will be a necessity. It is imperative that such funding is available. However, if the SNIB is to succeed over many years, it is essential that although a greater degree of risk will be involved and greater forbearance will be required, there must also be specific criteria for identifying non-performing loans, as well as a clear work-out programme. A careful assessment of the extent of non-performing loans and appropriate management will prevent stagnation and enable continuing opportunity.

I return to the STUC’s consultation response, which said that the SNIB’s mission statement must be amended to read:

“The mission of the Scottish National Investment Bank is to provide and catalyse investment in order to create opportunities for Scotland, by powering innovation and accelerating the just transformation to a low carbon, high-tech, connected, globally competitive and inclusive economy which puts people and fair work at its core.”

I ask the Scottish Government to consider that carefully.

15:24

**Gillian Martin (Aberdeenshire East) (SNP):** At the SNP conference last year, the First Minister, Nicola Sturgeon, announced that her Government would create a Scottish national investment bank and she got a standing ovation. I was sat next to one of the ministers tasked with delivering the bank, if Mr Wheelhouse remembers.

The importance of what the bank means to people was obvious from the response that we witnessed. A national bank supporting Scottish businesses and our economy is a real chance to do things differently. I will use my time in the debate to put on the record my views about the

different approaches that the bank could take and the opportunities to unlock latent potential and nurture new and existing business. Members will notice that I say “nurture” rather than “grow”, and my use of language is no accident.

As convener of the cross-party group in the Scottish Parliament on women in enterprise, and as someone who tries to represent the many views of women-led businesses in every debate on the economy in this chamber, my take on the issue will come as no surprise to members. In the two years that I have convened the group, we have had two complete sessions on access to finance and I do not see the topic being sidelined in our work programme any time soon. I was very glad to hear Willie Rennie concentrate on women’s issues in his speech, but I note that no Liberal Democrats have come along to the CPG. I therefore formally extend an invitation for someone to represent the Lib Dems at the CPG. That is also a little plug for the CPG.

In Scotland, women-led businesses represent 50 per cent of businesses receiving start-up support, but only 20 per cent of women-led businesses are making it into the growth pipeline and only 5 per cent of Scottish Enterprise account-managed businesses are run by women. One of reasons for that is the finance gap. The joint submission by Women’s Enterprise Scotland, Engender, Close the Gap and the Scottish women’s budget group to the consultation on the Scottish national investment bank has a number of key asks of the bank. I will summarise them.

The principle of equality and non-discrimination should be at the bank’s core.

Investment in infrastructure should not be about just bricks, steel and fibre-optic cable; childcare has the same economic impact and should be considered as infrastructure worthy of investment.

The investment bank should help to fund research and development that creates jobs and technologies equally targeted at both genders.

Women’s businesses should stop being undercapitalised. A rebalancing of finance that nurtured women-led business could result in an injection of over £7.6 billion into the Scottish economy.

Finally, the bank should be governed by a gender-balanced, gender-competent leadership team that should gather gender-disaggregated data, and its client offer should be gender sensitive, with all personnel involved in managing finance offers to be trained to be gender sensitive in order to eliminate unconscious bias from the decision-making process.

I agree with all those points and I want to use this opportunity to put on record my call for women

to be regarded as an economic growth sector in their own right. I would like to see the SNIB recognise women’s enterprise as a key area for financial support.

As a few members have mentioned already, another key focus should be the creation of new markets. The most obvious area for that is renewable energy, which would require patient capital to develop technologies for the future that would overtake fossil fuels and lay down a pathway for engineering skills to transfer between the two energy sectors. As I mentioned in my intervention on Kate Forbes, the loss of European structural funding means that we have a pressing need to fund innovation. However, that requires a long-term commitment and an expectation that returns will not be immediate. I would like to see finance being offered to allow existing companies to explore new markets. For example, oil and gas service companies should be able to take out finance to invest in restructuring and retraining in order to access renewable energy contracts and perhaps work with universities to create groundbreaking technology that could drive our economy forward and be exported throughout the world.

In my area of the north-east, there is a pressing need for diversification and innovation in order to make the area and workforce less vulnerable to market changes and to retain talent. Many consultation respondents mentioned regional targeting, which would mean that businesses that wish to operate in areas of Scotland that have a pressing need for investment and jobs or face an economic shock could qualify for long-term patient capital support. That would bolster economic activity and make the areas attractive to new investors. Many submissions also made a case for infrastructure investment in regions facing economic issues.

I also think that the access to finance that the SNIB can provide can bolster the efficacy of the Scottish business pledge. Access to SNIB finance could be dependent on an applicant company signing up to, and demonstrating compliance with, the key areas of the pledge’s fair work agendas.

Many of the discussions that we have had at the Economy, Jobs and Fair Work Committee and at the cross-party group on women in enterprise have centred around the possibility of the Scottish national investment bank filling the gap in the market that used to be offered by high street banks, particularly for small and medium-sized enterprises. There is a real opportunity to address the market failures in lending, particularly following the banking crisis, which are arguably limiting the growth of our SMEs.

Sub-£1 million loans could potentially have a great impact, particularly in enabling SMEs to

service large contracts, which would allow them to grow and internationalise. The SME base arguably has the most potential for growth.

I will end on one particularly significant aspect of the Scottish national investment bank: it will be working not for shareholders but for its stakeholders, the people of Scotland. I think that that is the main reason why people got to their feet that day the First Minister announced the bank's creation.

15:30

**Gordon Lindhurst (Lothian) (Con):** The urgent need for business support was spelled out when the Government's own analysis showed that SMEs in this country need up to £750 million more funding per year. The important thing is the resources that support businesses and the economy, rather than the endless initiatives, agencies and bodies that are set up essentially to do very similar things. The creation of the Scottish national investment bank will incur running costs of between £20 million and £30 million per annum.

Although those figures are broadly comparable to those for banks of a similar nature, we need to remember the cluttered landscape of support that already exists in Scotland. Two thirds of the way into its three-year plan, the Scottish growth scheme has paid out just 5 per cent of the funding that was promised.

The lack of "clarity of focus", which the Fraser of Allander institute highlighted in March, indicates that the SNP Government is struggling to find the answers to its own difficult economic questions. Annual running costs arising through duplication will simply eat into resources for business support.

In recent weeks, the Economy, Jobs and Fair Work Committee has been taking evidence on the performance of the Scottish economy. That has included discussions about the proposals for the Scottish national investment bank. Scottish Government advisor Jim McColl talked us through a useful example of a bid that he was involved in, which would have built vessels for Irish Ferries. Had a Scottish Government guarantee been provided for that project, it would have taken up much of the £340 million that was earmarked for the first few years of the bank. Given the Government's track record in delivering funding that has been promised under other schemes, we need clarity as to how the bank will fit into the enterprise landscape, deliver support and not waste money.

**Derek Mackay:** Is the member not aware that export guarantees are delivered by the UK Government? Perhaps some pressure should be directed there so as to provide a level playing field for the shipbuilding industry and, indeed, the many

other sectors where the UK Government has taken its eye off the ball as it mismanages the Brexit chaos.

**Gordon Lindhurst:** On that point, we have the UK industrial strategy, which has the answer.

Coming back to the Scottish situation, the point relates to what the cabinet secretary alluded to and to how things are done in other countries such as Germany, where a plan is set out, is properly thought through and is then actually delivered. That is not happening in Scotland, unfortunately, under the present Government.

Witnesses attending our committee have spoken about the problem of a vacuum when it comes to export finance, for example, especially since the banking crash, and the need to have Government-backed patient capital that does not seek the quick wins that are pursued by what has now become traditional bank lending.

There is, however, potential to open up support to more businesses, and that is to be welcomed. The implementation plan points to the bank being used as a vehicle to pursue "transformative change", such as in supporting efforts to tackle climate change. That follows examples such as the German KfW group, which issues support that reflects its three megatrends or grand challenges, one of which is climate change.

The Government should be wary of mirroring some of the inflexibility that businesses have identified with the enterprise agencies. The bank should first and foremost be a support system in general that helps responsible companies to access patient capital.

In choosing where to invest, the SNIB and other sources of funding should analyse in detail how the support can contribute to business creation and growth where there is real potential, with other factors such as environmental policies and workforce practices supplementing decision making. The analysis of where investment should be driven should be done innovatively and dynamically, not just by using a rigid checklist of business pledges that tie the hands of companies that are already doing the right things.

A Government-ownership model may be the way to ensure patient capital, but the bank should be operated and decisions should be made by those with the experience that is needed. As Jim McColl said:

"you do not want it to be managed by civil servants."—  
[*Official Report, Economy, Jobs and Fair Work Committee*, 30 January 2018; c 22.]

Providing a structure but allowing decision making to take place independently of Government is key to addressing some of the concerns about how the SNIB may be seen.

Some political commentators have argued that the new bank and the amalgamation of existing schemes into it is a way of increasing political control over previously independent agencies. Owen Kelly, who is former head of Scottish Financial Enterprise, warned:

“The structure proposed is effectively part of government, wholly owned by ministers and pursuing ‘missions’ chosen by them.”

This debate has allowed us to delve into some of the detail and to analyse where the bank should fit within the wider enterprise landscape and the role of Government. It is simply unacceptable that SNP economic incompetence is costing Scotland, in areas such as GDP growth, productivity, exports and research and development, to the tune of more than £80 billion of missed targets. I hope that ministers will listen to some of the concerns that are being voiced today and to those whose experience could contribute towards the bank’s potential for success.

15:37

**Richard Lyle (Uddingston and Bellshill) (SNP):** Mr Lindhurst should look at his own party’s incompetence.

As we debate the Scottish national investment bank, the word “ambition” jumps to the fore: ambition for Scotland, its economy and its people. I welcome the publication of the “Scottish National Investment Bank Implementation Plan”, as I consider it to be yet another milestone in our journey of delivering the environment to help Scotland to achieve its full economic potential. On that journey to realise our ambitions for Scotland’s economy, we must ensure that innovative companies are supported to get access to strategic, affordable finance in order to grow and thrive, and ensure all the while that the business environment encourages our young people to be the entrepreneurs of not only the future but right now. The plan will not only help to deliver those ambitions; it aims to provide and stimulate investment in order to create opportunities for Scotland by powering innovation and accelerating the transformation to a low-carbon, high-tech, globally competitive and—this is important—inclusive economy.

I want to reflect more on the Scottish national investment bank’s potential to support innovation and new enterprise, because that is an important area with many opportunities. For me, the bank signals a real opportunity to help potential new businesses that wish to bring new inventions and innovation to the fore. That innovation is not getting the support that is needed from traditional banks. I say that as a former employee of a well-known Scottish bank. I want the Scottish national

investment bank, unlike that bank, to listen and to lend.

Examples of innovation that I see as having the potential to be supported by the Scottish national investment bank are ones that will help to deliver for our communities. I know of one organisation that wishes to bring new innovation in renewable energy that will help local authorities to reduce their power costs and contribute to the national grid, but it cannot secure bank funding. That totally astounds me. Such examples are the tip of the iceberg of the potential opportunities that are presented by a national investment bank.

A national investment bank marks a step change. It recognises that although the work done so far by this SNP Government to support businesses with the potential for growth and to be innovative is important and significant, we must go further. Our national investment bank has to take a new approach on capital investment. It must be innovative and supportive—it must lend.

The commitment on the bank, which is part of the programme for government 2017-18, has been informed in part by advice from the Council of Economic Advisers. The council has highlighted the important role that national investment banks play in providing long-term investment to support economic growth in many European countries; it also recognised that a significant constraint faced by many businesses with growth potential is access to long-term, patient capital.

As I have said, although the Scottish Government has taken steps to improve access to finance through, for example, the establishment of the Scottish growth scheme, there is more to be done if we want to succeed in raising our ambition and addressing the challenge. Now is the time to take a new approach on capital investment.

There is strong consensus on the timing being right, and a genuine shared belief that there is an immediate and pressing need for the creation of the bank. As has been stated, it is clear that the economic and social wellbeing of our country will be enhanced by an institution that complements private sector investment and which has a clear focus on SMEs and projects that require strategic patient capital.

Benny Higgins, the former CEO of Tesco Bank, led the work on the development of the bank’s governance and remit. His team have undertaken rigorous analysis throughout the process and engaged an extensive and broad group of individuals and bodies in the public and private sectors. In order to inform the work, the University College London institute for innovation and public purpose was commissioned to produce a comprehensive report on all financing activities across an international selection of state



investment banks, including those in Finland and Germany. The work that has been undertaken by other nations across the continent should serve as an example of the potential that our bank has to generate and deliver on a real chance to fulfil the potential for Scotland's economy.

Although it is right that this debate naturally focuses squarely on our plans for a national investment bank, I will end my remarks today by recognising that the plans are one strand in our ambition for Scotland's economy and people. As we saw in the 2018-19 budget, this SNP Government is delivering significant investment in the Scottish economy by allocating additional spending in the economy, jobs and fair work portfolio, including through establishing a building Scotland fund and working towards our ambitious plans to deliver superfast broadband—I could go on. Unfortunately, the Tories always do us down.

This SNP Government has recognised that we can continue to unlock Scotland's potential by investing in those with the potential to grow and by recognising the contribution that they can make. The plans are ambitious, but essential. I commend them and the work of the cabinet secretary and his ministerial colleagues.

**The Deputy Presiding Officer:** I say to all the remaining speakers that time is tight. If members do not stick to just under six minutes, as Mr Lyle did, I will have to cut the final speeches.

15:43

**James Kelly (Glasgow) (Lab):** Members across the chamber are right to talk about the benefits of a Scottish national investment bank, and I welcome the cabinet secretary's announcement today. However, Jackie Baillie is also correct to say that this is the ninth time that we have had such an announcement. Progress has, indeed, been slow.

I listened carefully to the cabinet secretary. He told us that it will be 2019 before the bill that would seek to launch the bank will come before Parliament. The reality is that we are all likely to be back here sometime next year for the Government's very own version of 10 in a row. That would give Murdo Fraser an opportunity to cheer for a 10 in a row—[*Interruption.*]

**Derek Mackay:** Will the member take an intervention?

**James Kelly:** Yes, I will take the intervention.

**The Deputy Presiding Officer:** Here we go.

**Derek Mackay:** I think that it is best that I move the discussion on from football. The chances of Labour seeing through its economic strategy would depend on Jeremy Corbyn being the Prime

Minister. What year has Labour scheduled that in for?

**James Kelly:** We would welcome an election as soon as possible. In her speech, Jackie Baillie competently outlined how a Labour Government would deliver £40 billion of investment for a Scottish national investment bank. The SNP, as well as Scottish Labour, should be hoping for that to happen.

There is no doubt that there is a place for a Scottish national investment bank, not just because of the 0.3 per cent growth rate in Scotland in the previous quarter compared with 1.1 per cent in the UK, which should concern all members, but because of the local jobs crises that have happened across Scotland—for example, at BiFab in Fife, at Young's Seafood in Dumfriesshire and at 2 Sisters Food Group in Cambuslang, which are crying out for something like a Scottish national investment bank. The closure of the 2 Sisters plant in Cambuslang will result in the loss of 450 jobs. That is a hammer blow for the local area, and the workforce needs not just words and sympathy but practical action, which a national investment bank could help with.

Members were right to talk about the importance of capitalisation and the amount of money that is required. Although £340 million is welcome, it does not go far enough. As the arrangements for the bank develop, the Government has a major job to do in considering how more capital can be brought in if we are to seize the economic opportunities that many members have talked about.

The arrangements for the bank must also properly tie in with a coherent economic policy. Many members have talked about the cluttered landscape in that regard. The Fraser of Allander institute has shown that the Government has 17 different strategies that relate to the economy, which demonstrates that, although the Government likes to talk and to bring groups together with lots of meaningful words, there is a lack of action to move things forward. An example of that is the growth scheme, through which only 31 businesses have received help.

The arrangements for the bank must also be tied in with a proper industrial strategy. Kate Forbes was right to talk about the importance of innovation. Last week, Sir Jim McDonald from the University of Strathclyde talked about the chronic shortage of engineering skills. The UK is short of 400,000 engineers, and there is a sizeable shortage in Scotland.

