



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Finance and Constitution Committee

**Wednesday 6 February 2019**

**Session 5**



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**FINANCE AND CONSTITUTION COMMITTEE**

**4<sup>th</sup> Meeting 2019, Session 5**

**CONVENER**

\*Bruce Crawford (Stirling) (SNP)

**DEPUTY CONVENER**

\*Adam Tomkins (Glasgow) (Con)

**COMMITTEE MEMBERS**

\*Tom Arthur (Renfrewshire South) (SNP)

\*Neil Bibby (West Scotland) (Lab)

\*Alexander Burnett (Aberdeenshire West) (Con)

\*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

\*Angela Constance (Almond Valley) (SNP)

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

\*Emma Harper (South Scotland) (SNP)

\*Patrick Harvie (Glasgow) (Green)

\*James Kelly (Glasgow) (Lab)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Derek Mackay (Cabinet Secretary for Finance, Economy and Fair Work)

**CLERK TO THE COMMITTEE**

James Johnston

**LOCATION**

The David Livingstone Room (CR6)



# Scottish Parliament

## Finance and Constitution Committee

Wednesday 6 February 2019

*[The Convener opened the meeting at 10:00]*

### Budget (Scotland) (No 3) Bill: Stage 2

**The Convener (Bruce Crawford):** Good morning and welcome to the fourth meeting of 2019 of the Finance and Constitution Committee. The first item on our agenda is stage 2 evidence on the Budget (Scotland) (No 3) Bill. This is the committee's opportunity to put questions on the bill and the amendments to the cabinet secretary and his officials before we turn to formal proceedings.

We are joined by Derek Mackay, Cabinet Secretary for Finance, Economy and Fair Work, and his officials from the Scottish Government: John Nicholson, deputy director for public spending; Graham Owenson, head of local government finance; and Aidan Grisewood, head of tax division. I welcome our witnesses and invite the cabinet secretary to make an opening statement.

**The Cabinet Secretary for Finance, Economy and Fair Work (Derek Mackay):** The stage 2 amendments that the committee is considering today give effect to the spending plans that I announced in Parliament during stage 1 of the budget process. As I have announced, I will be providing an uplift of £90 million to local government as part of the budget deal that has been agreed with the Greens. The amendments that I am proposing today allocate an additional £90 million to local government and an additional £4 million to the health portfolio in 2019-20. In addition, there are two further amendments that are necessary to increase the total size of the resources available in the Scottish budget and the cash authorisation level—both are being increased by £94 million to accommodate the changes that I have just mentioned.

Those increases are being funded from additional consequentials provided by Her Majesty's Treasury as part of the United Kingdom supplementary estimate process. Early last week, the Scottish Government received confirmation of the quantum of those consequentials and the flexibility to carry them forward to 2019-20.

I hope that those comments are helpful to the committee.

**The Convener:** I draw your attention to the Finance and Constitution Committee's budget report and what we said on the Scotland reserve in particular:

"the Parliament needs to give thoughtful consideration in relation to both this Budget and future Budgets about whether it may be prudent to begin building up the Scotland Reserve to deal with potential forecast error and where this money should come from. For example, whether building up the Scotland Reserve should be a priority in allocating any underspends."

The committee's budget adviser told us that you are planning to draw down more from the reserve than is currently in the reserve. Please can you explain how that is possible?

**Derek Mackay:** The underspend that will be achieved in the current financial year transfers into next year's reserve, so I anticipate that there will be more available at the end of the process. That amount will be fully determined only after the closure of the current budget and will be presented to Parliament in the usual way. I anticipate generating an underspend that will go into the reserve.

**The Convener:** Can you put a number on that?

**Derek Mackay:** Not right now. The underspend is always fluid as we work our way through the financial year. However, the final number is presented to Parliament in the usual fashion.

**Murdo Fraser (Mid Scotland and Fife) (Con):** I have a question about the additional £148 million in Barnett consequentials that you built into the budget when you announced it in Parliament last week. When you came to the committee on 16 January, you were very clear that all the funds at your disposal had been allocated. You then had budget discussions with other parties, including the Greens, and you were then able to find an additional £90 million for local government to secure your budget deal with the Greens. Have you phoned Philip Hammond to thank him for getting you out of a hole by giving you the extra money?

**Derek Mackay:** No, but I will see the Chief Secretary to the Treasury in February and I will raid; I mean raise a range—

**Adam Tomkins (Glasgow) (Con):** Raid?

**Derek Mackay:** It is certainly true that I would like to raid the Treasury. However, I will raise a range of matters of interest to Scotland, including the general financial position, preparations for Brexit and a whole host of other issues.

**Murdo Fraser:** When did you learn that you had an extra £148 million?

**Derek Mackay:** On Burns day, as it happens—on Friday 25 January, I was first notified by officials that there was the prospect of extra

Barnett consequentials. The following Monday, which was the week of stage 1 of the Budget (Scotland) (No 3) Bill, my officials sought clarification from the Treasury. We required the detail because it is important to know where the resources derive from, as that may have an impact on what they can be allocated to. I am sure that Murdo Fraser well appreciates that Friday 25 January was after I gave evidence to the committee saying that I had allocated every penny in the Scottish budget. Those resources were not anticipated.

**Murdo Fraser:** Why did you not tell Parliament that you had that extra money?

**Derek Mackay:** I told Parliament when I addressed the chamber during stage 1 of the budget.

**Murdo Fraser:** Why did you not tell Parliament when you heard that you had the extra money, given that there were on-going budget discussions with the Green Party and other parties? Why did you not inform other parties and Parliament as a whole that you had those extra resources at your disposal?

**Derek Mackay:** That is a ludicrous question, as Murdo Fraser well knows, because I update Parliament and meet all the expectations for transparency. Officials looked into the detail of the Barnett consequentials to ensure that we were in a sound place to allocate those resources in the fashion that I did. I engaged with all political parties in relation to the compromise that was needed to ensure that the £42.5 billion budget could be approved. As it happens, the Greens were the Opposition party that engaged most constructively with the Government. As soon as I was able to, I informed Parliament; that happened to be at stage 1 of the budget.

**Murdo Fraser:** You could, of course, have informed Parliament as soon as you became aware of the extra money. You could have inspired a written parliamentary question that you could have answered on Monday 28 January. That would have allowed all the other parties that were involved in budget discussions to be fully aware of the envelope of money that was available to you.