As the Government has acknowledged, part of the problem is that there are not enough teachers in science, technology, engineering and mathematics. There is a lack of thought-out policy

about how we develop such skills, through schools to colleges and universities, so that we produce more graduates who can address skills shortages in the workplace.

Labour welcomes the proposals for a Scottish national investment bank, but it is time to get a move on. It is time to think about how we can pull more money into the bank and how we can tie it into a proper economic policy and industrial strategy that has fairness and growth at the heart of it. If those strands are included, there will be a real opportunity for the Scottish economy.

15:49

**Gordon MacDonald (Edinburgh Pentlands) (SNP):** I welcome the proposal to establish a Scottish national investment bank with a focus on the provision of long-term finance to support growth in the economy. A publicly owned national investment bank, with capitalisation of £2 billion over the first 10 years, will act as a cornerstone for the economy and focus on Scotland's economic priorities as well as promote inclusive growth.

Scotland needs such additional support, as recent economic data has highlighted a slowdown across the economy of the whole of the UK as a result of Brexit and the Conservative Government's austerity measures impacting on Government and household expenditure. We see evidence of that in the UK quarterly growth rate for the first quarter of this year collapsing to 0.1 per cent and GDP per head falling by 0.1 per cent over the same quarter. The Organisation for Economic Co-operation and Development has estimated that, this year, the UK's economy will grow at a slower pace than that of any other major advanced or emerging nation. One reason for the poor growth is household spending, which has long been one of the drivers of the UK economy, with retail sales accounting for as much as 30 per cent of domestic spending. Consumers are seeing their spending power drop as the slump in sterling that followed the Brexit referendum in 2016 has pushed up food prices, and rising inflation and a decline in wage growth over recent years have resulted in many families struggling to make ends meet.

In addition, Scottish Chambers of Commerce has highlighted that, until a transitional Brexit deal is in place, companies will not increase spending due to uncertainty, which is impacting on staffing levels and production capacity. In a submission on the case for a national investment bank, the Scottish Trades Union Congress highlighted that companies are not investing because

"Uncertainty about the strength of the economy going forwards, exacerbated by austerity policies, shareholder short-termism, and the uncertainty around Brexit are undoubtedly all playing a part."

In 2016, the only OECD countries that invested less than the UK were Greece and Portugal, with Ireland investing, as a percentage of GDP, double the UK's investment. The patient capital review that was commissioned by the UK Government highlighted that there are

"clear barriers in accessing long-term, patient capital"

in the UK and that

"the majority of financing is concentrated in London and, therefore, it is particularly difficult for businesses outside the capital to access the funding they require".

The Scottish national investment bank will help to alleviate that situation by providing patient capital over a 10 to 15-year period to support companies to grow.

Such a long-term approach is important, because the vast majority of companies in Scotland are SMEs with fewer than five employees. A key growth area for Scotland is the new tech companies that are being set up, with 440 software development and programming businesses having been incorporated in 2017, which is a 77 per cent increase on the 249 companies that were set up in 2016. A Scottish national investment bank that will provide support to our growth sectors such as fintech, life sciences, aerospace and renewables—

**Dean Lockhart:** Will the member take an intervention?

**Gordon MacDonald:** Yes—carry on.

**Dean Lockhart:** Gordon MacDonald mentioned life sciences. Does he share the strong concerns of the Scottish Life Sciences Association that Scotland now being the highest-taxed part of the UK will impact on the ability of its member life science companies to attract the right talent to the country?

**Gordon MacDonald:** If any reasonable person were to look at all the policies across the gamut—whether they be on free prescriptions, free university tuition or anything else—they would see that, in the round, Scotland is one of the lowest-taxed parts of the UK.

In its report "Supporting Scotland's economic growth: The role of the Scottish Government and its economic development agencies", Audit Scotland outlines the benefits of economic growth:

"A buoyant economy creates employment opportunities. This increases people's wealth, leads to higher spending and stimulates demand for goods and services. This in turn means that businesses need to produce more, creating further employment opportunities. Increased individual and business wealth also creates more money for public services, such as healthcare and education, all of which lead to a higher quality of life for the people of Scotland."

Growth will result in the Scottish national investment bank becoming self-sustaining in the

long term, raising its own capital and being positioned to provide long-term, patient finance for both smaller firms and larger projects, creating the opportunities for new markets for the private sector to invest in.

Presiding Officer, will I get any of my time back for interventions?

**The Deputy Presiding Officer:** No.

**Gordon MacDonald:** In that case, I will miss out a bit of my speech.

If we are to emulate the successful investment banks elsewhere, in order to operate the bank we will require flexibility to hold reserves and carry those reserves over between financial years outwith the existing limits set for the Scottish Government. As the implementation plan highlights, HM Treasury has already granted a similar dispensation to the Green Investment Bank, prior to its recent privatisation, and to the British Business Bank. In addition, a similar arrangement is in place for Scottish housing associations, on a temporary basis, while they are currently classified as being in the public sector. As the report states,

“Without such dispensation the Bank would be unable to deliver the scale and ambition which is set out for it here, including through the adoption of a long-term, patient investment strategy.”

Scotland needs a national investment bank, and all political parties should get behind the proposal to deliver for Scottish companies.

15:55

**Tom Mason (North East Scotland) (Con):** I first remind Parliament that I remain an Aberdeen City Council councillor.

Let me begin by acknowledging the announcement of the Scottish national investment bank, just as I acknowledged its announcement in 2009, its re-announcements in 2013 and 2015, and the announcement and subsequent failure of the 2016 Scottish growth scheme. I look forward to the bank's next announcement in six months.

Those who know me know that I was involved for some 20 years with the master of business administration programme at the Aberdeen business school of the Robert Gordon University. Many of the students who enter the MBA programme do so with the ambition to start their own business. To that end, I took part many a time in negotiations with the various Government agencies that support enterprise.

Two things still stand out from those dialogues. First, when looking to consult the Government for help, students were confronted with many barriers that prevented their ideas from coming to fruition.

We must remember that starting a business is an act of faith, not of rationality, as 95 per cent of new businesses fail.

Secondly, on a number of occasions I attended relevant seminars, and each time the measure of success was the number of new businesses that had been created in any one year, with no target for sustainability. Good business requires a favourable environment and attitudes that continually support and endorse the many acts of faith that new enterprises require. No matter how much rational business support is provided, if that environment is not available, new businesses will not be created or sustained.

What has that to do with this proposed Scottish national investment bank? As a Conservative, I endorse sensible long-term investment in our economy. However, there has to be a degree of purpose to investments, and I fear that the bank will be yet another big-money façade for the Government to hide behind. I suspect that the current barriers to successful entrepreneurial activity are only partially due to finance availability, and are instead primarily to do with the negative business environment that pervades Scotland. If the Government spent more time getting out of the way of businesses and allowed independence and prosperity in the business community, we might see more positive aspirations from a greater number of people.

What is more, I am not convinced that the Government will deliver on the proposal. The supposed £500 million Scottish growth scheme has yet to allocate a single penny in loans or guarantees. I think that that can universally be seen as a failure.

The bank will reportedly fill the gap in the SME market, provide finance of up to £10 million to each firm, expand loan finances to SMEs of between £100,000 and £2 million, and increase microfinance to £100,000. All those things are already available through various other schemes. Even the bank's implementation plan admits that increasing funding for the Scottish investment bank could render the new plan unnecessary.

That concerning conclusion is only added to by the fact that the idea for the bank came from a pro-independence think tank. I am instantly hesitant. If there is one thing that we know about people in the wider yes movement, it is that they are experts in exporting blame from the SNP on to anything that it sticks to. For example, the think tank suggested that the bank was needed due to a “failure of our private financial sector”.

Perhaps, instead of blaming our businesses, we should look at the Government that controls and restricts their environment.

On that basis, we should streamline the Government's role in the economy. Funding yet another quango that is tasked with the same duties as are held by others sounds irresponsible. Instead, let us start by reversing the tax decisions that were taken in the latest budget, thereby encouraging businesses to start up and grow in Scotland. Let us play to our strengths by encouraging consumption. We need to grow the economy, not tax it.

I know that my words fall on deaf ears, however. Sensible long-term planning is not in the interests of the current Scottish Government. After multiple parliamentary questions, the Cabinet Secretary for Finance and the Constitution admitted that important future planning decisions on issues from public pay policy to capital borrowing are only taken year to year. So, we are getting a new investment bank with no attempt to plan for the future and every attempt to spend in the present. What a way to run a Government, an economy and a country.

16:00

**John Mason (Glasgow Shettleston) (SNP):** Clearly, there is a range of issues in this debate that we can all pretty much agree on. Having looked through the recommendations, I sense agreement on, for example, recommendation 1, which says that such a bank should be established. Recommendation 2 says that the bank should help

“to address Scotland's economic priorities in an inclusive and ethical way.”

Recommendation 5 says that it should focus on being

“additional to the finance already provided”

and complement rather than crowd out existing providers. Recommendation 9 says that

“The Bank should build on current skills and experience”,

and recommendation 17 says that there should be

“the highest standards of transparency, accountability and management of risk.”

Those are but a few, so it is good that we can agree on a lot. However, there are going to be areas on which we in Parliament differ, and on which folk outside differ.

The term “long-term patient finance” is an interesting one. The market is not usually patient and many individuals are not very patient either, so many of us admire what is apparently the German model, which Gordon Lindhurst referred to, of investors and local banks being committed for the longer term and prepared to take the downs with the ups. In particular, I admire the concept of shareholders being patient when the

takeover of a company is suggested and being willing to wait longer for a return rather than selling out immediately for short-term profit.

In Parliament, patience is not always evident. What is it that they used to say about patience? It is

“seldom found in woman, never found in man.”

**Members:** Oh!

**John Mason:** Members say that people are waiting too long at accident and emergency departments, that the attainment gap is not being closed quickly enough and that exports are not growing fast enough. We say that we want preventative spend to solve tomorrow's problems, but in practice we demand reactive spend to solve today's problems. I wonder how we, as politicians, will cope with the concept of being more patient. If the new bank does not bring returns quickly enough—recommendation 6 says that measurement should be over at least a “10-15 year horizon”—will Opposition members commit to waiting before they decide whether a project has been successful? One of my fears is that the bank could be undermined by its critics taking too short term a view.

I also wonder whether 10 to 15 years is long term enough. That is quite a short term when a house mortgage might be 25 years and the actual life of a house might be at least double that.

Recommendation 10 refers to aligning with the activities of the British Business Bank, which members have already mentioned. That is fine, but we have heard evidence at the Economy, Jobs and Fair Work Committee that some Scottish businesses are not aware of the British Business Bank and that it is available to help them in Scotland. There is clearly a bit of work to do in getting information to people.

Recommendation 11 says that the bank should be a public body and should have “maximum flexibility” in how it invests, which is fair enough. The point is also made that it will not require a banking licence as it will not be a deposit-taking institution. I wonder whether that could be considered more. Andy Wightman touched on that, too.

On Friday, I attended a funeral and was asked by someone whether they would be able to invest in the SNIB, as they were prepared to take a longer-term view and potentially a lower return on their investment if they felt that it would benefit Scotland's economy. There might well be an appetite among the public for individuals investing in that way, so I wonder whether a vehicle can be found to allow that to happen.

Recommendation 20 talks about

“staff with the right mix of skills and experience”

and

“remuneration terms which are sufficiently competitive”.

I wonder how that fits with recommendation 17 about “highest standards of transparency” and recommendation 2 that we must act

“in an inclusive and ethical way.”

For example, can there be—and will there be—a limit in the ratio between the top-paid and bottom-paid staff of the bank? Does transparency mean that every salary level and every bonus will be published, as they would in most public bodies?

I will stick with the “ethical” word; I wonder how easy it will be to agree on what is ethical and what is not. I might think that investing in oil and gas is ethical, but my Green colleagues might not. I might be happy that we continue to farm and export salmon and cattle, but others might consider that to be unethical. That could be tricky for us all to agree on.

I turn to specific economic issues. I wonder whether there would be pressure to bail out struggling companies if the public and others know that there is a pot of money. James Kelly touched on that issue. For example, would Prestwick airport receive investment? Would we expect to get that money back? Would the bank really be able to make its own decision on that matter if there was pressure from the public and Opposition MSPs?

I thank Friends of the Earth Scotland for its briefing, in which it calls, for example, for investment in walking and cycling infrastructure. Is that the kind of thing that the bank could do? How would it ever get repayment or interest on that unless it was done through extra lending to a local authority? Local authorities are bound by prudential borrowing.

I add my voice to those of members who support the excellent concept of a Scottish national investment bank. Questions need to be answered but, overall, I am enthusiastic about the idea and look forward to its being fleshed out in the months to come.

16:06

**Andy Wightman:** This has been a broadly consensual debate, although politics has made its usual interventions now and again. Everyone has agreed so far, with no dissent, that a Scottish national investment bank is a good idea. However, we are also all agreed that a lot of work remains to be done to make it happen and for it to be effective.

I agree with Dean Lockhart that some areas demand greater clarity in relation to the cluttered

landscape, and there is work for us all ahead to ensure that, as Alex Burnett said, the SNIB will not just be an umbrella body for existing initiatives. I share some of that scepticism, but I am prepared to give the Government the benefit of the doubt on that—at the moment, anyway. It is clear that we need to scrutinise the plans very carefully over the next year or two. Kate Forbes conceded that we have a cluttered landscape and that it is a real concern. I do not think that any member, whether on the Government side or on the Opposition side, is not alert to that fact, and I am sure that my colleagues Gillian Martin, Dean Lockhart and John Mason will be paying close attention to the issue in the Economy, Jobs and Fair Work Committee.

Although a cluttered landscape is a potential danger, so, too, are misleading statistics about the Scottish economy. Dean Lockhart and Alexander Burnett cited so-called research that was published by the Scottish Tories today about an £80 billion loss to the Scottish economy. I look forward to debating the figures in the future, but at a first glance, the first two “missed targets” that are mentioned in the Tories’ so-called research compare the same Scottish GDP figures with two different points of comparison: the rest of the UK, and small European Union countries. Given that it is the same GDP, and that it is compared with two points of comparison, the Tories have counted the sum twice. Therefore, I do not have much—

**Dean Lockhart:** I clarify that the vast majority of that figure was a result of the failure to meet productivity targets, which the SFC has identified as a key reason—both historically and going forward—for the Scottish economy’s underperformance.

**Andy Wightman:** That just further confuses matters because productivity is another one of the areas in which the Tories claim there has been lost finance. If Dean Lockhart wants to come back to me on the £80 billion with his workings at the bottom, that would be useful.

Willie Rennie—who I note is just walking into the chamber—noted the need for the Scottish national investment bank to have a strong ethical investment policy. Indeed, that point plays a part in our amendment, and I agree with it. It is an opportunity to promote the living wage and to invest in clean and ethical projects. I also agree with his comments on salaries.

Willie Rennie also noted that there are 90 similar state banks around the world, which is evidence that the idea can work. However, if it is to work, its mission must be critical. Claudia Beamish narrated the STUC’s suggested mission, with which I broadly agree, but it does not mention growth once. That reflects the fact that growth is a redundant concept in the transition to a sustainable society and living on a stable planet.

Quite why Labour's amendment pays so much attention to a concept that is not mentioned once by the STUC, whose mission Labour promotes, is a mystery. I repeat Professor Mazzucato's observation, which goes along with the observations of economists such as Kate Raworth, that GDP and the fetishisation of growth are the economics of the past, not the future.

**Jackie Baillie:** Will the member at least recognise that the economy is currently stagnating, which is not good for business or wages? Is he saying that growth is not desirable at all?

**Andy Wightman:** I am saying that the way in which we measure growth and the stagnation that Jackie Baillie mentions is highly flawed. It includes, for example, financial transactions, which have never been part of growth and do not add anything to economic wellbeing.

James Kelly observed that there will be a bill next year and I urge the Scottish Government to build, between now and then, genuine cross-party consensus and support for what will be in the bill. I hope that the cabinet secretary will share some emerging thinking on the content of the bill and consider consulting on the outline of a draft bill with other parties and members, and with external interests such as the advisory group that helped Benny Higgins.