Mr Harvie may have thought that he got a very good deal as a result of his negotiation on behalf of the Greens, because he got an extra £90 million for local government, but it turns out that you had much more money than that and you may have short-changed Mr Harvie and the Greens. If he had negotiated harder, he could perhaps have got a bit more money. You did not tell the Opposition parties that you had that extra money available. How can we expect to have constructive and transparent negotiations on the budget when you conceal from Parliament and the Opposition

parties the fact that you have additional resources at your disposal?

**Derek Mackay:** First, Patrick Harvie of the Greens managed to secure a deal that was better than any other Opposition party tried to secure, including the Conservative Party, which achieved zero, the Labour Party, which achieved meltdown, and the Liberal Democrats, who achieved zero. There has been a constructive outcome from the budget. The alternative is that the budget does not pass at all.

On the question of transparency about resources, I think that it is effective government that, when we hear about potential consequentials, officials probe the matter and then I present it to Parliament within days. If I had received a parliamentary question, I would have answered it honestly, but that process would have taken much longer than what happened, which was that I reported it to Parliament and explained how the budget concession was funded.

Incidentally, I saw some press coverage at the weekend that was factually incorrect. The health consequentials pass to health—that is a matter for the Scottish Government—but I have also earmarked resources for a teachers' pay deal, if one is agreed, so it is not true to say that the resources will not be used.

In the parliamentary process for budget negotiations, it is up to Opposition parties what they bring to me. I contend that parties should drop their ideological obtuseness when they approach the budget. If other parties engage constructively, they can help to decide how we allocate resources. I think that Murdo Fraser is probably kicking himself for not engaging more constructively in the process on behalf of the Tories.

**Murdo Fraser:** I have one last question. Surely the Opposition parties would be more constructive on the budget if the cabinet secretary was not being essentially dishonest about the resources at his disposal, concealing the extent of the spending envelope that might be available from other parties and Parliament. As part of the budget review process, the committee has discussed many times the whole question of transparency. The Government is anything but transparent. It is concealing from Parliament and those who are trying to negotiate the budget in good faith the availability to the Government of funds that could be spent on things that matter to everybody. Surely you need to reflect on that, cabinet secretary.

**The Convener:** If we can watch our language when we are going about it, as well, that would be helpful.

**Derek Mackay:** I have clearly set out the timeline of when officials heard of the Barnett consequential and how those have been deployed. How they are deployed is now a matter for Parliament. Equally, I could throw back the question of how long the Treasury knew about the consequential that the Scottish Government was entitled to. That information was not forwarded to me as part of the supplementary estimate of Barnett consequential, and I have no idea how long the Treasury knew about the consequential. When I attended the committee, I was asked whether I had any resources at my disposal as part of the budget deal. I answered honestly. That position changed as consequential came to light and they have been deployed in the fashion that I clearly set out to the committee this morning and to Parliament last week and in response to any inquiry. Many other parts of the budget deal are down to flexibility or policy concessions that have been made. I have been honest, transparent and clear throughout.

I will ensure that Scotland gets every penny that it is entitled to and that it is spent to ensure that this country has stability, stimulus and sustainability in our public services in the face of the chaos and the adversity that are coming from Westminster.

**Neil Bibby (West Scotland) (Lab):** To follow up on the question from Murdo Fraser, I would like to make a formal request that, in future, when you are informed of Barnett consequential from the Treasury to the Scottish Government, you immediately inform Parliament and the committee. Will you give that commitment?

**Derek Mackay:** Why would the committee be interested in only some aspects of the budget process? We carry out the autumn and spring budget revisions, medium-term financial strategy development and the full budget scrutiny process. Are members not reading those documents? It is in those that I cover the revenue that the Scottish Government receives and raises, and the expenditure. That information is all presented to Parliament. Maybe members should read the documents that I present to this committee.

**Tom Arthur (Renfrewshire South) (SNP):** I understand from what you have said that the additional Barnett consequential would represent 0.5 per cent of the total budget of £42.5 billion. Did you have any sense from the negotiations with other parties that what was stopping you from getting over the line with a deal was 0.5 per cent of the total spend?

**Derek Mackay:** I will not reveal the position of other parties because I do not think that it would be right to reveal what was said in private budget negotiations, but all the parties went public with their budget asks. The Conservative Party's ask

was to drop independence, as was the Liberal Democrats', and the Labour Party put forward a proposition that changed depending on who I was speaking to. That is why I arrived at a deal with the Greens, who engaged constructively.

In the end, that change in the Barnett consequential is a tiny part of the overall budget. Parliament has to bear in mind that we are being asked to approve £42.5 billion of overall expenditure in the budget process and then the necessary revenue-raising elements. Stage 2 of the Budget (Scotland) (No 3) Bill is essentially looking at the allocation of the additional £90 million to local government and £4 million to health. I will not get into the detail of the spending requests from the other Opposition parties, because they could not get past their constitutional obsession.

**The Convener:** We have one more supplementary question in this area from Willie Coffey before we move on to other matters.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** We should not forget that Barnett consequential are essentially Scottish taxpayers' money coming back to Scotland. It is not some gift or largesse from the UK Tory Government. Cabinet secretary, has Mr Hammond ever phoned to thank you or to thank Scotland for the billions that the UK Government has raked in for decades through tax revenues and things such as whisky or oil and gas? Has it ever done that?

**Derek Mackay:** I have a pretty cordial relationship with Treasury ministers. Some are easier to deal with than others. I deal with Liz Truss, who is the Chief Secretary to the Treasury. We have something in common: we were both born in Paisley, which is of interest. Mel Stride is another financial minister in the Treasury. He is from Kilbarchan or Kilmacolm in west Renfrewshire, so you see the Renfrewshire link in both Treasury and Scottish finance. In seriousness, we—[*Interruption.*]

**Derek Mackay:** I missed Adam Tomkins's commentary there.

**The Convener:** Sometimes that is wise.

**Derek Mackay:** I agree, convener.

We have a cordial relationship. We get on with business. I have asks and the UK Government has asks, but I have never had a phone call to thank Scotland for the largesse of its contribution to the Treasury. Equally, I do not see Barnett consequential as a gift from a benevolent chancellor. The chancellor has wreaked austerity and impending economic self-harm on the UK and Scotland. We have nothing to thank him for.

10:15

**James Kelly (Glasgow) (Lab):** The £90 million deal that you announced still leaves councils with a cuts budget. The overall position for core funding is that council budgets will still be cut by £230 million—that is correct, is it not?

**Derek Mackay:** No, it is not correct.

**James Kelly:** The budget analysis that was produced by the Scottish Parliament information centre shows that it is correct.

**Derek Mackay:** Pick a council.

**James Kelly:** Are you saying that SPICe is wrong?

**Derek Mackay:** I am saying that I have my own statistics. I am allocating real-terms resource increases for Scottish local government. If you pick a council, we can look at the increased spending power for individual local authorities.

**James Kelly:** Are you saying that the SPICe figures are wrong?

**Derek Mackay:** As we have described before at the Local Government and Communities Committee and the Finance and Constitution Committee, it is only if you exclude cash and resources that are going to local government—for subjects of funding such as childcare, which I see as a core function of local government and in which we have invested £210 million—that you can possibly come to a figure that says that local government is getting less money. That is a fact: when the draft budget was published in December, SPICe said that local government was getting more money in resource and in capital. Council by council, I can go through the increase that each council will enjoy as a consequence of the budget. It is a fact that local authorities are receiving more money from the Scottish Government, that they are enjoying a real-terms increase and that they are getting a capital increase. I do not know how to say it in any other way.

**James Kelly:** Cabinet secretary, you are living in a fantasy. If you speak to any councillor—including Scottish National Party councillors—they will tell you that the reality is that, in setting budgets, they are looking at hard choices such as cutting jobs and services and closing leisure facilities. It is a fallacy to say that councils have more money.

**Derek Mackay:** What I said is true. Would Mr Kelly care to name a council and I will tell him how much extra money it is getting?

**James Kelly:** The reality is that this is a cuts budget.

**Derek Mackay:** Would anyone care to name any council?

**James Kelly:** That is what is happening.

**Derek Mackay:** Any council? Pick a council.

**James Kelly:** That is what is happening on the ground.

**Derek Mackay:** Alphabetically, if not your own council.

**James Kelly:** That is what is happening on the ground.

**Derek Mackay:** Any council?

**James Kelly:** I will move on, convener.

**Derek Mackay:** I bet you will move on.

**James Kelly:** Can you explain why you chose to take £54 million and stuff it down the ministerial sofa, as opposed to allocating it to councils to alleviate the cuts?

**Derek Mackay:** That is an incoherent question, but if Mr Kelly is asking whether any of the Barnett consequentials are being held in reserves for an unknown reason, the answer is that they are not. I have said that we are allocating resources for the teachers' pay deal, which I expect to be a substantial amount. That pay deal is still to be agreed by the teaching trade unions.

**James Kelly:** You said earlier that you expect to have an underspend this year. We know that the underspend was £454 million last year, so you are expecting additional moneys to come into reserves on top of that £54 million.

**Derek Mackay:** The underspend in the previous financial year was allocated to local government in the current financial year. I have outlined in the draft budget document that I am fully allocating the resources from the underspend in the current financial year to expenditure in 2019-20. I anticipate that, partly as a consequence of the last-minute Barnett consequentials, there will be further underspend this year. That is why HM Treasury has agreed to relax the limits around the fiscal framework and what can be carried forward. I fully intend to allocate the resources.

Simultaneously, while being accused of having an underspend, I am being asked by this committee why I am not putting more resources into the reserve to prepare for any potential tax reconciliation. You must look at these figures once we publish them. However, I am mindful of what the committee has suggested to me in the budget scrutiny evidence. Of course, I will respond to the committee's report before stage 3.

**Patrick Harvie (Glasgow) (Green):** It is nice to have been talked about so much in the committee already this morning. Inevitably, the discussion at



stage 2 involves a little bit of posturing and positioning. Some people want to say that the budget is terrible and the worst that it could possibly be, and maybe the cabinet secretary wants to say that it is perfect and the best that it could possibly be. The truth is probably somewhere in between. However, we have reached a situation with the process whereby, in the final days and even hours before the stage 1 debate, local government did not really know what position it was going to be in. Local government has welcomed the changes that were announced at stage 1, but it was left in a great deal of uncertainty in the run-up to that while councils were starting to prepare their draft budgets.

Cabinet secretary, you might wish that everyone agreed with your analysis that ring-fenced funds should all be counted as part of the same pot and that all other political parties engaged with constructive, costed proposals. However, what does the Scottish Government need to do differently in the future to ensure that the process is a bit better managed, gives a bit more clarity and does not go to the wire in a last-minute, breakneck process that is not good for local government?

**Derek Mackay:** There is some validity in that point. However, everyone who is familiar with the process knows that, following the announcement of the UK budget, we have to run figures and do the modelling while faced with many pressures. We therefore have to move at breakneck speed to be able to produce our own budget. That is a consequence of when the Chancellor of the Exchequer's budget is announced, and that timing has been moving. There is therefore an issue about timing generally, which I have raised with the committee previously.

The budget process review group has given us a lot of recommendations and a helpful timetable for the budget process. However, we should not lose sight of the fact that, from the time of the chancellor's budget to the production of the Scottish budget, a great deal of work is done. It is comprehensive work, because there are many moving parts to the budget in that process and the figures can change substantially. There are then the figures that we provide to the Scottish Fiscal Commission for it to give us the researched position regarding our potential tax policy, so there are many moving parts.

On where there is room for improvement, I have engaged with Opposition parties even earlier in the process than my predecessor did. Members will recall what happened previously: the draft budget would be published, then there would be negotiations. The negotiations carried on between stage 1 and stage 3, and sometimes—the convener will remember this very well from a

previous capacity—under the previous minority Government, the budget deal was done at stage 3. However, for as long as I have been finance secretary, the budget deal has been done in advance of stage 1. That is the first difference.

Another difference is that I have engaged with political parties well in advance of stage 1. There is room for improvement in having a discussion about what parties are genuinely looking for and what their interests are. We have an improved committee process, whereby committees give recommendations and undertake year-round budget scrutiny. If the political parties wished to bring forward their positions, views and options earlier, that could improve the process. However, I am afraid that I have almost had to drag from politicians in Opposition parties what their position is post publication of the budget.

I think that we can engage earlier and I would welcome that engagement. That perhaps brings us back to the issue of what information could be shared at an earlier point. As I said, the process is very fast moving right up to the publication of the Scottish budget because of the timescales that I have described.

**Patrick Harvie:** I take your point about the UK timescales that you do not control, but you acknowledged that my question has some validity and that we need to look at what we can all do to improve the process. On the UK Government's approach to these matters, perhaps Murdo Fraser is right and the chancellor lets all Opposition parties at Westminster know immediately when he knows of any change in the financial context. I suspect that he is not right about that. However, we can look at how we might do things better.

One of the changes that you agreed to in the stage 1 debate was about a move to multiyear funding for local government. Do you agree that that discussion with political parties and local government—and others who might have a view on it—needs to begin well ahead of the next budget? If we are trying to agree a three-year funding settlement next year in the same breakneck way that the last-minute budget discussions happened this year, that would be an intolerable situation for local government to be in.