Kate Forbes, Gordon MacDonald and Richard Lyle also discussed the potential for the SNIB to support private companies with loans that are difficult to obtain from mainstream commercial lenders. That highlights one of the key tensions in the political ambitions for the bank. The role of the Scottish national investment bank is not to provide conventional lending to conventional businesses as part of mainstream day-to-day business operations. It is certainly not part of the role of the Scottish national investment bank to support companies such as 2 Sisters, which produces dead chickens and has a history of appalling food standards. The SNIB is a million miles from going anywhere near such a company.

Many members have mentioned the need for long-term patient capital. John Mason summed up some of the challenges very well, but that has to be key for this distinctive institution. It is why, in our amendment, the Greens have proposed ideas such as a payment service and a banking licence, which are worth considering if the Scottish national investment bank is to be as bold and ambitious as the Government wishes it to be.

**The Deputy Presiding Officer (Christine Grahame):** In fairness to Mr Rennie, he was present throughout your speech, Mr Wightman. Who would want to miss it?

16:13

**Jackie Baillie:** This has been a useful debate. I hope that the cabinet secretary reflects on some of the contributions that have been made. It is clear that there is support for the Scottish national investment bank right across all parties.

It is fair to say that we want the Scottish national investment bank to succeed because our economy is in trouble. The cabinet secretary always likes to tell us that the fundamentals of the Scottish economy are all sound, which I regard as breathtakingly complacent. I am absolutely convinced that his civil servants must be hiding the statistics from him, otherwise he would realise how hollow his words are.

However, there is much that we agree on. The cabinet secretary talked about focusing on decarbonisation, the transition to a low-carbon economy, inclusive change, innovation, and much more. Those are positive areas, and we share the desire to focus on them, on helping SMEs to grow and on the provision of long-term patient capital.

Ivan McKee was right to point out the opportunity to invest in particular sectors, to help to shape the economy and harness its potential. However, he talked about that in the context of an industrial strategy. Unfortunately, the Scottish Government does not have an industrial strategy. As I said earlier, it has not even bothered to tartanise the UK industrial strategy, and its own economic strategy is so old that it takes no account of Brexit. I hate the idea of Brexit, but I dislike the way that the SNP is simply posturing about it and doing nothing practical to help to protect jobs and businesses.

James Kelly was right to talk about the need to centre the bank in a coherent policy framework. However, that framework is sadly missing. He also spoke about timescales. The bank will not be up and running until 2020 and there will be a shadow bank in 2019, but there is a need for urgency to help our economy to grow now. What will the Scottish Government do while we wait?

Governance has been raised by a number of members, including Willie Rennie and Andy Wightman, and I welcome the fact that the bank will be established as a public body and that the board will be gender balanced. I would welcome confirmation from the cabinet secretary that all investments will have an equality impact assessment, because I think that that will create a step change in the culture of investments.

I very much agree with Gillian Martin's points about women's enterprise. There is huge untapped potential for growth in that area, but it is important that the Scottish national investment bank understands the difficulties that women have in accessing finance and that it makes women-

owned businesses a priority growth sector. We have asked for that before, both in the Economy, Jobs and Fair Work Committee and in the chamber, and it has not yet been delivered. Why the hold-up?

Gordon Lindhurst mentioned shipbuilding guarantees. I do not want to intrude on an argument between the SNP and the Tories, but I say as gently as I can that there are only two mentions of shipbuilding in the UK industrial strategy, and one of them is in the bibliography at the back. However, his underlying point is the right one because shipbuilding matters to Scotland.

When Jim McColl, the owner of the Ferguson shipyard and a member of the First Minister's Council of Economic Advisers, tells us that he is unable to bid for some work because of the hundreds of millions of pounds required as a guarantee—which, by the way, other countries find a way of doing—surely we should be trying to help. People expect both their Governments to work together in the interests of jobs, businesses, and our economy.

When he winds up the debate, I ask the cabinet secretary to say what discussions he has had with the UK Treasury, and, indeed, the EU, specifically about state aid rules, because it is important that we understand the context in which the bank will operate, given those rules.

I say again to John Mason that the whole chamber is patient—we show just how courteous and patient we are when we listen very attentively to his contributions.

Finally, I say this as gently as I can to the cabinet secretary: no more announcements, please. I am growing old waiting for this investment bank.

**Derek Mackay:** Never!

**Jackie Baillie:** Thank you—I will take that compliment.

Genuinely, we want the cabinet secretary to get on with delivering the Scottish national investment bank; we on the Labour benches will support him in doing so, but we need the Government to be more ambitious and bolder in what it is trying to do because our economy needs nothing less.

16:18

**Murdo Fraser (Mid Scotland and Fife) (Con):** The context for this debate, as we have heard throughout, is the whole question of Scotland's economic performance. We learned today, following extensive reporting across a range of media outlets, that the SNP has missed five key economic targets—targets that it set itself.

There was a failure to match UK levels of economic growth; a failure to match economic growth in other small EU countries; a failure to increase exports; a failure to increase R and D spend; and a failure to improve productivity. There was a cumulative total loss of £80 billion.

**Andy Wightman:** Although I accept that, on paper, those are missed targets individually, does the member accept that, collectively, they do not add up to £80 billion being lost to the economy?

**Murdo Fraser:** Mr Wightman is wrong. Collectively, they add up to £80 billion. That is the whole point—£80 billion is the cumulative total of the loss. If Mr Wightman wants to read more, I suggest that he reads our excellent press release, which contains detailed workings that show how the figures were arrived at. He will no doubt be as delighted as I am to see how extensively reported they were today. That just goes to show what can be achieved on a slow news day on a hot bank holiday Monday.

Even the Scottish Government acknowledges that there are problems. The SNIB implementation plan refers to Scotland's economic "weaknesses", most of which appear to be getting worse, so there is an issue to be addressed. Conservative members are open to all good ideas about growing the economy. As my colleague Dean Lockhart set out earlier, we give a cautious welcome to the principle of the Scottish national investment bank, although we await more details.

The cabinet secretary raised the issue of special dispensation from Her Majesty's Treasury being required to allow the bank to operate beyond the limits of the existing fiscal framework. In effect, that is to allow additional borrowing. The implementation plan accepts that such dispensation is unlikely. It is important that we put on record that our qualified support for the bank as a concept should not be taken as an endorsement of the call for Treasury dispensation. Indeed, as the implementation plan makes clear, that may not be necessary, as there is already some flexibility under the fiscal framework. However, we are happy to discuss those issues in more detail with the cabinet secretary, if he requires that.

As Jackie Baillie and Tom Mason said, the bank has been a long time coming. It is not a new idea—we have been hearing about it for more than a decade. The economist Alf Young wrote about it in 2009, and even then it was not a new idea. We hope that it has greater success than the Scottish growth scheme, which was launched in September 2016. We were told that it was a £0.5 billion investment in the Scottish economy but, some 20 months later, only £25 million has been allocated and, as far as we know, none of that has actually been spent. Then we have the Scottish European growth co-investment fund, which has

had no funding leveraged in nine months after its launch. Nor should we forget that the vast majority of SNIB funding comes from financial transactions cash, which the Cabinet Secretary for Finance and the Constitution described as “a con” when it was announced by the Treasury. Given that that money is being put to good use, I am sure that he will reflect on his choice of language in relation to that particular initiative.

Our amendment, in the name of my colleague Dean Lockhart, focuses on the issue of a “cluttered policy landscape”. The Fraser of Allander institute claimed in its economic commentary that came out just a few weeks ago that the Scottish Government has lost

“clarity of focus and delivery ... with a myriad of different strategies, advisory groups and bodies now cluttering the landscape.”

The institute is right to say that. We have to look at what the Scottish national investment bank will do and what current bodies are already doing. For example, we hear that the SNIB will finance SMEs by up to £10 million and will expand loan funding to SMEs of between £100,000 and £2 million, but the Scottish Investment Bank does those already. We hear that the SNIB will extend microfinance of up to £100,000, but the SME holding fund does that already. Therefore, as Alex Burnett said, we need greater clarity on exactly what the new bank will do, how it will replace those existing initiatives and what will happen to them.

I have some sympathy with the Labour amendment, but the issue that I have with it is that it talks about a “comprehensive industrial strategy” for Scotland when we already have a UK industrial strategy; I would prefer the Scottish Government to work as part of that rather than try to devise something entirely different.

The Green amendment is too prescriptive and tries too hard to tie the hands of the investment bank. The amendment talks about low-carbon investment, but we already have the green investment bank in that space, and we need to avoid too much duplication.

Dean Lockhart fairly raised the question of running costs. The sum of up to £30 million a year on staff salaries is a lot of money to spend. Willie Rennie made a fair point about how we will pay those salaries, what the rate should be and how we will scrutinise that, but we need to be careful that we do not scare away good people from coming to work in a public sector body that will need talent. The Scottish Futures Trust, for example, pays very high salaries but we get a good return from the people who work for it as a result.

We need to strike a balance on that, because the bank will fail if it is subject to undue political

interference. It must be free to take risks and must make market judgments on investments. I have some sympathy for the points that John Mason made in that respect. After all, if we are going to tie the bank to making ethical investments, how are we going to agree on what an ethical investment is?

The debate has been helpful in fleshing out more detail. There are still issues to be resolved, but we need to grow our economy and the Conservatives give the initiative their qualified support.

16:25

**Keith Brown:** This has been an interesting debate, although the consensus that everyone talks about might be a bit more elusive as we go through the process. The debate is also timely. It is clear from members’ contributions how ambitious everyone is to achieve faster inclusive growth—on the point about inclusivity, that is perhaps everyone apart from the Conservatives—and I share that ambition.

A publicly owned investment bank will become a cornerstone of the economy that we want to create in Scotland. It has the potential to be truly transformative. As we heard, a unique feature of the bank will be its mission-based approach to investment. Those missions—set by ministers and informed by consultation—will give Scotland the potential to demonstrate global leadership on common challenges.

The bank will have to be bold and ambitious in its approach as well as its financing and governance. On its scale, scope and adaptability, the Scottish Government is committed to capitalising the bank with £2 billion over 10 years. That scale is ambitious but achievable, and it will be able to make a material difference to the supply of capital to the Scottish economy. The bank will act commercially and have a different approach to risk and reward from that of other financial institutions.

I will address some of the points that members raised. First, when Derek Mackay asked Dean Lockhart which strategies should be ditched, he said the inclusive growth strategy. That is an astounding thing for someone to say, but we now know where the priorities—

**Dean Lockhart:** I said that, as we have discussed in the Economy, Jobs and Fair Work Committee, there is no settled definition of “inclusive growth”. The cabinet secretary has come to the committee time and again with different definitions, which is a good example of not only a cluttered landscape but muddled thinking in the Government’s economic strategy.



**Keith Brown:** The fact remains that Derek Mackay asked the member which strategies he would ditch and the first one—the only one—that came to his mind was the inclusive growth strategy.

I wonder whether the Tories formulate their economic policy in a darkened room, because they are not allowed to acknowledge the UK Government's role in the economy, Brexit, the changes in oil and gas figures, austerity or the cuts. What kind of economic policy can they possibly develop when they routinely ignore those things? The exception is Gordon Lindhurst, who admitted the heretical thought that the UK Government might be active in the Scottish economy, although in saying that he turned Gavin Brown's thoughts on their head—he said that the UK Government exercised the major levers in the Scottish economy.

The confusion in the Conservatives' thinking on the matter means that they cannot possibly come up with a rational economic policy. They can come up with a press release and can usually guarantee that it will get into certain newspapers easily, but that does not make it make sense.

Jackie Baillie made a point about investing £20 billion. Unlike the Conservatives, who asked us to get rid of some strategies, she wanted us to create some more. I think that the £20 billion was contingent upon—this is a big if—Labour winning the next election and Jeremy Corbyn finding £200 billion to put into the economy. We have heard it before. We should not have had to reissue the tender for the ScotRail contract because Labour was going to win in 2015 and that was going to obviate any need for it. I am not sure that we can have policy waiting for a Labour victory, not least given the Labour Party's pathetic performance in the local elections and as an Opposition at Westminster.

**Jackie Baillie:** The cabinet secretary's true colours are on display. The SNP has form in the area. It is not interested in the additional funding coming to Scotland. Is it not, indeed, the case that one of your former leaders suggested that people in Scotland should not vote Labour and should perhaps vote Tory? Look at what you have left us with.

**Keith Brown:** If we want to look at what you have left us with, we should remember the last words of the Labour Chief Secretary to the Treasury: "There is no money." Those were the last words of the last Labour Government. That is what Labour has left us with.

Ivan McKee talked sensibly about autonomous vehicles and the idea of an industrial hub. That is an interesting idea that bears further examination.

Alexander Burnett mentioned that the Scottish Government is pre-eminent in the Scottish economy. That admits the fact that the UK Government might be involved as well. It is a heretical thing to admit.

Murdo Fraser talked about further consultation, which is important, and we have said that that will happen. Obviously, there has been consultation to get to the stage that we are at just now, but there is much that we should be consulting people on.

Kate Forbes talked, quite rightly, about SMEs in the Highlands and Islands, and the difficulty that they have in finding available lending, particularly patient capital.

Claudia Beamish mentioned regionality. I accept that the bank needs to be seen to be serving the whole of Scotland. If there are gaps in the geography of Scotland, that should be addressed by the bank. In comparison, the UK Government has built an unbalanced economy—it is the most unbalanced economy in the world, in terms of inequality and the dominance of London to the exclusion of much of England, Scotland, Wales and Northern Ireland. We cannot replicate that failure in Scotland.

Gordon Lindhurst mentioned the running costs being too high and what we should do about capitalisation, which he felt was too low. We have heard an element of confusion among the Conservatives about what they want the bank to do and how they want it to do it. Murdo Fraser's latter comments about the need to attract the right people to the bank are very important. As Murdo Fraser said, John Mason raised a number of good issues that pointed to the tensions that there will be. There will be the demand, sometimes, to take action on the managed decline in industries. There will be demands from Opposition politicians to ensure that action is taken on whatever is the issue of the day. However, that stands in contrast to what we are setting up the bank to do, in terms of patient capital and a long-term transformation of the Scottish economy. Those tensions will exist.

Tom Mason gave us a retrospective insight into the Tory ideologues of the 1980s. They would have thought, "Get out of the way, Government. Do not touch BiFab. Do not touch the steel industry. Do not touch Ferguson's." That would have made Friedrich Hayek blush, had he heard some of the comments that were made. As Tom Mason was speaking, I watched the members of the Conservative front bench all look at their shoes, desperate for the speech to be over with.

**Dean Lockhart:** Will the member take an intervention?

**Keith Brown:** I have given way a couple of times.

That gives us an idea of how members in other parts of the Tory party tend to think.

James Kelly made the big mistake of thinking that the only threat to Celtic achieving 10 in a row will come from the other side of Glasgow. I caution him against that—threats can come from unexpected places, sometimes.

The bank that we will establish will be further discussed later this month at the Economy, Jobs and Fair Work Committee. Part of that discussion will focus on our response to the implementation plans, so there will be an opportunity for further discussion on those issues. A written update will also be provided to the Finance and Constitution Committee.

A key priority will be engagement with the Treasury around the additional year, which was mentioned. I am genuinely unsure on what Murdo Fraser said about his, and his party's, approach to that. We are having constructive discussions with the Treasury. It is about year-to-year flexibility, including carrying balances across. Perhaps there is a misunderstanding here. I would hate to think that Murdo Fraser's comments are the precursor to a refusal by the Treasury to listen to the arguments that we have put to it. Our proposal seems eminently sensible. We are not looking for more money; we intend to spend our own money. I am happy to have further discussion with Murdo Fraser if he wants to have that discussion with me.

I turn to the amendments. The Conservatives must understand that it cannot be the case that, if there is clutter in the Scottish economy—I accept that commentators have said that—that is the responsibility of only one Government. Let us have a genuine approach when looking at the issue of clutter. Part of my proposals, which I have already mentioned, will try to address that through the incorporation in the new bank of some functions that have been mentioned previously. Let us have that genuine discussion.

I turn to the Greens—

**The Deputy Presiding Officer:** I am afraid that you must conclude, cabinet secretary.

**Keith Brown:** We have some differences with the Greens, but we have a great deal in common. I would like to discuss some of the issues further. We support private capital being used. I am very interested in the Scottish payment company, but we cannot support the amendment for the reasons that have been mentioned. We cannot support the Labour amendment, not least because of the issue of capitalisation.

All in all, there is a great deal that we can unite around. If there is a genuine hope for consensus, I am determined to try to achieve that through

further discussions in the committees and in Parliament.

**The Deputy Presiding Officer:** That concludes the debate on the Scottish national investment bank. Before we move to the next item of business, I know that my colleague in the chair has reminded members, yet again, not to use the term “you” for individual members. It can be used for a collective group, such as the Conservatives, Labour, the Scottish National Party or the Greens, but not for members. Train yourselves, please.

## Budget Process (Written Agreement)

**The Deputy Presiding Officer (Christine Grahame):** The next item of business is a committee debate on motion S5M-11875, in the name of Bruce Crawford, on a revised written agreement with the Scottish Government on the budget process. I call Bruce Crawford to speak to and move the motion on behalf of the Finance and Constitution Committee. You have five minutes, Mr Crawford.

16:34

**Bruce Crawford (Stirling) (SNP):** It is my pleasure to speak as the convener of the Finance and Constitution Committee in this important debate on the written agreement between the committee and the Scottish Government on the new budget process.

First, I put on record my thanks to members of the budget process review group for producing such a high-quality report. I pay particular thanks to the clerks of the Finance and Constitution Committee, who, by undertaking their activities assiduously, enabled the whole process to come to a successful conclusion.

The budget process review group's report marks the biggest overhaul of the budget process since 1999, and the new written agreement is based on its recommendations.

I will provide a little background on the group's work. It met 11 times between September 2016 and June 2017. It commissioned research and received written and oral evidence from a range of academics, local authorities, economists, public bodies and the voluntary sector. It published its interim report in March 2017 and its final report in June 2017.

During the course of its review, the group considered the effectiveness of the existing budget process; the impact of the fiscal framework; and the effectiveness of multiyear budgeting, medium-term financial planning and outcomes-based scrutiny.

To put all that in context, up until the Scotland Act 2012, the Smith commission and the Scotland Act 2016, the Scottish Government's annual budget consisted mainly of the allocation of the block grant provided by the UK Government via the Barnett formula. Now, we are in totally different territory, in which around 40 per cent of the Scottish Government's annual budget comes from taxes agreed to by the Parliament. As we know, an additional 15 per cent of social security spending is being devolved at the moment, and further taxes are due to be devolved in the future.

In the light of those new powers, it is only right that we adopt a new approach to how we scrutinise the Scottish Government's budget, and the group has come up with an approach that will work well and should stand the test of time. There are four key areas from the group's final report that I would like to highlight.

First, the group recognised that single-year budgets make it more difficult for devolved public services to adopt medium-term priorities and develop plans to address future challenges, so it recommended that there should be a presumption that the Scottish Government will carry out its spending reviews at around the same time as the equivalent UK spending reviews.

Secondly, the group recommended the introduction of an annual fiscal framework outturn report, to be published each September, which will provide details of the reconciliation between the forecasts for the adjustments to the block grant and the revenues from the devolved taxes. It will include actual outturn figures. Critically, it is the difference between the outturn figures for the block grant adjustments and the outturn figures for the devolved taxes that will determine the final amount of tax revenue that is available to the Scottish Government.

Thirdly—in my view, this is important—the group recommended the introduction of a medium-term financial strategy, which will be published prior to the summer recess each year. It will set out the Scottish Government's expectations and its broad financial plans and projections for the next five years.

Finally—this is an extremely important recommendation—the group said that the shift towards a much more outcomes-based approach to the scrutiny of public expenditure should be accelerated. Such an approach will provide the means for evaluating the environmental, economic and social outcomes that are achieved by public spending.

It will require significant collaboration between the Government, the Parliament and Scotland's public bodies to deliver such an ambitious set of recommendations, but perhaps the biggest challenge that we as politicians face will be cultural. We need to move from a position of judging success based on the number of police on the streets or the number of nurses in our national health service to one that involves measuring the sustainable outcomes that are achieved by public spending in Scotland.

I put on record the committee's appreciation of the constructive engagement that we had with the Cabinet Secretary for Finance and the Constitution and his officials in revising the written agreement. Of course, all of that was helped hugely by the

sterling work of the budget process review group. I remind the chamber of the crucial role that the committee's clerks played in helping to facilitate the process.

On behalf of the Finance and Constitution Committee, I move,

That the Parliament agrees the revised Written Agreement on the budget process between the Scottish Government and the Finance and Constitution Committee.

**The Deputy Presiding Officer:** I call Derek Mackay, for the Government—four minutes please, Mr Mackay.

16:40

**The Cabinet Secretary for Finance and the Constitution (Derek Mackay):** I thank the convener of the Finance and Constitution Committee, its members and the budget process review group experts for their input and engagement that has led to the recommendations that are before us—in fact, to a great deal of improved practice from my point of view as finance secretary. I thank them for moving the budget process along in light of the new powers that the Parliament has. The decisions that we take collectively about public expenditure and, indeed, tax raising, are among the most important that we are responsible for, as they impact on our economy, public services, environment and citizens; therefore this progress is welcome.

The procedures that we follow when taking such decisions are key to ensuring that they are robust and transparent and are set within an appropriate and sound financial and constitutional context. As finance secretary, I have experienced at first hand the strength of the budgeting arrangements and I have a great deal of confidence in the recommendations, particularly those on transparency, the consultative approach and the sense of responsibility reflecting the scale of the challenges that we have. Our practices compare very well with those of other legislatures and will continue to do so.

The budget process, as detailed in the written agreement, strikes an effective balance between the respective roles of the Government and the Parliament. The process reflects the importance of our committee structure, with some innovations that will allow for detailed scrutiny, pre-budget engagement and a longer-term approach, in terms of multiyear budgeting reflecting the spending reviews of the UK Government.

It is right that we have reflected on all that and that we will update the written agreement in the most substantial way since the Parliament's creation, while staying true to the original principles and priorities. There will be greater engagement from civic Scotland and citizens in

the development of public finances. However, there is also a burden of responsibility on all parties, particularly those in Opposition, with regard to the enhanced powers, the longer-term view and the update to the written agreement.

The budget process review group focused on the new financial powers from the Scotland Act 2012 and the Scotland Act 2016, which led to the recommendations. We have been able to begin some of the work, which has been welcomed by the Finance and Constitution Committee in particular. However, it is clear that the recommendations will require everyone's participation, including the Government's in setting out the medium-term financial outlook before the end of May, and then producing further reports, such as the new fiscal framework outturn statement in September.

As the updated written agreement makes clear, the subject committees will be in a position to put forward their views on the budget prior to firm spending proposals being published, through constructive dialogue with ministers, public bodies and other stakeholders; I look forward to that further innovation. Under the revised process, committees will write to ministers at least six weeks prior to the publication of the budget, setting out their views on the delivery and funding of existing policy priorities, on any proposed changes and, crucially, on how they should be funded—something that I will be particularly interested in. Those views should take into account the longer-term perspective on devolved public finances in Scotland. There will be more debate time before stage 1, including the involvement of committee conveners. As I said, the timing and the rhythm will fit in with the UK spending review context.

This year, 2018, will mark the first year of the new process and I look forward to working with the Finance and Constitution Committee and colleagues across the chamber through this year's budget process. I commend to the Parliament the proposed updates to the written agreement.

**The Deputy Presiding Officer:** I am sorry, but I have to be very tight with time. I call Murdo Fraser to open for the Conservatives—four minutes, please, Mr Fraser.

16:44

**Murdo Fraser (Mid Scotland and Fife) (Con):** The revised written agreement between the Scottish Parliament and the Scottish Government is, as we have heard, the latest stage in the budget process review. The final report of the budget process review group was produced in June last year and it had some very helpful recommendations about how we improve budget

scrutiny in this Parliament. The written agreement seeks to implement some of those recommendations and contains proposals for changes to standing orders to facilitate that.

One of the primary reasons behind the need to revisit our budget process was the changing timescale for analysis of the budget. As members will know, it was previously the case that the draft budget would be produced in September, well in advance of final budget votes, which would take place in February the following year. That gave all committees in Parliament ample opportunity to take evidence on a draft budget and then produce their reports. Those would be submitted to the Finance and Constitution Committee, which would then produce its own report for debate in the chamber.

That timescale started to change with the growing importance, from the perspective of the UK Treasury, of the autumn budget statement, which tended to occur as late as mid-November. The importance of the UK spring budget as an event therefore diminished. That process was formalised last year when, for the first time, the UK's budget was presented in November. This year, the spring budget statement became more of an update on the economy and public finances.

From a UK perspective, the change makes perfect sense. There never was much logic in a budget being produced in March, with the start of the financial year just a few weeks later on 6 April. Having budget decisions taken and announced in November allows much more time both for parliamentary scrutiny and for proper consideration of the issues prior to the start of the next financial year.

However, that cements the challenges that this Parliament faces, in that we are now tied to budgets in mid-December, with just a few short weeks allowed for committee and parliamentary scrutiny. One of the key recommendations of the budget process review group, which is documented in the revised written agreement, is the need for a

“full year approach to budget scrutiny”.

As the cabinet secretary has just said, that will require subject committees to take a new approach to the way in which they scrutinise the budget. In particular, it will require committees, in advance of the draft budget being published, to consider budget issues and make recommendations. While that is a welcome and indeed necessary approach, I have concerns about how it will operate in practice. The challenge for very busy committees in particular is to find adequate time in their work programmes to ensure that that is done properly. That is an issue of

which the Conveners Group in particular needs to be very conscious.

I very much welcome the proposal that budget scrutiny should be output and outcome focused. Too often in the Parliament, we spend our time debating inputs: how much money we are spending, how many nurses we are employing and how many police officers there are, rather than considering outputs and outcomes. There is not always a direct link between what goes in at one end and what comes out at the other. Indeed, there is some evidence to suggest that, on occasion, lower inputs can lead to greater outcomes. That particular shift is therefore welcome.

The other recommendation that I will mention, which I think is something that we need to progress, is the notion of an annual finance bill. With the devolution of greater tax powers, we are finding that more and more tweaks to tax legislation require to be made. Rather than doing that on an ad hoc basis, it surely makes sense to provide a single legislative vehicle on an annual basis for revenue-related changes. As the review group has pointed out, that could also help to raise public understanding and awareness of the budget.

The agreement is welcome. It implements some important and serious recommendations. The proposed changes to standing orders are required to implement the recommendations, and I commend them to the Parliament.

16:48

**James Kelly (Glasgow) (Lab):** I echo the words of the convener of the Finance and Constitution Committee, Bruce Crawford, in thanking members of the budget process review group for the substantial amount of work that they carried out in bringing forward the changes to the written agreement. The measures are fundamental to the budget process and will bring about substantial change.

The changes are very much necessary, and there are two reasons for that. First, regarding the budget timetable in recent years, as Murdo Fraser has outlined, there has been an increasing tendency at Westminster to prioritise the statement later in the year, culminating in the formalisation of the November statement as being the budget statement. For recent budgets in the Scottish Parliament, the amount of time that we have had to scrutinise the budget, running from mid-December to mid-February, has been constrained, whereas previously the budget would have been published in September. That requires another look at how we deal with the budget in

order to provide the proper scrutiny and opportunity.

The second reason why the changes are important relates to the substantial tax changes that have been made. As Bruce Crawford pointed out, 40 per cent of the money in the budget is now raised directly by the Scottish Parliament. We need to have much more focus on that. Some tax revenues are included in the budget by way of forecasting, and that amount will continue to expand when VAT is allocated into the budget in 2019. There is a big forecasting, reconciliation and adjustment process, because forecast figures will ultimately never be totally accurate and a process that keeps up with that is needed.

From that point of view, the mechanisms that the budget process review group has put forward in relation to a multi-year focus and tying in with the publication of the spending review are very important. Whether people are budgeting in a public sector organisation, a private company or the Scottish Government, it makes great sense to do so over a longer period of time instead of simply focusing on one year. The multi-year focus is really important.

It is also important to have appropriate scrutiny and to look at outcomes and outputs, as other members have said. Some people think that it is just a case of agreeing the budget lines and allocating £10 million to one line and £30 million to another. The budget holders, in particular, celebrate the allocation of money to their budgets, but we do not do our constituents a proper service if we do not scrutinise how the money is spent and what it delivers. From that point of view, the new focus on outcomes and outputs is very welcome.

The cabinet secretary said that there will be a lot more debate time. I look forward to the opportunity to hold him to account on his proposals. There is a big job for committees to do in building the process into their work programme. It will give committees more power, and I hope that they take up the opportunity that there will be.

I very much welcome the new written agreement and the work of the budget process review group, which focuses on how the money that goes into the budget delivers on the challenges that we, in Parliament, want to deliver on in order to achieve the Parliament's objectives.

16:52

**Patrick Harvie (Glasgow) (Green):** I echo the comments of other members—particularly those who have praised the work of the budget process review group and the construction of the new agreement.

I do not want to repeat points that have already been made, but the focus on multi-year budgeting is certainly a welcome return to the longer-term perspective. That used to be the norm in the Scottish Parliament, but we have moved away from that, and returning to it is important. I hope that the fact that that is expressed in not only a statement of Parliament but an agreement with the Government indicates that there will be a return to normal practice.

As well as acknowledging the shortened timescale, which will produce challenges for parliamentary committees, we must acknowledge that the Scottish budget is now a fundamentally different kind of exercise. It is not merely the expression of a spending Government; it needs to capture the political tensions as well as the opportunities of a Government that has taxation and spending powers in areas that have developed and that will, I hope, continue to develop in respect of the scope that those powers can be exercised within.

That also creates challenges for parliamentary committees, which have specific, narrow remits. In budget scrutiny in the past, committees were encouraged—indeed, required—to produce proposals that were relevant only to their own remit. A range of spending alternatives may come forward from parliamentary committees that can be matched only by taxation policies. There may be a cross-party agreement on certain additional spending priorities or alternative spending priorities, but no agreement on how they should be funded. Therefore, it is important that committees are able to express themselves on both the spending and the taxation aspects of the budget. It should not be the case that the taxation aspects of the Scottish budget can be commented on only by the Finance and Constitution Committee. All committees will have to take part in that process—in a collegiate way, if at all possible—rather than those issues being seen purely within the terms of formal committee remits.

I have made the case in the past, and I will make it again one more time on this occasion, that it is not only the Scottish Government's proposals that require to be fairly and democratically scrutinised in public and on the record. That scrutiny, particularly in periods of minority Government, needs to be brought to bear on Opposition party proposals as well, and that aspect has not yet been captured. It may be that we have to feel our way towards a means of ensuring that Opposition party proposals are also subject to fair, democratic scrutiny on the record as part of our budget process.

16:55

**Adam Tomkins (Glasgow) (Con):** It is my pleasure to close the debate as the deputy convener of the Finance and Constitution Committee. I, too, thank the members of the budget process review group for all their work and for coming up with wide-ranging and important recommendations that will ensure that we have a budget process that is truly fit for purpose in the light of the Parliament's new and increased tax-raising—or, indeed, tax-lowering—powers.

Under the agreement, the Scottish Government will provide a long-term perspective on the sustainability of the public finances, and parliamentary committees will, as we have heard, have the opportunity—which we all hope that they will take—to influence the formulation of Government spending plans.

It is worth reiterating the four core objectives of the new budget process, as recommended by the group. The first is:

“To have a greater influence”

on the part of the Parliament

“on the formulation of the Scottish Government's budget proposals”.

The second is:

“To improve transparency and raise public understanding and awareness of the budget”.

The third is:

“To respond effectively to new fiscal and wider policy challenges”.

The fourth is:

“To lead to better outputs and outcomes as measured”,

as we have heard,

“against benchmarks and stated objectives.”