Will you commit to beginning that discussion with local government and political parties as soon as the summer recess is over, so that the overall shape of the three-year settlement can begin to be negotiated well in advance of the publication of the budget?

**Derek Mackay:** I can go further than that. I think that the fiscal arrangements and multiyear budget setting that we have talked about are an important part of the Government's current local governance review. In essence, we have a rules-based,

principles-based approach, and I see no reason why we cannot begin the discussion as part of the local governance review.

**Patrick Harvie:** Thank you.

**Willie Coffey:** I want to bring us back to the SPICe paper, which James Kelly mentioned. I assume that we are reading from the same paper. It says, in black and white:

“finally, once all the above, and the capital budget is included, the total funding for local government now increases by 2.8% in real terms (+£298.9 million).”

That means the budget is up, not cut—that is my reading of it. Will you clarify that?

**Derek Mackay:** That line in the SPICe paper is absolutely correct. I have said before that we get to a cuts figure only if we reduce the actual cash going to local government. I have a table that shows the full spending power of each local authority and other elements. Yes, that line shows a real-terms increase to local government. Maybe you put it more eloquently than I did when I tried to explain it to Mr Kelly.

**Willie Coffey:** You invited James Kelly to name a council. Will you show us the figure for East Ayrshire Council?

**Derek Mackay:** East Ayrshire’s total spending power increases by 4.91 per cent, which is increased support of £12.1 million.

**Angela Constance (Almond Valley) (SNP):** Like other members of the committee, I received a copy of your letter to Councillor Evison, the Convention of Scottish Local Authorities president, which is dated 31 January. It is a fairly lengthy and detailed letter, in which you set out a fair and balanced characterisation of the opportunities and the challenges that face local government. Let me read out one sentence that I think encapsulates that. You said:

“As a result of the continuing UK austerity cuts forced upon us I know local authorities, along with the rest of the public sector, are still facing some difficult financial challenges”.

You will be familiar with the phrase “divide and conquer”. What opportunities are there for the two spheres of government in Scotland—local government and the Scottish Government—to present a more united front, to oppose and overcome austerity? Where are the opportunities for the two spheres to work together on those longer-term priorities?

**Derek Mackay:** On political opposition, I think that we should speak with one voice in opposing the continuation of UK austerity—doing so is important and powerful. The committee is aware that, as I have said before, excluding the health consequentials, there has been a real-terms reduction in resource to the Scottish Government

between 2018-19 and 2019-20, and that what has been given certainly does not undo the £2 billion reduction over the 10-year period. Therefore, speaking with one voice to oppose that on-going austerity is significant.

The major threat to our economy and our people right now is undoubtedly Brexit and we should work together to oppose Brexit and the worst-case Brexit scenario, which is no deal. We should work with local government to oppose all that.

Then, if we are continuing to mitigate the situation, we need to do two things. First, we absolutely must grow the economy, so that we can have economic growth while tackling inequality. We must work with our partners in local government so to do. Secondly, in relation to the provision of services in mitigation, we must continue to work together, in areas such as housing and welfare, on interventions that will make a difference at local level and to some of the most vulnerable people in our society, whether we are talking about the welfare fund, the expansion of early years childcare or other interventions.

We need to focus on the political charge against the UK Government while mitigating and managing the situation as best we can with the powers that we have. We must also have an empowering relationship, so that we can genuinely work together to achieve those outcomes.

10:30

**Angela Constance:** Thank you. I will return to some of the longer-term—

**The Convener:** Do you want to deal with that just now?

**Angela Constance:** Yes. I am keen to hear about examples in this year’s budget of sound choices being made with an eye to the future, taking that longer-term view. The cabinet secretary mentioned childcare, and housing would be another example.

Could you say more about the long-term multiplier impacts of those choices, looking at the opportunities to work with local government and others with a view to the longer term? You have also touched on multi-annual funding.

**Derek Mackay:** We are making investments in partnership with local government. Housing is a good example, with an investment of £826 million. The statistics for my area are that 1,000 new homes will be built in Renfrewshire as a consequence of some of that investment. That is good news and a welcome investment.

Direct investment in infrastructure, with local government as our delivery partner and key stakeholder, is important. That is about housing

and childcare and making sure that we have the necessary buildings, staffing and capacity to deliver on that commitment.

The investments that we are making today are about building for the future in relation to economic growth and a fairer society, giving children and young people the best possible start in life. Some of those resources are targeted through the pupil equity fund, which empowers not just local authorities—that other sphere of government—but headteachers directly. The empowerment agenda is about handing power not just to politicians but to people. Through the budget, we are investing in the capacity and sustainability of today's services and in future opportunities.

A further example is the growth deals. Angela Constance is sitting next to Willie Coffey, in whose area the Ayrshire growth deal has been approved at long last, with £100 million from the UK Government and £100 million from the Scottish Government. It is about unlocking the economic potential but it is absolutely focused on the opportunities that that creates.

I want us to work more closely with local government on local economic development. I have watched the Economy, Energy and Fair Work Committee meetings and I have been a witness at the committee on business gateway, city deals and other areas. There should be further joint working with local government in areas such as economic development and I am happy to take that forward as economy secretary.

A range of other specific investments that are sometimes forgotten about are also part of the budget, such as the expansion of social security support in the next financial year and the provision of free sanitary products; there is also a continuation of the baby box scheme and other grants that are administered by local authorities and will make a real difference to people.

As I have said, there is a range of areas that can work together. It is fair to say that in welcoming the budget progress and the empowerment agenda, there are further opportunities to work with local government in some of this territory.

**Angela Constance:** You touched on mitigation; this morning, the Social Security Committee published a report that says that it is not realistic or feasible for the Scottish Government to continue to mitigate UK Government welfare policy. The United Nations special rapporteur on extreme poverty had something to say about that as well. How do the decisions that are made about the budget support lifting people out of poverty as opposed to mitigating the impact to keep people where they are now?

**Derek Mackay:** Social security is about entitlement and a safety net. It is about providing resources at people's time of need. What drives me as finance and economy secretary is growing the economy, because if we create meaningful, purposeful, properly remunerated employment, that is the best social and economic policy. That is what I happen to believe—that economic growth is materially significant and is the antidote to that social exclusion.

I believe that the range of measures that we have put in place to support the economy and the sustainability of public services is absolutely about improving the life chances of our people. That is in addition to all our other programmes—which I support 100 per cent—on childcare, early intervention, family nurse partnerships, healthcare, health improvement and the preventative approach. Those are all wonderful but, for me, growing the economy in an inclusive manner is a fantastic way to address outcomes and champion equality.

In the budget there is £5 billion for infrastructure. As I have said, £826 million of that is for housing. There is more money to stimulate the economy, we are establishing the Scottish national investment bank, we have the most competitive package of rates relief anywhere in the United Kingdom and there is also investment in innovation, education and business growth. All that is to help to drive our economy to achieve the outcomes of empowering people, improving their life chances and providing the necessary safeguards and safety net that come along with a social security system.

Finally, our ability to protect Scotland from the ravages of a right-wing, Brexit-mad UK Government that continues to pursue austerity is at its limit.

**Angela Constance:** So investment decisions in Scotland are looked at through the lens of what will actually work to lift people out of poverty.

**Derek Mackay:** Absolutely. The national performance framework and the purpose of our country are about the life chances of our people.

**Alexander Burnett (Aberdeenshire West) (Con):** Let us talk about the car park tax that you are bringing in. In the absence of any detail on it, and as both an employer and an employee and as someone with a car who uses off-site parking—

**Derek Mackay:** And as a Tory.

**Alexander Burnett:** —I should probably declare an interest.

I am sorry—I did not catch what you said.

**Derek Mackay:** I said, “And as a Tory.” I am sure that you will take the Conservative perspective.

**The Convener:** Can we avoid the asides and just get on with the questions, please?

**Alexander Burnett:** I am not sure whether other members have similar interests. I am sure that, with everything else that has been in the news, the cabinet secretary must be thrilled with how much attention that budget-related item is receiving. Certainly, from looking at the diverse range of messages in my inbox, I can see that it is of concern to many of my constituents, from rural teachers to students who attend college in Aberdeen.

The workplace parking levy is primarily a workplace tax, but I have a couple of business questions on which I would be grateful if the cabinet secretary could provide some clarity. If employers pay the levy on behalf of their employees, would that count as a benefit in kind, which would appear on a P11D form? If so, a record of parking spaces and their use would be required. Has the cabinet secretary given any thought to that and to who might have the dubious pleasure of maintaining a register of every parking place in Scotland? If a business property attracts a large parking levy, that will obviously affect its rateable value, so does the cabinet secretary anticipate another round of business rates appeals? Has he given any thought at all to the implications of what he has agreed with the Greens?

**Derek Mackay:** I refer members to the published correspondence with the Greens on what has actually been agreed. Of course, such a power exists south of the border, in Tory-run England. I do not hear the Conservatives arguing for the scrapping of local authorities’ ability to have the levy there.

Given that we are focusing on the issue, I can advise the committee only that the proposal for the levy is at an early stage. There is an agreement that an amendment to the Transport (Scotland) Bill will be lodged in relation to the levy and that it will be considered at that point. I understand that the Rural Economy and Connectivity Committee will take evidence on the proposal as well. I do not propose to offer up any more detail, because we are at an early stage. We have agreed, in principle, to accept an amendment that introduces the power for local authorities to adopt the levy. As I understand it, there will be consultation by the Rural Economy and Connectivity Committee and then the detail will be forthcoming. Michael Matheson, the Cabinet Secretary for Transport, Infrastructure and Connectivity, will lead on the issue.

As far as the budget is concerned, there is an agreement that we will accept the amendment from the Greens at stage 2 of the Transport (Scotland) Bill. I will happily share more information at that point. If Mr Burnett wishes to do so, perhaps he should advise his correspondents of that, rather than scaremongering about who may or may not pay the levy.

The Scottish Government had one proviso: that the national health service and hospitals would be exempt from the levy. That and other possible exemptions for local authorities will be considered in due course. Perhaps members should not scaremonger on the issue and instead work with Parliament constructively and collaboratively to ensure that we achieve a scheme that is right for the country, local authorities and local people.

**Alexander Burnett:** I know that the cabinet secretary likes to peek across the border every time that he is looking for a covering excuse. I am sure that he is aware that the levy down south was brought in nearly 20 years ago by a Labour Government. It has been implemented only once, by a Labour council, and I believe that that was in conjunction with a tram scheme that had been brought in. I am therefore not sure whether use of the levy down south is a useful comparison.

Is the truth not that, in Scotland, at a time when businesses need to be focusing on productivity, the cabinet secretary is bringing in an unworkable measure that even the majority of his colleagues do not support just to buy off the Greens? If he was really serious about the proposal, would he not have brought in something more than just an amendment to the Transport (Scotland) Bill?

**Derek Mackay:** There seems to be an absence of facts from many members of the committee this morning. The member will find that the budget deal that I have taken forward has the full support of the Scottish Government and members of my party.

I think that engagement and consultation will be helpful in taking the right policy forward. On business growth, it so happens that I met business representative organisations yesterday—I am sure that the member will welcome that—and we focused on a number of matters in relation to the budget and growing our economy.

It is true to say that, whatever people think about the workplace parking levy, it is as nothing compared with the financial catastrophe that is coming our way as a consequence of Brexit. Members can dismiss that, but it is a major threat to Scotland’s economy, and that is what businesses are talking about and want clarity on right now.

**Neil Bibby:** You have talked about the importance of growing the economy, which you

said is your top priority. You also said that the policy is at an early stage. Can you confirm that you have not done any economic modelling or an economic impact assessment of the policy? You talked about the absence of facts. Would it not be beneficial for you to carry out economic modelling and an economic impact assessment of the policy, given that you have said that growing the economy is your number 1 priority?

**Derek Mackay:** I am very familiar with the fact that Opposition amendments can feature at stage 2 and even stage 3 of the parliamentary process. That is the purpose of legislation working its way through Parliament, and of course that precipitates consultation and engagement. That is the parliamentary process.

No—I have not undertaken any individual economic analysis. The Cabinet Secretary for Transport, Infrastructure and Connectivity, Michael Matheson, will take the matter forward, as that is appropriate for the power in question, and it will work its way through the parliamentary process.

The important point is that this is not about a Scottish Government scheme; it is about empowerment of local government. It was a necessary budget concession because, if there had been no agreement on the budget, the consequence would have been that a £42.5 billion budget for Scotland would have gone down. Ultimately, this is about empowering local authorities.

I wonder why some members who were previously—apparently—for local government empowerment and letting local councils make decisions in consultation with local people and businesses according to local circumstances, and who accused the Government of being a big, bad, centralising Government, are now against localism when it is supported by a majority in the Scottish Parliament.