We are here because the Parliament's fiscal powers have grown significantly through the Scotland Act 2012 and the Scotland Act 2016. As the convener said in his opening remarks, those acts have generated the biggest overhaul in the budget process since the creation of this Parliament in 1999. It is clear that the increased fiscal powers that have been devolved to Scotland significantly empower ministers, but MSPs must also be significantly empowered to hold ministers to account, and the fourth recommendation is designed to achieve that.

The optimum time for the Parliament's committees to influence the budgets is when the priorities are being set, because any later than that is too late for effective parliamentary scrutiny. The agreement is important in managing that effective parliamentary scrutiny and not squeezing the time that is available for budget scrutiny in the way that Murdo Fraser and others have described, and it is

why the Scottish Government's commitment to publish annually a medium-term financial strategy is welcome.

The other element that I will highlight—it has been highlighted by a number of members, including James Kelly—is the importance of outcomes-based scrutiny. That is a piece of jargon that it is easy to switch off from; it is a horrible phrase. However, it is important because it provides a means for MSPs to evaluate the economic and social outcomes that are being achieved by public spending. That has been underplayed in budget processes since the Parliament was created, in 1999, and we can no longer afford that luxury. Outcomes-based scrutiny involves bringing together financial and performance information so that the impact of spending decisions can be better understood by all of us, including those whom we represent.

We are entering a new period of devolution in which our Parliament is responsible for raising much of the revenue to fund our public services. That requires us all—the Government and the Opposition—to rise to the challenge of using the new powers wisely and to manage the inevitable risks with a pragmatic and reasonable approach. I echo Bruce Crawford's view that our biggest challenge in managing the change is cultural. The outcomes-based scrutiny approach will allow us to evaluate the economic and social outcomes that are being achieved by public spending, which is critical. As politicians, we must all concentrate on how we make the best use of our public finances to deliver better public services for us all. I therefore support the motion in Bruce Crawford's name.

## Standing Orders (Budget Process)

**The Presiding Officer (Ken Macintosh):** The next item of business is consideration of motion S5M-11991, on budget process standing orders rule changes. I call Clare Haughey to speak to and move the motion, on behalf of the Standards, Procedures and Public Appointments Committee.

17:00

**Clare Haughey (Rutherglen) (SNP):** Standing orders set out the high-level rules that govern the budget process, but specific details are covered in the written agreement between the Finance and Constitution Committee and the Scottish Government.

Following the update to the written agreement, the Finance and Constitution Committee asked the Standards, Procedures and Public Appointments Committee to propose changes to standing orders, to ensure that the Parliament's rules accurately reflect the budget process.

We propose several changes. We recommend that parliamentary time is set aside for a committee debate prior to the stage 1 debate on the budget bill. That is a feature of the new budget process.

We propose an update to the rules on the timing of budget bills, to reflect the fact that the budget bill will normally be published prior to the Christmas recess.

We propose new deadlines for the lodging of amendments to the budget bill. Normally, the Parliament is asked to vary the standing orders to extend the deadline for amendments to the budget bill; the proposed new rules set out more realistic lodging deadlines. Our suggested rule changes will also remove a requirement to lay certain reports and financial documents, which are no longer required under the new budget process.

Finally, there are minor consequential changes to other rules, for example to update the remits of committees to reflect the new budget process.

The committee thinks that it is important that standing orders accurately reflect how the Parliament's new budget scrutiny arrangements will work in practice, so I am pleased to propose the changes that I have set out.

I move,

That the Parliament notes the Standards, Procedures and Public Appointments Committee's 1st Report 2018 (Session 5), Budget Process—Standing Order rule changes (SP Paper 308), and agrees that the changes to Standing Orders set out in Annexe A of the report be made with effect from 9 May 2018.

## Point of Order

17:02

**Patrick Harvie (Glasgow) (Green):** On a point of order, Presiding Officer.

We have just had a debate on the changes under the new budget process, as well as a proposal for rule changes, as a result of work that has been done by the Finance and Constitution Committee and the Standards, Procedures and Public Appointments Committee. I am a member of both committees and I am happy to support the work that has been done. I have no difficulty with the proposed changes to standing orders in the motion to which we are about to be asked to agree.

However, the changes raise an issue in relation to the operation of another rule in standing orders, which is not being changed: rule 8.5.6, which gives you, Presiding Officer, the discretion to decide which of the amendments that have been lodged will be debated in the Parliament.

Members of all committees that have a scrutiny remit in areas in which the Scottish Government will make spending or taxation proposals have a responsibility to be aware of the issue. In future, there will not be a draft budget process, so it is important that the new process provides for scrutiny that is as robust as the approach that we are doing away with.

The guidance that the Finance and Constitution Committee has given to other committees draws attention to the fact that alternative revenue and spending proposals can be lodged through reasoned amendments to the Scottish Government motion on the general principles of the budget bill. The Government will still be in a position to amend the budget, but committees will have the opportunity to make proposals, through reasoned amendments, in the stage 1 debate.

Presiding Officer, given that it is not possible to address the issue explicitly in standing orders, it is important that we ask you to confirm that, when committees have agreed a reasoned amendment, it will always be your intention that the amendment will be debated in the chamber, and to confirm that the Parliamentary Bureau will be asked to allocate enough time to ensure that that happens.

We have a dozen committees that scrutinise spending aspects of the Scottish Government's work, and we might have even more such committees if functions that currently operate at European Union level are operated from this Parliament. In the stage 1 debate, adequate time needs to be allowed for all reasoned amendments to be debated and put to the vote. Will you confirm



that that will be your intention in the operation of the new process?

**The Presiding Officer (Ken Macintosh):** I thank Mr Harvie for notice of his point of order, and say that I recognise the important point that he raises.

While I—or, indeed, any Presiding Officer—would need to consider the terms of any such amendment that might be submitted, I can assure Mr Harvie that I am sympathetic to the point that has been raised. I see it as being part of my role—as I hope that any future Presiding Officer would also do—to ensure that all members have the opportunity of discussing issues that they regard as being of political importance. It is also the case that any reasoned amendment would have had to secure the cross-party support of a committee in order to have been adopted by that committee, which is part of the guidance that all Presiding Officers take into account when selecting amendments.

I will certainly bear Mr Harvie's comments in mind when considering selection of any reasoned amendment that is submitted on behalf of a committee. As regards the time that is allocated for debate, I support his point that sufficient time would need to be made available for that to take place, which would be something for the Parliamentary Bureau to bear in mind.

## Holocaust (Return of Cultural Objects) (Amendment) Bill

17:05

**The Presiding Officer (Ken Macintosh):** The next item of business is consideration of legislative consent motion S5M-12112, in the name of Fiona Hyslop, on the Holocaust (Return of Cultural Objects) (Amendment) Bill, which is United Kingdom legislation.

*Motion moved,*

That the Parliament agrees that the relevant provisions of the Holocaust (Return of Cultural Objects) (Amendment) Bill introduced in the House of Commons on 13 March 2018 relating to the repeal of section 4(7) of the Holocaust (Return of Cultural Objects) Act 2009, so far as these matters fall within the legislative competence of the Scottish Parliament, should be considered by the UK Parliament.

## Decision Time

17:06

**The Presiding Officer (Ken Macintosh):** The first question is, that amendment S5M-12076.1, in the name of Dean Lockhart, which seeks to amend motion S5M-12076, in the name of Keith Brown, on the Scottish national investment bank, be agreed to.

*Amendment agreed to.*

**The Presiding Officer:** The next question is, that amendment S5M-12076.2, in the name of Jackie Baillie, which seeks to amend motion S5M-12076, in the name of Keith Brown, on the Scottish national investment bank, be agreed to. Are we agreed?

**Members:** No.

**The Presiding Officer:** There will be a division.

### For

Baillie, Jackie (Dumbarton) (Lab)  
 Beamish, Claudia (South Scotland) (Lab)  
 Bibby, Neil (West Scotland) (Lab)  
 Cole-Hamilton, Alex (Edinburgh Western) (LD)  
 Fee, Mary (West Scotland) (Lab)  
 Grant, Rhoda (Highlands and Islands) (Lab)  
 Gray, Iain (East Lothian) (Lab)  
 Griffin, Mark (Central Scotland) (Lab)  
 Johnson, Daniel (Edinburgh Southern) (Lab)  
 Kelly, James (Glasgow) (Lab)  
 Lamont, Johann (Glasgow) (Lab)  
 Lennon, Monica (Central Scotland) (Lab)  
 Macdonald, Lewis (North East Scotland) (Lab)  
 McArthur, Liam (Orkney Islands) (LD)  
 Rennie, Willie (North East Fife) (LD)  
 Rumbles, Mike (North East Scotland) (LD)  
 Sarwar, Anas (Glasgow) (Lab)  
 Smyth, Colin (South Scotland) (Lab)  
 Stewart, David (Highlands and Islands) (Lab)

### Against

Adam, George (Paisley) (SNP)  
 Adamson, Clare (Motherwell and Wishaw) (SNP)  
 Arthur, Tom (Renfrewshire South) (SNP)  
 Balfour, Jeremy (Lothian) (Con)  
 Ballantyne, Michelle (South Scotland) (Con)  
 Beattie, Colin (Midlothian North and Musselburgh) (SNP)  
 Bowman, Bill (North East Scotland) (Con)  
 Briggs, Miles (Lothian) (Con)  
 Brown, Keith (Clackmannanshire and Dunblane) (SNP)  
 Burnett, Alexander (Aberdeenshire West) (Con)  
 Cameron, Donald (Highlands and Islands) (Con)  
 Campbell, Aileen (Clydesdale) (SNP)  
 Carson, Finlay (Galloway and West Dumfries) (Con)  
 Chapman, Peter (North East Scotland) (Con)  
 Coffey, Willie (Kilmarnock and Irvine Valley) (SNP)  
 Constance, Angela (Almond Valley) (SNP)  
 Corry, Maurice (West Scotland) (Con)  
 Crawford, Bruce (Stirling) (SNP)  
 Cunningham, Roseanna (Perthshire South and Kinross-shire) (SNP)  
 Davidson, Ruth (Edinburgh Central) (Con)  
 Denham, Ash (Edinburgh Eastern) (SNP)  
 Dey, Graeme (Angus South) (SNP)

Doris, Bob (Glasgow Maryhill and Springburn) (SNP)  
 Dornan, James (Glasgow Cathcart) (SNP)  
 Ewing, Annabelle (Cowdenbeath) (SNP)  
 Ewing, Fergus (Inverness and Nairn) (SNP)  
 Fabiani, Linda (East Kilbride) (SNP)  
 Finnie, John (Highlands and Islands) (Green)  
 FitzPatrick, Joe (Dundee City West) (SNP)  
 Forbes, Kate (Skye, Lochaber and Badenoch) (SNP)  
 Fraser, Murdo (Mid Scotland and Fife) (Con)  
 Freeman, Jeane (Carrick, Cumnock and Doon Valley) (SNP)  
 Gibson, Kenneth (Cunninghame North) (SNP)  
 Gilruth, Jenny (Mid Fife and Glenrothes) (SNP)  
 Gougeon, Mairi (Angus North and Mearns) (SNP)  
 Grahame, Christine (Midlothian South, Tweeddale and Lauderdale) (SNP)  
 Greene, Jamie (West Scotland) (Con)  
 Greer, Ross (West Scotland) (Green)  
 Halcro Johnston, Jamie (Highlands and Islands) (Con)  
 Hamilton, Rachael (Ettrick, Roxburgh and Berwickshire) (Con)  
 Harper, Emma (South Scotland) (SNP)  
 Harvie, Patrick (Glasgow) (Green)  
 Haughey, Clare (Rutherglen) (SNP)  
 Hepburn, Jamie (Cumbernauld and Kilsyth) (SNP)  
 Hyslop, Fiona (Linlithgow) (SNP)  
 Johnstone, Alison (Lothian) (Green)  
 Kerr, Liam (North East Scotland) (Con)  
 Kidd, Bill (Glasgow Anniesland) (SNP)  
 Lindhurst, Gordon (Lothian) (Con)  
 Lochhead, Richard (Moray) (SNP)  
 Lockhart, Dean (Mid Scotland and Fife) (Con)  
 Lyle, Richard (Uddingston and Bellshill) (SNP)  
 MacDonald, Angus (Falkirk East) (SNP)  
 MacDonald, Gordon (Edinburgh Pentlands) (SNP)  
 MacGregor, Fulton (Coatbridge and Chryston) (SNP)  
 Mackay, Derek (Renfrewshire North and West) (SNP)  
 Mackay, Rona (Strathkelvin and Bearsden) (SNP)  
 Macpherson, Ben (Edinburgh Northern and Leith) (SNP)  
 Maguire, Ruth (Cunninghame South) (SNP)  
 Martin, Gillian (Aberdeenshire East) (SNP)  
 Mason, John (Glasgow Shettleston) (SNP)  
 Mason, Tom (North East Scotland) (Con)  
 McAlpine, Joan (South Scotland) (SNP)  
 McDonald, Mark (Aberdeen Donside) (Ind)  
 McKee, Ivan (Glasgow Provan) (SNP)  
 McKelvie, Christina (Hamilton, Larkhall and Stonehouse) (SNP)  
 McMillan, Stuart (Greenock and Inverclyde) (SNP)  
 Mitchell, Margaret (Central Scotland) (Con)  
 Mountain, Edward (Highlands and Islands) (Con)  
 Mundell, Oliver (Dumfriesshire) (Con)  
 Neil, Alex (Airdrie and Shotts) (SNP)  
 Robison, Shona (Dundee City East) (SNP)  
 Ross, Gail (Caithness, Sutherland and Ross) (SNP)  
 Ruskell, Mark (Mid Scotland and Fife) (Green)  
 Russell, Michael (Argyll and Bute) (SNP)  
 Scott, John (Ayr) (Con)  
 Simpson, Graham (Central Scotland) (Con)  
 Smith, Liz (Mid Scotland and Fife) (Con)  
 Somerville, Shirley-Anne (Dunfermline) (SNP)  
 Stevenson, Stewart (Banffshire and Buchan Coast) (SNP)  
 Stewart, Alexander (Mid Scotland and Fife) (Con)  
 Stewart, Kevin (Aberdeen Central) (SNP)  
 Swinney, John (Perthshire North) (SNP)  
 Todd, Maree (Highlands and Islands) (SNP)  
 Tomkins, Adam (Glasgow) (Con)  
 Watt, Maureen (Aberdeen South and North Kincardine) (SNP)  
 Wells, Annie (Glasgow) (Con)  
 Wheelhouse, Paul (South Scotland) (SNP)  
 Whittle, Brian (South Scotland) (Con)

Wightman, Andy (Lothian) (Green)  
Yousaf, Humza (Glasgow Pollok) (SNP)

**The Presiding Officer:** The result of the division is: For 19, Against 91, Abstentions 0.

*Amendment disagreed to.*

**The Presiding Officer:** The next question is, that amendment S5M-12076.3, in the name of Andy Wightman, which seeks to amend motion S5M-12076, in the name of Keith Brown, on the Scottish national investment bank, be agreed to. Are we agreed?