**Neil Bibby:** I encourage you to carry out an economic assessment of the policy. You said that it will be for councils to decide whether they use it or not, but they may be forced to use it because of the poor budgets that they are receiving.

In addition to not carrying out economic modelling or an economic impact assessment, I take it that you have not made an estimate of how much money would be raised by local authorities if the Nottingham model was applied across Scotland.

**Derek Mackay:** Mr Bibby has no evidence to conclude that the scheme would be used by all 32 local authorities, or that the Nottingham model—

**Neil Bibby:** It could be.

**Derek Mackay:** We could model, scenario plan for and do economic analysis of a range of things that “could be”.

I agree with the need to consult and engage, and I certainly encourage both the Parliament and local authorities to do that before any power that may transpire is deployed. As I said, this is the beginning of the parliamentary process and there will be that necessary engagement.

Neil Bibby repeats the charge, as James Kelly has done, in relation to budget settlements. I simply argue that Renfrewshire Council’s spending power will increase by 4.59 per cent, which is an increase of £15.1 million to local government resources in that area.

10:45

**Neil Bibby:** That would be encouraging to hear if we were not seeing the cuts on the ground. As you are aware, a whole series of cuts are being made in Renfrewshire as a result of your budget cuts.

What is your rationale for your support for a parking levy being contingent on there being exemptions for NHS workers but not for other workers? What is your response to the Educational Institute of Scotland’s call for schools to be exempt? What about the police, firefighters, apprentices or people on low incomes? What about workplaces with poor transport links? Workers at the leather works in Bridge of Weir, in your constituency, need to start their shift at 6 o’clock, which is long before the first bus arrives in the community. Is there not a case for looking at all those issues before pressing ahead with the amendment?

**Derek Mackay:** There is a case for further exemptions, and local authorities should look very closely at local circumstances when they apply the charge. That will be a matter for local authorities; that is the point of local empowerment. Neil Bibby is demanding that the Scottish Government empowers local authorities by passing powers to them, but the second after that is proposed, he and the Labour Party oppose it.

There are certainly good cases for local authorities to look at exemptions based on local circumstances, which should, of course, be taken into account. How the charge applies to teachers is a good example. Given that local authorities will make the decisions, surely the councils will think about schools.

We need to address the important point that the charge is not to individuals but, ultimately, to the employer. There is a question about which employers will pass it on, but we must not immediately conclude that individual staff

members will pay the charge. The scheme should be about the employer or the property owner. The decision makers in local government will take local circumstances into account, and their decisions will be subject to the safeguards that we have insisted on.

**Adam Tomkins:** I wonder whether we can take a little bit of the unnecessary party-political heat out of the discussion and have a slightly more mature conversation.

This is the Finance and Constitution Committee, which is interested in trying to understand tax proposals and the relationship between tax proposals and extant taxes in Scotland. You have been asked at least two detailed and intelligent questions about the tax implications of the proposal for benefits in kind and income tax, and for business rates and rateable values. You have not answered either of those questions. You might not have answers to them today; if you do not, could you write to the committee in advance of stage 3 with answers to them? They are honest questions that seek to understand the tax implications of the proposal—which is, to all intents and purposes, a new tax in Scotland—for other taxes, which the committee has spent a long time looking at.

That is not a party-political question, so I do not want a party-political answer. It is a finance committee question, and I would like a cabinet secretary answer, if I may.

**Derek Mackay:** I have some sympathy with what Adam Tomkins has said but, if we are looking at the language that has been deployed this morning, I ask him to reflect on the opening commentary from his colleagues. He can check the record.

The Rural Economy and Connectivity Committee will take forward the proposal, as is appropriate. Lead committees take forward subjects that are relevant to them—that is how Parliament does its business. With the relevant cabinet secretary, that committee will take forward the levy because it relates to transport.

I will, of course, engage with the Finance and Constitution Committee on the tax outcomes. I have tried to express that the proposal is at the early stages of legislative development. A stage 2 amendment to the Transport (Scotland) Bill will be lodged after we have more detailed information to work with. I am happy to come back to the committee to answer questions, but some members do not seem to be listening to me when I say that the proposal is at an early stage. There will be consultation on the structure that is being taken forward, so that we can analyse what is being proposed—that is in contrast to the scaremongering that I have read in the press. I

want to give Adam Tomkins the information that he seeks, but he will understand the parliamentary process that will take us to that point.

**Adam Tomkins:** I am grateful to the cabinet secretary for that answer and for his tone. Can we have the information before stage 3 of the budget bill, please?

**Derek Mackay:** That will depend on the amendment to the Transport (Scotland) Bill, but I will certainly endeavour to provide the information as quickly as possible.

**Adam Tomkins:** So it will be before stage 3.

**Derek Mackay:** If enough progress is made at the Rural Economy and Connectivity Committee to allow us to have the detail, it would be helpful for me to provide that information.

**Adam Tomkins:** Thank you.

**Willie Coffey:** Before we throw our hands up in horror at the workplace parking levy, can the cabinet secretary confirm that COSLA's president, Councillor Evison, has said that she welcomes the commitment to introduce the levy and that

"it is right that Local Authorities across Scotland should be able to raise revenue locally to address local issues."

I believe that Councillor Evison is a Labour member.

**Derek Mackay:** Even more interesting than that, Councillor Evison has welcomed the progress on the budget. I know that Mr Tomkins does not want me to be partisan, but I just want to demonstrate that it does not all come down to party colours. Gail Macgregor, who is the COSLA resources spokesperson, has also welcomed it, and she is a Tory. It just goes to show that it is not someone's party affiliation that determines their view on the subject.

**Patrick Harvie:** I am glad that, rather than there being just a knee-jerk reaction, there are some substantive questions about how schemes might be designed at the local level. There will be the opportunity not just for consultation on how the schemes are designed, but for potential exemptions beyond the NHS, such as for blue badge holders or employers who invest in subsidised public transport or other facilities that encourage behaviour change. It is all about bringing about the necessary change in the way in which we move about and the incentives behind that.

The question for Parliament in considering whether to pass such legislation is very similar to the question in relation to the transient visitor levy. The question for Parliament is not whether one single model should be imposed across Scotland, which no one has suggested. The question is this: should local councils effectively be forbidden, as

they are now, from even considering whether they can design a scheme that suits their own circumstances, or should they be given the flexibility to design such a scheme?

**Derek Mackay:** Yes, that is a fair analysis of the argument between the Parliament determining the framework and how much flexibility a local authority should have. The Scottish Government has set out our position in principle and, as I have said, we will work through whatever local authorities propose. That is an accurate summary of the dichotomy between parliamentary control and local discretion.

**Emma Harper (South Scotland) (SNP):** I am interested in health and the health budget. I remind the committee that I am a nurse, although I am not currently practising.

Can the cabinet secretary provide information on what the budget means for health spending, and on the £55 million of additional funding, which was to be provided to make up for the shortfall in Barnett consequentials from what had previously been promised by the UK Government? In Parliament, the cabinet secretary said:

"The UK Government has now confirmed ... further unexpected funding in Barnett consequentials this year."—*[Official Report, 31 January 2019; c 44.]*

How much is that funding and does it make up for the initial shortfall? How much is the increase in Scottish national health service funding over what was announced in December?

**Derek Mackay:** The Burns Barnett consequentials are £59 million. We pass every penny of resource consequentials on to the health service. That makes up for the £55 million shortfall that we identified in what had been committed to the NHS by the UK Government. That reinstates that amount and, based on my December budget, increases the health line by £4 million. That is what I am asking the committee to approve today in the stage 2 amendments.

On the overall NHS funding, there will be an increase in health resource funding of £729 million in 2019-20. That is £754 million more than inflation since 2016-17. Funding for front-line NHS boards will be increased by £430 million, which is 4.2 per cent. As I said, all resource consequentials will be passed on to the health service. The total resource spending on health and sport will now be £13.9 billion.

In addition, we are investing more than £700 million in health and social care integration, which is increasing investment in health and social care partnerships to more than £9 billion. There will be a direct increase to mental health services of a further £27 million, which will take overall funding for mental health to £1.1 billion. We will invest

£0.25 billion to support mental health measures for children and young people.

Incidentally, the sportscotland budget will also increase by £1 million to £32.7 million.

**Emma Harper:** I was going to ask for detail, but you have answered my question.

**Tom Arthur:** The UK is set to leave the European Union in a little over 50 days. An important lesson of history over the past century has been how disasters and catastrophes can happen: we can be warned, but cosy consensus and the belief that a thing is impossible can prevail, so we sleepwalk into such events.

In recent days, it has been reported that UK Cabinet members believe that there should be daily warnings in the public media about the dangers of leaving with no deal. Evacuation plans for the Queen that were formulated during the cold war have been dusted off in case there is civil unrest in London.

You previously mentioned that the budget may have to be revisited in the event of there being no deal. Given that that is a growing danger that is moving from the realm of speculation to that of the possible, and perhaps even the probable, will you outline the consequences of there being no deal for the budget and fiscal position of Scotland?

**Derek Mackay:** There is a great deal of information in that regard. To sum it up, in respect of the block-grant consequentials that come to Scotland and the tax decisions—the relative elements—the Chancellor of the Exchequer has set out that his budget was contingent on there being an orderly Brexit. Therefore, my budget is also contingent on an orderly Brexit.

We know that any form of Brexit will harm the economy, which means that there will, for a range of reasons, be lower living standards and smaller gross domestic product growth than we would otherwise have had. A no-deal Brexit would be pretty catastrophic; we know the short-term, medium-term and long-term economic and social impacts. It would have a detrimental impact on the UK and Scotland's finances, economies and populations and would require us to revisit the Scottish budget. The £42.5 billion budget could not just continue in its current form because of the impact on our economy, the turbulence, the impact on society and the increasing demand on our services.

The Scottish Government's resilience forum meets every week—it will meet again this week. It focuses our economy ministers on the actions that we will take to mitigate damage. I hope that a no-deal Brexit can be averted, but unfortunately it feels as if the likelihood of a no-deal Brexit is increasing as a consequence of the mishandling of

the situation by the Prime Minister and her Cabinet. In that case, we would need to revisit the budget. I have to say that it would not be good news, but it would be necessary reprioritisation in order to manage the catastrophic economic and social consequences of that outcome.

**Tom Arthur:** Do you agree that a no-deal Brexit would disproportionately disadvantage the most vulnerable people in our communities?

**Derek Mackay:** Yes, it would. It will be all right for some of the elite at the top who have been driving the propaganda on Brexit. They have feathered their nests and are sorted.

The people who will be most exposed will be the most vulnerable people. The people who are on lower salaries or who are struggling to balance the books will be impacted, as well as many other citizens. A no-deal Brexit would have a profound impact. My concerns include the fiscal impact, employment, productivity and the general wealth and wellbeing of our economy. All would be impacted by a no-deal Brexit.

Parts of the public sector are pursuing additional resources because of the threat of Brexit; I refer to the example of the police, who are concerned about public disorder in the event of Brexit. We should not underestimate the serious impacts that are inevitably heading our way because of mishandling by the UK Government.

A no-deal Brexit will be catastrophic. We want to avert it, and there is still a way out of this mess, as has been explained by the First Minister and Michael Russell. We are looking at how we can best mitigate the situation. As I have said, I am very close to the matter, as finance and economy secretary.

11:00

**Adam Tomkins:** In the chamber two weeks ago, we had a very useful—even worthy, perhaps—debate on the budget. As a result of one of the budget process review group's recommendations, conveners talked about their committee's priorities for the budget. That was a useful contribution to the budget process. Of course, the revised budget process is infused with the value of transparency. I have a few more questions to ask about transparency—in particular, in relation to this year's budget process. I will ask them in the spirit in which I asked my earlier questions about transparency.

I do not know whether this is true, but it has been claimed in the press that £92 million has been made available to the Scottish Government to help with Brexit preparations, and that the money has not been spent on Brexit preparations but has instead been absorbed into the Scottish

Government's overall budget. A contrast has been drawn with how the money has been spent south of the border, where local authorities and the police have been handed money for such preparations. Apparently that has not happened in Scotland. In the interests of the principle of transparency in the budget process, can you shed any light on the matter?

**Derek Mackay:** The current position is that I have allocated Barnett consequential as I have described in the budget; I have been quite clear about that. There are on-going workstreams on Brexit preparedness; Michael Russell leads on that work. I have not created and carved out a separate fund for the police or for local authorities. They engage in the resilience meetings that we convene.

As I said, if there is a no-deal Brexit, we will have to revisit the budget. Civil service resources have been allocated to deal with Brexit. In the spirit of full transparency, I make it clear that I have not made a separate fund, such that there is a pot for one service and another pot for local government. The resources are fully allocated by the budget that I am proposing. If members have a contrary view, they can certainly put it forward.

**Adam Tomkins:** Why are you taking a different approach with that funding from your approach to Barnett consequential for health? You have clearly said again this morning that health consequential will pass to health. Why are Brexit consequential—if you like—not being passed on for use on Brexit?