**Members:** No.

**The Presiding Officer:** There will be a division.

#### For

Baillie, Jackie (Dumbarton) (Lab)  
Beamish, Claudia (South Scotland) (Lab)  
Bibby, Neil (West Scotland) (Lab)  
Cole-Hamilton, Alex (Edinburgh Western) (LD)  
Fee, Mary (West Scotland) (Lab)  
Finnie, John (Highlands and Islands) (Green)  
Grant, Rhoda (Highlands and Islands) (Lab)  
Gray, Iain (East Lothian) (Lab)  
Greer, Ross (West Scotland) (Green)  
Griffin, Mark (Central Scotland) (Lab)  
Harvie, Patrick (Glasgow) (Green)  
Johnson, Daniel (Edinburgh Southern) (Lab)  
Johnstone, Alison (Lothian) (Green)  
Kelly, James (Glasgow) (Lab)  
Lamont, Johann (Glasgow) (Lab)  
Lennon, Monica (Central Scotland) (Lab)  
Macdonald, Lewis (North East Scotland) (Lab)  
McArthur, Liam (Orkney Islands) (LD)  
McDonald, Mark (Aberdeen Donside) (Ind)  
Rennie, Willie (North East Fife) (LD)  
Rumbles, Mike (North East Scotland) (LD)  
Ruskell, Mark (Mid Scotland and Fife) (Green)  
Sarwar, Anas (Glasgow) (Lab)  
Smyth, Colin (South Scotland) (Lab)  
Stewart, David (Highlands and Islands) (Lab)  
Wightman, Andy (Lothian) (Green)

#### Against

Adam, George (Paisley) (SNP)  
Adamson, Clare (Motherwell and Wishaw) (SNP)  
Arthur, Tom (Renfrewshire South) (SNP)  
Balfour, Jeremy (Lothian) (Con)  
Ballantyne, Michelle (South Scotland) (Con)  
Beattie, Colin (Midlothian North and Musselburgh) (SNP)  
Bowman, Bill (North East Scotland) (Con)  
Briggs, Miles (Lothian) (Con)  
Brown, Keith (Clackmannanshire and Dunblane) (SNP)  
Burnett, Alexander (Aberdeenshire West) (Con)  
Cameron, Donald (Highlands and Islands) (Con)  
Campbell, Aileen (Clydesdale) (SNP)  
Carson, Finlay (Galloway and West Dumfries) (Con)  
Chapman, Peter (North East Scotland) (Con)  
Coffey, Willie (Kilmarnock and Irvine Valley) (SNP)  
Constance, Angela (Almond Valley) (SNP)  
Corry, Maurice (West Scotland) (Con)  
Crawford, Bruce (Stirling) (SNP)  
Cunningham, Roseanna (Perthshire South and Kinross-shire) (SNP)  
Davidson, Ruth (Edinburgh Central) (Con)  
Denham, Ash (Edinburgh Eastern) (SNP)  
Dey, Graeme (Angus South) (SNP)  
Doris, Bob (Glasgow Maryhill and Springburn) (SNP)

Dornan, James (Glasgow Cathcart) (SNP)  
Ewing, Annabelle (Cowdenbeath) (SNP)  
Ewing, Fergus (Inverness and Nairn) (SNP)  
Fabiani, Linda (East Kilbride) (SNP)  
FitzPatrick, Joe (Dundee City West) (SNP)  
Forbes, Kate (Skye, Lochaber and Badenoch) (SNP)  
Fraser, Murdo (Mid Scotland and Fife) (Con)  
Freeman, Jeane (Carrick, Cumnock and Doon Valley) (SNP)  
Gibson, Kenneth (Cunninghame North) (SNP)  
Gilruth, Jenny (Mid Fife and Glenrothes) (SNP)  
Gougeon, Mairi (Angus North and Mearns) (SNP)  
Grahame, Christine (Midlothian South, Tweeddale and Lauderdale) (SNP)  
Greene, Jamie (West Scotland) (Con)  
Halcro Johnston, Jamie (Highlands and Islands) (Con)  
Hamilton, Rachael (Ettrick, Roxburgh and Berwickshire) (Con)  
Harper, Emma (South Scotland) (SNP)  
Haughey, Clare (Rutherglen) (SNP)  
Hepburn, Jamie (Cumbernauld and Kilsyth) (SNP)  
Hyslop, Fiona (Linlithgow) (SNP)  
Kerr, Liam (North East Scotland) (Con)  
Kidd, Bill (Glasgow Anniesland) (SNP)  
Lindhurst, Gordon (Lothian) (Con)  
Lochhead, Richard (Moray) (SNP)  
Lockhart, Dean (Mid Scotland and Fife) (Con)  
Lyle, Richard (Uddingston and Bellshill) (SNP)  
MacDonald, Angus (Falkirk East) (SNP)  
MacDonald, Gordon (Edinburgh Pentlands) (SNP)  
MacGregor, Fulton (Coatbridge and Chryston) (SNP)  
Mackay, Derek (Renfrewshire North and West) (SNP)  
Mackay, Rona (Strathkelvin and Bearsden) (SNP)  
Macpherson, Ben (Edinburgh Northern and Leith) (SNP)  
Maguire, Ruth (Cunninghame South) (SNP)  
Martin, Gillian (Aberdeenshire East) (SNP)  
Mason, John (Glasgow Shettleston) (SNP)  
Mason, Tom (North East Scotland) (Con)  
McAlpine, Joan (South Scotland) (SNP)  
McKee, Ivan (Glasgow Provan) (SNP)  
McKelvie, Christina (Hamilton, Larkhall and Stonehouse) (SNP)  
McMillan, Stuart (Greenock and Inverclyde) (SNP)  
Mitchell, Margaret (Central Scotland) (Con)  
Mountain, Edward (Highlands and Islands) (Con)  
Mundell, Oliver (Dumfriesshire) (Con)  
Neil, Alex (Airdrie and Shotts) (SNP)  
Robison, Shona (Dundee City East) (SNP)  
Ross, Gail (Caithness, Sutherland and Ross) (SNP)  
Russell, Michael (Argyll and Bute) (SNP)  
Scott, John (Ayr) (Con)  
Simpson, Graham (Central Scotland) (Con)  
Smith, Liz (Mid Scotland and Fife) (Con)  
Somerville, Shirley-Anne (Dunfermline) (SNP)  
Stevenson, Stewart (Banffshire and Buchan Coast) (SNP)  
Stewart, Alexander (Mid Scotland and Fife) (Con)  
Stewart, Kevin (Aberdeen Central) (SNP)  
Swinney, John (Perthshire North) (SNP)  
Todd, Maree (Highlands and Islands) (SNP)  
Tomkins, Adam (Glasgow) (Con)  
Watt, Maureen (Aberdeen South and North Kincardine) (SNP)  
Wells, Annie (Glasgow) (Con)  
Wheelhouse, Paul (South Scotland) (SNP)  
Whittle, Brian (South Scotland) (Con)  
Yousaf, Humza (Glasgow Pollok) (SNP)

**The Presiding Officer:** The result of the division is: For 26, Against 84, Abstentions 0.

*Amendment disagreed to.*

**The Presiding Officer:** The next question is, that motion S5M-12076, in the name of Keith Brown, on the Scottish national investment bank, as amended, be agreed to.

*Motion, as amended, agreed to,*

That the Parliament notes the publication of the Scottish National Investment Bank Implementation Plan, which sets out proposals and recommendations for the establishment of the bank; further notes the emphasis that these proposals place on the bank being bold and ambitious by providing patient mission-based finance, which will help create and shape future markets and help Scotland achieve its full economic potential; acknowledges concerns expressed by stakeholders that a cluttered policy landscape can lead to confusion, a lack of alignment, duplication and weakened accountability, and calls on the Scottish Government for clarity of focus and delivery with respect to the role and objectives of the bank.

**The Presiding Officer:** The next question is, that motion S5M-11875, in the name of Bruce Crawford, on a revised written agreement between the Scottish Parliament and the Scottish Government on the budget process, be agreed to.

*Motion agreed to,*

That the Parliament agrees the revised Written Agreement on the budget process between the Scottish Government and the Finance and Constitution Committee.

**The Presiding Officer:** The next question is, that motion S5M-11991, in the name of Clare Haughey, on budget process standing orders rule changes, be agreed to.

*Motion agreed to,*

That the Parliament notes the Standards, Procedures and Public Appointments Committee's 1st Report 2018 (Session 5), Budget Process—Standing Order rule changes (SP Paper 308), and agrees that the changes to Standing Orders set out in Annexe A of the report be made with effect from 9 May 2018.

**The Presiding Officer:** The final question is, that motion S5M-12112, in the name of Fiona Hyslop, on the Holocaust (Return of Cultural Objects) (Amendment) Bill, which is United Kingdom legislation, be agreed to.

*Motion agreed to,*

That the Parliament agrees that the relevant provisions of the Holocaust (Return of Cultural Objects) (Amendment) Bill introduced in the House of Commons on 13 March 2018 relating to the repeal of section 4(7) of the Holocaust (Return of Cultural Objects) Act 2009, so far as these matters fall within the legislative competence of the Scottish Parliament, should be considered by the UK Parliament.

## Dog Attacks

**The Deputy Presiding Officer (Linda Fabiani):** The final item of business is a members' business debate on motion S5M-10404, in the name of Alex Neil, on dog attack figures. The debate will be concluded without any question being put.

*Motion debated,*

That the Parliament expresses its concern at figures obtained by a recent Clyde News investigation, which suggest that, between January and June 2017, 205 children were taken to A&E due to dog bites; understands that the number of people receiving treatment for such bites in Scotland has risen from 1,939 in 2015 to 2,027 in 2016 and that, in the first six months of 2017, 1,057 children and adults in the NHS Greater Glasgow and Clyde area went to hospital; considers these figures to be very worrying, and notes calls for a post-legislative review of the Control of Dogs (Scotland) Act 2010, including the degree to which the Act is being effectively enforced by local authorities.

17:10

**Alex Neil (Airdrie and Shotts) (SNP):** In speaking to my motion on dog attack figures, I would like to mention four organisations that have brought the subject back to our attention and have run a magnificent campaign on the need for us to review the Control of Dogs (Scotland) Act 2010. The first of those organisations is Clyde 1, which has run the lead the way campaign to protect children from dog attacks that has been led by Natalie Crawford. Clyde 1 has already given a lot of airtime to the subject, and has elicited a lot of additional information of which we were not aware.

The second organisation to which many thanks are due, as was the case during the passage of the original legislation, is the Scottish Society for the Prevention of Cruelty to Animals, particularly for the role that has been played by Mike Flynn. The third is the Communication Workers Union, which has been running a substantial campaign on the subject across the United Kingdom to protect its members, which has been led by Dave Joyce.

Finally, and most important, we must thank the victims of dog attacks and the families of people who have been subjected to dog bites and attacks down the years.

It is necessary to reopen the debate for three fundamental reasons. First, the problem of dog bites and dog attacks is not only still with us, but is actually getting worse. Only seven of the 14 national health service territorial boards have been able to provide us with figures, but even those seven health boards, which cover half of Scotland, report figures that show the rate of attacks to be well over 4,000 a year. In the Greater Glasgow and Clyde NHS Board area, for example, the

figure is up from 1,900 attacks in 2015 to 2,027 in 2016. The number is high and rising.

Secondly, the number of dog control notices that have been issued under the 2010 act accounts for 290 of the incidents, so fewer than 10 per cent of all the incidents have resulted in dog control notices. That shows that the act is not being implemented properly. If we look at enforcement and at the number of animal control wardens, we find that the biggest local authority in Scotland, Glasgow City Council, has one animal control warden for a population of nearly 600,000 people. Meanwhile, Renfrewshire Council, which has a population of 175,000 people, has two control wardens.

In Dundee, which is another city that is afflicted by the problem, nine in 10 dangerous dog reports go unpunished. Not only is the problem bad and getting worse, but implementation of the 2010 act varies greatly from local authority to local authority. That is not good enough, because it should not matter whether a person is attacked by a dog in Dundee, in Glasgow, in Renfrewshire or anywhere else. If someone is attacked by a dog, appropriate action should be taken and, under the legislation, appropriate action by the local authority is particularly important.

The third issue is that many of the current measures are, to be frank, not powerful enough. The reason why we needed the 2010 act was that the Dangerous Dogs Act 1991, which that was passed at Westminster, concentrated on the breed of dog, and not on the deed. One of the objectives of the 2010 act was to ensure that, irrespective of the breed, if the deed was antisocial and threatened people—not only children, but people delivering mail and working in parks or elsewhere—appropriate action would be taken. The deed matters more than the breed, because the breeds that are not listed in the 1991 act are capable of doing as much damage to human tissue as those that are listed.

The three issues are that the problem is getting worse, the existing measures on the statute book are not being properly implemented and the powers that are available, particularly to the police, are not sufficient. One of the deficiencies of the current legislation is that a dog is entitled to one bite before it is punished, but very often the first bite should be punished because it can lead to so much damage to children, for example.

It is not just about attacks on humans; there is the wider problem of attacks on farm animals and attacks by dogs on dogs. However, my primary concern in the debate is attacks on human beings. A leading plastic surgeon of the Royal College of Surgeons in Edinburgh, Dr Judy Evans, said:

“The emotional trauma can be so difficult to deal with because it’s on-going. They have to deal with the trauma of the attack and of the constant operations to repair the damage. I have seen young children who have had massive bite marks and scarring to their face ... I have seen tearing of the flesh. It can be so tricky to repair this sort of damage. There’s also a massive risk of infection because of the nature of the injury.”

The Royal Mail and the Communications Workers Union officially back the Radio Clyde lead the way campaign. The Royal Mail recorded 231 attacks on its employees in 2017, and it desperately feels the need for additional measures.

As I said earlier, the importance of the legislation cannot be overestimated. We need a fundamental review of the operation of current legislation—particularly, but not only, the 2010 act. We also need to identify where additional measures are required to ensure enforcement of existing and future provisions, as well as to give additional powers to the authorities, where necessary.

This is a really important debate. There is a need for us to speak out on behalf of people who are threatened by or who have been the victims of dog attacks, and to represent their views. Sometimes, the threat can be as damaging to the psyche, particularly the psyche of a child, as an attack.

I hope that members will agree on the need for action. When the Minister for Community Safety and Legal Affairs sums up, I hope that she will give a favourable response on the need for us to look at the issue again, and that she will ensure that more robust action is taken by Parliament to protect our people from out of control dogs.

**The Deputy Presiding Officer:** We move to the open debate. Many members wish to speak in the debate, so we will have strict timings with absolutely no longer than four minutes per speech.

17:19

**Christine Grahame (Midlothian South, Tweeddale and Lauderdale) (SNP):** I congratulate Alex Neil on securing the debate. I was the member in charge of the Control of Dogs (Scotland) Act 2010, but the heavy lifting on that piece of legislation was done by Alex Neil, who passed the bill to me on his elevation to the front bench. He may yet return there. Who knows?

The 2010 act was urgently required for three reasons. First, the highly flawed Dangerous Dogs Act 1991, which was referred to by Alex Neil, prohibited persons from having in their possession or custody dogs that belonged to types bred for fighting—in other words, the breed—and it applied only to public places. Section 10 of the Neil-

Grahame—I think that I will call it the Grahame-Neil—Control of Dogs (Scotland) Act 2010 amended the 1991 act by extending the offence that was contained in section 3 so that it became a criminal offence to allow any dog to be dangerously out of control in any place, private or public. Indeed, many attacks take place within the home or garden, so they take place in private.

Secondly, as Alex Neil said, the 2010 act applied to the deed, not the breed—that is, to the owner or the person in charge of the dog.

Thirdly, the 2010 act applied before a dog became dangerous if it put someone or an animal in a state of alarm or apprehensiveness, with a dog control notice being issued if necessary. Those notices have been on the increase—I recognised the number quoted—but previous warnings to owners, which precede any dog control notice, may also have been recorded.

But—and it is a big “but”—for the 2010 act to be effective, the public have to know that that is the law; there have to be enough local authority dog wardens or environmental wardens to implement the law; and those personnel must be trained in dog behaviour. With hand on heart, I have to say that the legislation has failed on all three counts. The public at large have no idea of the legislation. I met farming journalists recently who lobbied me on the increase in sheep worrying and they had never heard of the 2010 act. In addition, as Alex Neil said, few dog wardens are employed by local authorities, and I suspect that very few of them have been trained in accordance with Government guidance about dog control. It is all very disappointing, to say the least, and I submit that those factors have contributed to the worrying figures.

Therefore, I welcome post-legislative scrutiny and review, in particular, of the activities of local authorities. I am also asking the Scottish Parliamentary Corporate Body if it could provide funding to publicise a member’s bill once it has been passed by the Parliament, as the Government cannot do so. A member may introduce legislation with the whole-hearted support of members, but they will have no funding to publicise it unless they plunder their office allowance. That is part of the problem: everyone knows about minimum unit pricing and the ban on smoking, but they do not know about the Control of Dogs (Scotland) Act 2010.

I am also introducing a bill, which is now out for consultation, on responsible dog ownership, which I hope will lead to a decrease in the number of out-of-control dogs. Many dogs are like that because they are with the wrong people—they are wrongly handled and, quite often, they simply lack exercise. The key thing that we must all remember is that it is the deed, not the breed, that is the

problem. I welcome review and, in particular, enforcement by local authorities as well as publicity for the legislation to see whether it will take us further.

I thank Alex Neil again for securing the debate.

17:23

**Finlay Carson (Galloway and West Dumfries) (Con):** As my party’s spokesman on animal welfare, I congratulate Alex Neil on securing this very important and topical debate.

One of the oldest phrases is that “dogs are a man’s best friend”. That cliché is said to date back to Prussian times. However, on the basis of Alex Neil’s figures and those in the briefing from the Communication Workers Union, which represents the largest number of dog attack victims in Scotland and the United Kingdom, dogs have, sadly, increasingly become something other than our best friend.

Although the Control of Dogs (Scotland) Act 2010 was an important piece of legislation, the increasing number of dog attacks on workers, individuals and, indeed, sheep has made it clear that the act has not been effective in bringing about more responsible dog ownership. A case from my area of Dumfries last year was shocking and resulted in a jail sentence. Two Dumfries women, who were aged 73 and 62, were bitten by a Staffordshire-cross terrier while visiting their chemist. Two days later, the same dog bit a police officer. All three people required medical attention. The owner was found guilty after admitting that the dog was out of control, but that is not always the outcome when the law on dangerous dogs in Scotland is applied.

Legislation requires proof that the person in charge of the dog believed that it could attack a person and that corroborating evidence exists of a previous bite or poor temperament—the so-called “one free bite” rule. The question must be asked: is the law fit for purpose? The legislation must provide much more consistent outcomes for victims.

I welcome a post-legislative review of the Control of Dogs (Scotland) Act 2010, including the degree to which the act is being effectively enforced by local authorities. A review should also give us the opportunity to look at other factors and try to prevent such attacks.

In my constituency, we continue to face serious problems relating to puppy farming, particularly at the port of Cairnryan. Research from Newcastle University has shown that dogs that are bred on intensive puppy farms grow up to be more aggressive, fearful and anxious than pets from reputable breeders. The results of that study,

coupled with the worrying increase in the number of puppy farms producing large numbers of dogs for sale, require that we must ensure that all dogs are properly cared for and that owners are aware of their responsibilities to their pets and to other members of their communities.

Finally, I will briefly mention the take a lead campaign, which is being led by NFU Scotland and *The Scottish Farmer*, to pressure the Scottish Government to review legislation on responsible dog ownership and support the mandatory use of leads around livestock.

**Christine Grahame:** Will the member take an intervention?

**Finlay Carson:** I am sorry, but I do not really have the time.

Despite a demonstration of cross-party support for the campaign, the Scottish Government has said that it has no plans to review the law. It is somewhat disappointing but not surprising that Emma Harper, the parliamentary liaison officer to Fergus Ewing, who originally backed the campaign, has now backed off and supports the far from satisfactory postcode lottery option of additional local authority byelaw powers when councils are already hard pressed and failing to issue dog control notices under the existing legislation. We need a national solution for a national problem.

I hope that Alex Neil's debate tonight will put the issue into the spotlight and ensure that there is protection for our workers, individuals and other animals from dog attacks, which have become too commonplace in our society.

17:27

**Kenneth Gibson (Cunninghame North) (SNP):** I congratulate my colleague Alex Neil on securing this debate and Clyde 1 news on its lead the way campaign and investigation into the worrying extent of dog attacks.

Much of the drive to secure the debate has come from the Communication Workers Union, which, among its 200,000 members, counts 8,500 Royal Mail and Parcelforce employees in Scotland. Most posties could tell us about a recent near miss with a dog or about mail that has gone undelivered because of concerns about a dangerous animal. Last year alone, there were 230 reported dog attacks on postal workers in Scotland.

I received 22 stitches in a rather tender part of my anatomy back in 1992 while delivering leaflets for the cause. Two other activists I know have been hospitalised after being bitten. We have all seen in the media some truly awful pictures of young children who have been attacked and

mauled, and, in some cases, the dog attack has proved to be fatal.

Nobody deserves to work in fear of being attacked by an animal, and those who are unfortunately attacked should feel confident that the police and justice system will listen to them and act to ensure that it does not happen again.

Given concerns raised by the CWU about impunity for owners of dangerous dogs, coupled with the rising number of dog attacks revealed by Clyde 1 news, we must ask ourselves whether the Dangerous Dogs Act 1991 goes far enough. We have already heard tonight that it does not.

When a dog attack is reported, the Crown Office and Procurator Fiscal Service considers the facts and circumstances to assess whether there is sufficient evidence to prosecute and if so, whether action would be in the public interest. Dog attacks are covered under section 10(3) of the 1991 act, which defines a dog as being dangerously out of control

"on any occasion on which there are grounds for reasonable apprehension that it will injure any person or assistance dog, whether or not it actually does so".

For prosecution to occur, the Crown must prove that there were such grounds at the relevant time. An actual injury is not essential, although it is an aggravating factor. In reality, that means that if there is no evidence that the person in charge of the dog at the time of the attack believed that it would attack, the Crown cannot prosecute.

The Control of Dogs (Scotland) Act 2010 gave new powers to local authorities to act against out-of-control dogs and enforce measures to improve behaviour. However, in most cases, councils aim to work with dog owners and informally resolve any issues, giving appropriate advice and guidance and issuing a warning letter, rather than issuing a dog control notice to escalate the matter. Although I agree that there is a time and a place for constructive discussions with dog owners on how to handle their dogs better, with at least 2,500 postal workers having been attacked in Scotland since the 2010 act was passed, Scotland requires a more decisive mechanism to secure justice for the people who have been attacked.

Irresponsible dog ownership does not just affect humans, of course. Between 31 March and 23 April this year, around 20 ewes and their unborn lambs were killed by dogs on farmland near Skelmorlie in my constituency. Such attacks not only have a financial and emotional impact on the farmer, but cause immense and needless suffering to the animals, and such deaths are easily avoidable if dog owners do not place their dogs in situations where they may cause harm or upset.

Responsible dog owners keep their animals under control and look for early signs of

aggression. It is not a dog's fault if its owner does not take heed that it feels threatened or territorial. Dog owners should ensure that their dog is under control when the post arrives, especially if a door must be opened to sign for mail or a parcel. If a dog has a tendency to grab the mail as it arrives through a letter box, installing a wire basket on the inside of the door protects not only the mail, but, most importantly, the postman or woman's fingers. Scotland's postal workers do an excellent job, and it is right that all who benefit from their services should keep them out of harm's way.

This problem cannot be solved by the Government or local authorities working in isolation. Only with a collaborative and concerted effort to change attitudes in favour of responsible dog ownership and accountability and a tightening up of legislation can we reverse the trend of rising dog attack figures.

17:31

**Liam Kerr (North East Scotland) (Con):** I thank Alex Neil for securing this debate, which is not before time. I had not intended to speak in it, but when I got the briefing from the CWU, it made me recall some of my own experiences.

The briefing reminded me that all of us, without exception, are here because we and an army of committed volunteers dutifully get out and deliver leaflets and information. I suspect that many of us and many of those volunteers have nearly had our hands taken off when doing so. Kenny Gibson just told us about his own experience. I came really close about six months ago, but fortunately, because of an earlier experience, I was wearing leather gloves. The dog got a mouthful of leather and I got away with a few scratches, but many people—our postmen and women in particular—are not so lucky.

I well remember the 2016 Holyrood election, when on one of our campaign days, a veteran stalwart turned up—unusually, without his wife. On questioning him, I discovered that the week before, she had posted something and a dog had grabbed her hand in the letter box and sliced it open. Hospital, injections, operations and rehabilitation were to follow. I remember this because at the time I was furious.

"What can be done?" I said. "Well—nothing really," came the response. "I've seen it a thousand times. You just have to deal with it." He told me briefly about the one free bite rule—the idea that, uniquely in Scotland, we need to prove that the person in charge believed that the dog would attack and that the dog has previous, so the first attack is unlikely to secure a conviction.

**Christine Grahame:** Will the member take an intervention?

**Liam Kerr:** If it is very brief.

**Christine Grahame:** The member is not the first person to refer to the one free bite rule. Let me clarify that that does not come under the Control of Dogs (Scotland) Act 2010. There is no such rule under that 2010 act. The 2010 act is a pre-emptive strike against any dog that is out of control, long before it gets to the biting stage.

**Liam Kerr:** I understand that and I thank the member for the clarification, but we have to look at the fact that bringing a private prosecution in Scotland appears to be very challenging. I do not understand why. If the test for a criminal prosecution is more complex in Scotland, ought it not to be easier to run a civil action here, not more difficult than it is the rest of the United Kingdom, where—according to the CWU—it is a straightforward process?

Posting things—be it pizza flyers, the church magazine, a political pamphlet or something sent through a professional postal operation—through letter boxes is something that happens all the time. In the rest of the UK, the onus is on the owner of the dog to take steps to ensure that the dog will not attack people. If someone has a dog that might get excited by the post, they should put a cage on the back of their letter box, as Kenny Gibson said, or they should keep the dog out of the relevant part of the house.

**Fulton MacGregor (Coatbridge and Chryston) (SNP):** Will the member take an intervention?

**Liam Kerr:** It will have to be very brief.

**Fulton MacGregor:** I have been listening to the debate. Alex Neil, Kenny Gibson and now Liam Kerr have talked about postal workers. My future father-in-law was one of the postal workers who were attacked last year, and he talked quite a lot about the psychological effects. Does the member think that the Royal Mail and other employers have a role to play in treating the psychological effects?

**The Deputy Presiding Officer:** I can give you a wee bit of extra time, Mr Kerr—you have been very good about taking interventions.

**Liam Kerr:** Thank you, Presiding Officer.

The question is—does the Royal Mail have a role to play in treating the psychological effects? I certainly think that it is worth looking at, but what the member has done, very importantly, is to highlight the psychological effects of dog attacks. It has been clear from the evidence and indeed tonight's debate just how considerable those psychological impacts can be.

While I was jotting down some notes for the debate, I looked back at the figures that Mr Neil



put in the motion, particularly in relation to children being bitten, and then I got the absolutely heartbreaking briefing about children being injured in dog attacks. Around a year ago, I took my young family to Tyrebagger, near Inverurie. According to its website, it is

“a place to enjoy the grandeur and peace of a mature forest”,

with specific routes designed for toddlers and buggies as well as for cycling and horse riding. It is excellent and a wonderful place to spend the day, but as we walked round that day, I was struck by the number of excited dogs on the loose, barking, bounding, play fighting and jumping up and getting my jeans dirty. That was intimidating enough for my five-year-old, but it was even more intimidating when one started to stalk her. It crouched, growling, about 18 feet behind her and began padding towards her. Then it broke wide to get her from the side that I was not on. I picked her up and we waited until it went past. Shortly after, as the owners walked past, they chuckled and said, “Don’t mind him—he’s only playing. He always does that.” Does he, indeed? How often does he have to do it before my daughter or someone else’s daughter ends up in the sort of briefing that we have received for the debate? Such behaviour is irresponsible, inappropriate and inconsiderate.

If owners will not voluntarily control their dogs, whether in the home or outside, they need to be compelled. Therefore, Alex Neil’s motion is absolutely spot on. The statistics are terrifying and it is clear from the briefings, today’s speeches and bitter experience that something is not working. The sooner Mr Neil’s call for a review and more robust legislation is heeded, the better.

**The Deputy Presiding Officer:** Due to the number of members who still wish to speak, I will accept a motion without notice, under rule 8.14.3, to extend the debate by up to 30 minutes.

*Motion moved,*

That, under Rule 8.14.3, the debate be extended by up to 30 minutes.—[*Alex Neil.*]

*Motion agreed to.*

17:36

**Clare Haughey (Rutherglen) (SNP):** I, too, congratulate Alex Neil on securing the debate. Scotland truly is a country of dog lovers. The Pet Food Manufacturers Association estimates that, in 2017, around 471,000 households in Scotland owned at least one dog. However, our love of animals cannot and should not prevent us from taking measures to protect the safety of the public from the most dangerous. Be it workers, people in their homes or kids at parks who are attacked by

dogs, it is an incredibly serious issue that many perceive is not being treated as seriously as it should be. I, too, thank the Communication Workers Union for its briefings to prepare for today’s debate, and I wish to quote a sentence with which I fully agree. It states:

“Sadly the cartoon caricatures and jokes about dogs biting postmen still prevail, but in reality, nothing could be further from the truth as these terrifying attacks result in serious physical and psychological injuries, some of which are life changing and full recovery is never achieved.”

Workers such as postmen and delivery drivers are understandably often worried about their safety and, from my conversations with constituents, many of them are worried about dog attacks while enjoying local green spaces. Over the past 18 months, I have been working closely with the friends of the Calder from Blantyre in my constituency of Rutherglen. Dr Susan Lindner Kelly from the group contacted me to highlight instances where members of the public, including children as young as three, were left shaken after dogs ran towards them in a number of Blantyre parks. Several of the incidents that were reported to the friends of the Calder occurred when a dog was being walked by a professional dog walker, and often when the dog was off the lead. At least one of those incidents resulted in someone being bitten. I fully understand Alex Neil’s position in calling for a post-legislative review of the Control of Dogs (Scotland) Act 2010, but I hope that the regulation or licensing of professional dog walkers will be considered, too.

Following on from those concerns being raised with me, last year I sent a freedom of information request to every local authority in Scotland to ascertain the number of complaints that had been made about professional dog walkers and whether the councils had investigated their conduct. Of the 25 authorities that responded to my FOI requests, nine noted that they had received at least one complaint in the past five years. However, unfortunately, many councils, including my own South Lanarkshire Council, were unable to disclose the information because of cost or the way in which the information is recorded. As such, I believe that we do not know the true extent of the problems that are faced across Scotland regarding professional dog walkers or whether the experiences of the friends of the Calder are unique. As is the case with the vast majority of individual dog owners, the vast majority of professional dog walkers conduct their business responsibly and ethically. However, as evidenced in Blantyre, even though the dogs do not frequently attack people, they still cause many fear and alarm.

The Control of Dogs (Scotland) Act 2010 sent out a clear message that the actions of irresponsible owners would not be tolerated and

that there would be serious consequences should they flout the law. However, eight years have passed and dog attacks are sadly still occurring. I hope that we send out an even louder message not only by better prosecuting in instances of violent dog attacks, but by reducing their frequency and the risk in the first place.

17:40

**Johann Lamont (Glasgow) (Lab):** I congratulate Alex Neil on securing the debate and on the way in which he highlighted and clarified precisely why it is important and why we need action. I look forward to the minister's response.

I, too, thank the CWU for its briefing and its persistence as a union in standing up for its members. When we think about the threat of attack by dogs, any one of us who has been campaigning, leafleting or canvassing immediately has empathy for people who do postal and delivery jobs daily. How many of us have asked, "Who would be a postie?" after our most recent experience of a dog sighing behind the door just as the leaflet goes in?

As a mother, I remember wrestling with how I would ensure that my child was comfortable around dogs—not fearful and unnecessarily scared of them—because a dog can be such a great companion, but also being really frightened that a dog might attack the child. Families often wrestle with that.

There is empathy and concern about the issue, but we should think about how hard it must be for a postie who suffers dog attacks to discover that, in large part, we still regard them as a music hall joke. The cartoon of the postie being chased by a dog has already been mentioned. I have no doubt that, in real life, there are people who find it amusing to set their dog upon others and enjoy seeing such fear. In itself, that is something that society has to address.

Dog attacks are an increasing problem for postal workers because the changing nature of postal services means that it is more likely that they will have to have face-to-face contact with home owners to get a signature. It is a growing and serious issue. In the briefing that we have received, we are informed that 2,500 postal workers have been attacked since the Control of Dogs (Scotland) Act 2010 was implemented. That is simply not good enough. It is no longer a side issue but should be central to the Government's thinking on animal welfare and safety.

Pet welfare is important, too. We recognise that, sometimes, animals are left in circumstances that make them aggressive and dangerous. We have to focus on responsible ownership. It is important that dogs not be put in a position in which they do

not know how to behave and that we then need enforcement. We should be absolutely clear about culpability and that the victims are certainly not to blame. We cannot simply move culpability on.