**Derek Mackay:** It was a manifesto commitment that we would pass on all health consequential to the health service. There is no such manifesto commitment for Brexit, because of the chronology of events. I do not hypothecate or ring fence and I do not generally photocopy the UK chancellor's budget in terms of the allocations or Barnett consequential that would come our way. We have the flexibility to allocate as we see fit.

We are working on our Brexit preparations right now. As I said, Michael Russell leads that work. It includes partnership with local authorities and the police, who are involved in our resilience meetings.

**Adam Tomkins:** On that same theme of transparency, as I understand it there was no deal that would pass the budget at stage 1 until the day of the stage 1 debate last Thursday, but you knew from the beginning of that week that the UK chancellor had made available to you £148 million of additional Barnett consequential. Do you agree that it is not consistent with the principle of transparency that underpins the work of the budget process review for negotiations about the budget to proceed with you—or any cabinet



secretary—knowing that you have £150 million of public money in your pocket that you have not disclosed to Parliament?

**Derek Mackay:** No, I disagree. The budget has many moving parts. That money is part of a £42.5 billion budget. The numbers change in many areas day by day. I report to Parliament more comprehensively than previous finance secretaries did because we have built in further elements of accountability. The medium-term financial strategy is but one of the new developments in the process.

If Opposition parties engage with me constructively, I can have dialogue with them about choices, available resources, funding and flexibility, and we can work on the art of the possible. I totally disagree that I have been anything other than transparent, up-front and constructive in trying to get the budget through. When the parliamentary opportunities come, I present the fiscal position to Parliament.

**Adam Tomkins:** Transparency is a value that can be trumped by expedience.

**Derek Mackay:** Not at all.

**The Convener:** That concludes that part of the process. We now turn to agenda item 2, which is the formal proceedings at stage 2 of the Budget (Scotland) (No 3) Bill.

*Section 1 agreed to.*

### **Schedule 1—The Scottish Administration**

**The Convener:** Amendment 1 is grouped with amendments 2 to 4.

*Amendment 1 moved—[Derek Mackay].*

**James Kelly:** Clearly, the amendments will bring additional money into the budget, so I am not going to oppose them. I understand the process and that we cannot take a vote on the overall position of the budget at this stage.

However, I place it on the record that Scottish Labour continues to oppose the budget on four counts. First, as I said earlier, councils face cuts. If Mr Mackay looks at what is happening on the ground, he will see the reality of that and the choices that councils are having to make.

In terms of poverty, as the Fraser of Allander institute's blog has pointed out, the budget allocates only £27 million directly to help low-income families, so it falls short on that.

On rail services, thousands of services have been cancelled over the past year—we saw that again yesterday—and the budget does nothing to address the fares increase that rail passengers got earlier in the month.

Finally, on fair taxation, Mr Mackay spoke earlier about

“the elite at the top”.

A proper progressive and fair taxation policy should be asking the elite at the top to contribute more to address the scale of the crisis that the country faces.

**The Convener:** This is a formal process, cabinet secretary. You will get the chance to wind up, but I will let other members in first.

**Patrick Harvie:** I will put a few comments on the record. Amendments 1 to 4, together with the additional flexibility that is being provided in local government spending, do not achieve perfection, but they are substantial changes that have been welcomed by local government. I have spoken to local government colleagues from a number of political parties: they are clear that as a result of the changes to the budget, they will be able to prevent the extremely damaging cuts that were being contemplated.

I wish that all political parties would focus on the actual amendments because of the changes that they can secure in the budget process. If all political parties did that, we would see a better outcome for Scotland and a Parliament that asserted its will more effectively.

**Angela Constance:** There is no magic bullet for addressing poverty or improving life chances. However, what I consider to be the biggest piece of the jigsaw in terms of lifting children out of poverty is the budget's sustained investment in housing of £826 million. We are also seeing multi-annual funding of resource planning assumptions to local authorities of £1.75 billion. That investment in housing is hard and fast, and it can be demonstrated that it is good for our economy and that it will grow our economy, support employment and create warm and affordable homes for families. It is an all-round good thing.

**The Convener:** I invite the cabinet secretary to wind up.

**Derek Mackay:** I have just a few points to make. First, it is wrong to say that the budget is anything other than a real-terms growth budget for local government. With the inclusion of the amendments' provisions, the total spending power for local government will be up by £620 million in the financial year 2019-20. That is an increase and, as I said, there is a real-terms increase in resource and capital.

On the important issue of poverty, reference was made to the budget lines that target poverty, but we have to look at how all interventions support increasing equality. The interventions include the Scottish welfare fund, fair start Scotland, the empowering communities fund, the

fair food fund, digital skills training, the education maintenance allowance, affordable homes, childcare, the carers allowance, concessionary fares, the bus service operators grant, home energy efficiency programmes, the carers allowance supplement, the baby box and free sanitary products. Those are just some examples of what the budget provides to target poverty and inequality.

The stage 2 amendments will deliver a £94 million increase—£90 million to local government and £4 million to the NHS—on the figures that I announced in the December budget presentation. However, Parliament had a choice with regard to revenue raising. The Labour Party asked me to increase the higher rate and top rate of income tax, but it did not supply me with a costed proposition. With an increase in the top rate, we would have lost money, so we would have had to increase the higher rate by about 6 percentage points.

The Greens asked me to raise income tax and non-domestic rates. I have not done so; instead I have found an alternative way to meet the necessary budget requests of the Greens and have made concessions in that regard. The Conservative Party asked me to cut tax for the highest earners in society. I think that I have got the balance right with regard to revenue raising and spending commitments in order to stimulate our economy and provide stability and sustainability for our public services.

I think that, in the face of adversity, austerity and Brexit chaos, the budget is very strong and is good for Scotland, and the amendments will strengthen it further. Therefore, I ask the committee to support the amendments.

*Amendment 1 agreed to.*

*Amendments 2 and 3 moved—[Derek Mackay]—and agreed to.*

*Schedule 1, as amended, agreed to.*

*Section 2 agreed to.*

*Schedule 2 agreed to.*

*Section 3 agreed to.*

*Schedule 3 agreed to.*

#### **Section 4—Overall cash authorisations**

*Amendment 4 moved—[Derek Mackay]—and agreed to.*

*Section 4, as amended, agreed to.*

*Sections 5 to 11 agreed to.*

*Long title agreed to.*

**The Convener:** That ends stage 2. I thank the witnesses for attending.

11:12

*Meeting continued in private until 11:29.*

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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