In the Public Petitions Committee, which I convene, we have been doing some work on puppy farms. What strikes me is the extent to which dogs have been commodified. They have become accessories. They are not necessarily treated, cared for or trained in the way that they should be. Attacks by dogs should be placed in that broader context and any review should reflect on how we should deal with such matters as well.

As the CWU highlights, we have to be concerned about the fact that it is more difficult to get a conviction in Scotland than elsewhere. Although there has been a debate about the reality and implications of the one free bite rule, the CWU has told me that it is a fact and must be dealt with. Perhaps the review would consider what legislation needs to be changed to address that. I was also struck by the number of ideas from the CWU and others about ensuring that dog owners are more responsible.

I urge the minister to confirm that she is willing to review the broader dog control legislation and consider enforcement. It might not be satisfactory to have enforcement at a local level; something at a national level might be needed, too. I also seek a confirmation from her that, when she undertakes a review, she will work with not only the charities in the sector but, critically, the CWU and other organisations that have direct responsibility for their members.

17:45

**Liz Smith (Mid Scotland and Fife) (Con):** I add my congratulations to Alex Neil, not only on bringing the debate to the chamber but on his articulate speech. I also thank all other members who have raised some extremely salient points on what needs to be done.

I add myself to the list of MSPs who have suffered an attack from a dog. However, in my case, what was much worse was witnessing a councillor colleague being savaged by a dog. She was in hospital for some time and was scarred for life as a result, so I cannot stress how important the issue is.

In the very short time that I have, I want to focus my remarks on what uncontrolled dogs can mean for a rural community such as mine. It is particularly relevant just now because of the growing number of incidents of sheep worrying in Perthshire and Fife. Members will have seen reports in the press of farmers having lost thousands of pounds' worth of livestock because a dog has been allowed to run riot in a field of ewes

and lambs. It is too upsetting for me to describe what I was asked to witness by a constituent, who rang to ask me to look at the result of a recent attack. What I saw in that field was awful. In Fife, I have noted reports of a farmer who had to endure two such attacks on farm animals in the space of only 36 hours, which resulted in £12,000 of damage. That is somebody's livelihood.

The rural statistics make for shocking reading. Last year, across Scotland there were 175 reported cases of sheep worrying, but there were only 19 convictions. In Perthshire, 14 cases were reported last year, with no convictions.

The most recent attack, which took place just last week—I think it was on Monday or Tuesday—in Cults, resulted in one sheep being found dead and another being put down due to the severity of its injuries.

On 15 April, a dog was shot by a farmer—they have a legal right to do so—in the Forteviot area of Perthshire, after persistent worrying of his flock. A few days before, on 13 April, another ewe in the Glencraig area was put down after it was found seriously injured in a field with lots of lambs. It goes on.

At the meeting of the local Perthshire NFU Scotland on Friday, the issue was debated in full, so I was able to brief its members on the discussions that I have been having with local police—who are naturally very concerned about the issue—and with other representatives of the farming community. I very much hope that we will be afforded a meeting with the Cabinet Secretary for Rural Economy and Connectivity, Fergus Ewing, who I know is very concerned about the matter.

This cannot go on: we need much tighter controls. Clare Haughey is absolutely right to raise the possibility of looking at other issues. We need to raise public awareness of what has been happening across the countryside. Farmers are virtually unanimous in wanting a full debate about the respective merits of licensing, microchipping and DNA sampling, in order to help the police to convict guilty parties.

It has also been said that we need to review the Scottish outdoor access code, because it contains too many loopholes that allow irresponsible walkers and ramblers to get away with it. Such a review cannot come soon enough. In my most recent trips into the Scottish hills and mountains, I saw two clear examples of highly irresponsible behaviour by dog owners who were very high on the hills—one of which replicated what Liam Kerr described—which, if anything had happened, could have resulted in mountain rescue teams needing to be involved. There is a big job to be done to educate the public and to raise awareness

of what can happen when dogs are not properly controlled.

We have already heard of the untold damage that can be done to humans. Alex Neil is absolutely right to pursue the issue. I urge that any new measures include measures to address the concerns in the countryside and the awful implications for the livelihoods of the people who are affected. I firmly believe that we need a full debate on the issue.

17:49

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** First, I thank Alex Neil for securing this very important debate. In my constituency, I have been made all too aware of the prevalence of dog attacks on residents and on other dogs. A number of constituents have come forward to tell me their stories. Some of what they have described is horrific: out of control dogs attacking other dogs, sometimes with fatal results and dreadful injuries to other dogs, which require surgery and can be life changing for the victim dog.

Although the injuries that I most often hear about are those that are sustained by pet animals, a significant number of human beings are being injured, often while trying to save their much-loved pet from harm. One such lady suffered permanent nerve injuries to her hand when she was savaged by an attacking dog. She is now afraid to go into parks with her dog for fear of attack. She is not alone: many human victims suffer psychological trauma as a result of unprovoked dog attacks. When I talk about “life-changing injuries”, I am not referring only to physical injuries. In a recent case that was brought to me, a lady was forced to watch her well-loved pet dog being torn apart by a Rottweiler. One can only imagine the distress and lasting grief that are caused by such an attack.

In Midlothian, I have had discussions with the police and the council, but it is clear that such attacks are underreported, partly because of confusion on the part of the public about where to report incidents and about which incidents require reporting to the police and which to the council. The system should be much simpler. Members of the public should not have to work out the nuances of whether an incident is a police matter or a dog-control matter for the council. A dangerous dog is a dangerous dog.

I have seen material from the Communication Workers Union on attacks on postal workers. Some of the photographs of injuries that have been sustained drive home the enormity of the problem. The CWU tells us that 220 postal workers have been attacked and injured by dogs in the past year. That is simply unacceptable.

In Bonnyrigg, beside George V park, there is a community group called Bright Sparks Playgroup that caters for some 160 children with additional support needs. The group cannot make use of the park, because the children are absolutely terrified of uncontrolled aggressive dogs there. Instead, they remain safe behind secure high wire fences in their play area. Is it acceptable that it is our children who are in cages and not the creatures that cause such fear?

Irresponsible professional dog walkers who sometimes bring six or seven dogs to the park and then simply let them loose are a significant part of the problem. As well as letting the dogs run wild, they are guilty of antisocial behaviour by allowing dog poo to pollute our parks. The problem is confined to a small number of professional dog walkers whose standards are unacceptable.

On a more personal note, I have noted, when knocking on doors at election time, the number of people who have dogs and the number of dogs that exhibit aggressive tendencies. It might seem that I am down on dogs, but that is far from the truth. The vast majority of dog owners are responsible people whose well-cared-for pets will never cause the slightest problem, but we must acknowledge that a small number of owners are causing serious issues in our communities, and that cannot continue.

I have received many suggestions that it is believed might help to control the unsocialised minority while enabling decent dog owners and their pets to continue to enjoy their lives together. They include bringing back the dog licensing scheme, which would allow irresponsible dog owners to be deprived of the right to own the pets that they abuse; licensing of professional dog walkers, which would enable licences to be removed from those who fail to maintain reasonable standards; and compulsory pet insurance, which would allow victims of attacks to seek compensation.

I am uncertain whether the current deplorable situation has arisen as a result of the present legislation being inadequate in providing the protection that is required, or whether the present legislation is perfectly adequate but the police and councils need to be more robust in making use of the powers that they have. Either way, action needs to be taken.

My inclination would be to agree with the CWU. For a start, there should be post-legislative scrutiny of the Control of Dogs (Scotland) Act 2010. It is only by carrying out such scrutiny that we will be able to assess how effective the act is. There is a real problem, which is growing along with the expansion of dog ownership. We cannot stand by while residents of this country and their

pets are being injured. That would, indeed, be irresponsible.

17:53

**John Scott (Ayr) (Con):** I will endeavour to be brief. I, too, congratulate Alex Neil on his motion. I agree completely that the 2010 act is not working and that the rising number of attacks on adults and children cause despair, disfigurement and worse. I agree that a review of the 2010 act needs to take place and that the necessary powers should be made available to the authorities to prevent such attacks. I am also concerned about dog-on-dog attacks; a small dog was recently destroyed by a larger one in my constituency.

However, the point that I want to make is about sheep worrying by dogs that have not been kept under control. I must declare an interest as a farmer. My sheep flock has twice been subjected to attack by dogs. That resulted in many in-lamb ewes being killed or—which is almost worse—having to be put down some hours after the attack because, in the vet's view, they were unlikely to survive. That was a significant loss to my business because the sheep were not insured. In addition, many other ewes in the flocks aborted their lambs after the attacks because of the stress and exertion that the heavily pregnant ewes had to endure.

As Finlay Carson does, I support *The Scottish Farmer* and the NFUS in their take a lead campaign and I, too, invite the Government to consider reviewing the legislation and strengthening it with regard to sheep worrying in particular.

**Christine Grahame:** I am not being precious about the legislation, but *The Scottish Farmer* magazine had no idea about the Control of Dogs (Scotland) Act 2010. I repeat my view that there has been no publicity by *The Scottish Farmer* and the NFUS regarding the 2010 act. I share John Scott's concerns, but we must get publicity for the 2010 act as well as reviewing its content.

**John Scott:** I thank Christine Grahame for her well-intentioned intervention. Nonetheless, the campaign has been mounted by those organisations in good faith. They have presented us with a problem, so it is up to we politicians and, indeed, the Government to resolve it. I am sure that Christine Grahame will do all that she can to put pressure on her party to come to a satisfactory resolution, if possible.

Unlike Kenny Gibson, although I had forgotten my dog bites, I, too, bear the scars. In that regard, I make a plea on behalf of our dedicated postmen for better control of dangerous dogs, and I speak particularly for the postmen in the Ayr constituency, who all know where the biting dogs

are on their walks. I support the CWU's position on the issue and believe that the time for talking and collecting data is long past and that it is now time for Governments of all colours to act.

**The Deputy Presiding Officer:** I call Annabelle Ewing to conclude the debate. You have about seven minutes, minister.

17:56

**The Minister for Community Safety and Legal Affairs (Annabelle Ewing):** I, too, congratulate Alex Neil on securing the debate. It is appropriate to reiterate that it was Alex Neil who embarked on the process that led to the Control of Dogs (Scotland) Act 2010 being passed by the Scottish Parliament. As we have heard, Alex Neil brought forward the original member's bill proposal prior to other events intervening. Christine Grahame then took up the baton and brought to the Parliament the bill that became the 2010 act, which introduced the dog control notice regime. I pay tribute to both members for their hard work and perseverance in ensuring that the issue was brought before the Parliament and in securing, through the member's bill process, a legislative route to the end that they sought.

The 2010 act gave new powers to local authorities to deal with the issue of irresponsible dog ownership. As has been mentioned, the focus of the legislation was deed and not breed. The legislation achieved that by moving away from an outdated understanding that certain breeds of dog were inherently more dangerous than others; instead, correctly, it focused on the actions of dog owners in controlling their dogs.

It has been recognised that the vast majority of dog owners are responsible and enjoy the companionship of a dog and the outdoor activity that having a dog brings to their lives. I do not have a dog, but I see many people being dragged out for walks at all times of the day and night, which is a healthy option for them. However, there is a small minority of dog owners who fail to understand the responsibilities that come with owning, caring for and looking after a dog and ensuring that others, both human and animal, are safe around their dogs.

The powers that are given to local authorities under the 2010 act mean that dog control notices can be used against dog owners who allow their dogs to be out of control. It is for local authority authorised officers—the number of such officers is a matter for the local authority in each case—to use those powers to help protect our communities from out-of-control dogs. The most recent evidence shows that, as a whole, local authorities are using the powers more and more each year. In the latest year for which we have statistics—

February 2015 to February 2016—a record number of 290 dog control notices were issued across Scotland.

However, it is clear from the data on the use of the 2010 act that, as has been mentioned, there is wide variation in the use of the powers by local authorities. It would be fair to say that, to an extent, that variation will reflect the way in which the legislation is designed to be used. Christine Grahame alluded to the fact that the 2010 act introduced a preventative regime that seeks to resolve dog control issues before a dog actually becomes dangerous. Therefore, some local authorities will not necessarily proceed to issue dog control notices in every case. Instead, they will engage with owners and give them advice on keeping their dogs under control.

**Johann Lamont:** Has the minister had a discussion with local authorities about why there is that variation? She speculates that it might be because the local authorities are doing one thing or another. We would seek reassurance that, if they are not issuing notices, they are doing something else. We are asking for rigour. There may not be a national solution, but there certainly has to be a national conversation.

**Annabelle Ewing:** I entirely agree with that remark from Johann Lamont, which is why I will be writing to all 32 local authorities to seek an update from them on exactly what they are doing further to the legislation. It is important that we have that information in order to determine how best to proceed.

The 2010 act made a significant change to how the long-standing criminal offence in relation to dangerous dogs operated. That change meant that dogs that were dangerously out of control in private places such as the home were brought within the scope of the act. That development was very important for our essential postal workers. Indeed, the legislative change was welcomed by postal workers.

Further to members' comments tonight about the CWU letter to us all, I inform members that I will seek a meeting with the CWU to discuss in more detail its particular concerns and suggestions.

As members are aware, there has been renewed focus on post-legislative scrutiny in this session of Parliament, with the creation of the Public Audit and Post-legislative Scrutiny Committee. On behalf of the Government, I can say that, if that committee were to decide to look into the operation of the 2010 act, we would be happy to be involved in that. The act has been in force since February 2011, as has been mentioned, so a number of years of experience

and operation could be usefully assessed by that committee.

At the time, we very much supported the ethos of the proposed legislation that was introduced by Alex Neil and then Christine Grahame. We felt that considering the behaviour of the dog owner was the key element of tackling the problem of out-of-control dogs. It is not the dog's fault if the dog is out of control; it is the owner's fault. That is an important point to consider.

It would be helpful to remind members to consider some wider issues. The Government's consultation in 2013 on other possible steps sought views on the introduction of dog licensing or dog muzzling. Mixed views were offered on dog licensing, with a majority of those who offered a view being against the reintroduction of such a system, and there was overwhelming opposition to the introduction of mandatory muzzling. However, the importance of the preventative approach, as set forth in the 2010 act, was clear from the consultation exercise.

**Liz Smith:** Will the minister take an intervention?

**Annabelle Ewing:** Certainly.

**Liz Smith:** I thank the minister. My microphone is not on, but I will just shout.

**The Deputy Presiding Officer:** No. You cannot just shout, Ms Smith, because we need the microphones for the official report—much as I know that you would be capable of projecting to the far reaches of the chamber.

**Liz Smith:** I apologise, Presiding Officer.

Does the minister accept that, despite the evidence about the licensing issue, there is now new technology such as microchipping, and that there is a very important issue about using technology to control dogs and the responsibility of the owners? It is not just about licensing; it is about the use of DNA and microchips. Will she agree to consider that?

**Annabelle Ewing:** Technology has obviously moved on, but I emphasise that the idea that dog licensing is some sort of panacea is not shared by members of the public, who did not support that approach. As for situations in which a dog control notice is issued, mandatory microchipping is involved in such instances.

The important issue of livestock worrying has been raised by a number of members. Local authorities have existing powers to issue dog control notices regarding dogs that are deemed to be out of control, which includes those that are out of control as far as livestock worrying is concerned. Indeed, there are local council byelaws in place, which allow for legislation to enforce the

use of leads in areas where the control of dogs has been an issue.

Obviously, we keep all important matters under review. I say to Liz Smith that I would be happy to ensure that the attention of the Cabinet Secretary for Rural Economy and Connectivity is drawn to this debate, because many key and pertinent points have been raised about the important issue of livestock worrying.

I am over my time, so I will conclude. We have had a very good debate, in which a lot of important issues and concrete ideas have been raised. I repeat that we have created an opportunity through the parliamentary committee process to engage in post-legislative scrutiny of appropriate legislation, and it appears to me that the 2010 act may be ripe for such scrutiny by the Parliament's Public Audit and Post-legislative Scrutiny Committee. I hope that that committee will reflect on this very important debate. We will ensure that its attention is drawn to the comments of all members in it.

*Meeting closed at 18:06.*

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