

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 12 December 2007

Session 3

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ECONOMY, ENERGY AND TOURISM COMMITTEE 11th Meeting 2007, Session 3

CONVENER

*Tavish Scott (Shetland) (LD)

DEPUTY CONVENER

*Brian Adam (Aberdeen North) (SNP)

COMMITTEE MEMBERS

*Gavin Brown (Lothians) (Con)

*Christopher Harvie (Mid Scotland and Fife) (SNP)

*Marilyn Livingstone (Kirkcaldy) (Lab)

*Lewis Macdonald (Aberdeen Central) (Lab)

*Dave Thompson (Highlands and Islands) (SNP)

*David Whitton (Strathkelvin and Bearsden) (Lab)

COMMITTEE SUBSTITUTES

Nigel Don (North East Scotland) (SNP)

George Foulkes (Lothians) (Lab)

Alex Johnstone (North East Scotland) (Con)

Liam McArthur (Orkney) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Jim Mather (Minister for Enterprise, Energy and Tourism)

Geoff Pearson (Scottish Government Public Service Reform Directorate)

CLERK TO THE COMMITTEE

Stephen Imrie

SENIOR ASSISTANT CLERK

Katy Orr

ASSISTANT CLERK

Gail Grant

LOCATION

Committee Room 1

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 12 December 2007

[THE CONVENER *opened the meeting at 09:30*]

Decision on Taking Business in Private

The Convener (Tavish Scott): Good morning, ladies and gentlemen. This is the 11th meeting of the Economy, Energy and Tourism Committee this year. By way of introduction, I remind members that there will be a fire alarm at about 10.15 this morning. We have to obey the instructions that we receive from staff at that point. If we are still on item 2, we will have to suspend the meeting and run.

Are colleagues content to take items 3 and 4 in private?

Members *indicated agreement.*

Dormant Bank and Building Society Accounts Bill

09:31

The Convener: Item 2 is the Dormant Bank and Building Society Accounts Bill, which is United Kingdom legislation. A legislative consent memorandum has been lodged by John Swinney. I am grateful to the Minister for Enterprise, Energy and Tourism, Jim Mather, for being here this morning along with a couple of his colleagues.

I presume, Mr Mather, that you will speak briefly to the item by way of introduction. I will then invite questions from the committee.

The Minister for Enterprise, Energy and Tourism (Jim Mather): Thank you, convener. First, I introduce Geoff Pearson and Ross Lindsay from the third sector division of the Scottish Government. I am grateful for the opportunity to explain the thinking behind the Government's proposed legislative consent motion on the UK Dormant Bank and Building Society Accounts Bill. The Cabinet Secretary for Finance and Sustainable Growth lodged the memorandum on 12 November. I hope that it makes our intentions clear. I will try to address any concerns that members have during our dialogue today.

If the LCM is accepted by the Parliament, it will allow the UK Parliament to progress the matter, to confer powers on Scottish ministers and to release funds to support the work of the third sector. The Scottish Government and our officials have been working with the other devolved Administrations and the UK Government to ensure that Scotland's interests are effectively represented in the process. That constructive and co-operative approach is reflected in the powers that are proposed for Scottish ministers and the structures that are proposed to enable funds to be collected and invested back into society. Our shared aim is to create an effective and accountable mechanism for delivery. I believe that the proposals in the bill will achieve that objective and provide clear benefits for Scotland. That is why we propose a legislative consent motion. I will set out the process that the bill will establish at a UK level, and I will then be happy, of course, to answer members' questions.

Part 1 of the bill sets out the mechanisms to identify, define and collect unclaimed assets in dormant accounts. As members know, banking issues are reserved, so part 1 is largely the responsibility of Westminster. Particular Scottish interests are covered in part 2, which contains the devolved elements of the bill that require a legislative consent motion. Part 1 will establish a reclaim fund, which will collect assets from dormant accounts—that is, accounts that have seen no activity from the account holder for 15

years. The reclaim fund will be responsible for returning assets to account holders if they ask for their money. If people become aware that their account is in the dormant category, they will be able to claim their money back from the reclaim fund. They will be able to do that at any time, with full payment of the interest that is owed.

The reclaim fund will pass funds to the nominated distributor. We agree with our colleagues in the other devolved Administrations and the UK Government that the nominated distributor should be the Big Lottery Fund. It has the mechanisms to distribute the funds; it operates UK-wide; and it has established devolved decision-making arrangements through its Scotland committee, which I met last week. The Big Lottery Fund is an experienced, accountable and well-respected distributor. Using the Big Lottery Fund will allow more money to be distributed. If we established a new body, that would be costly and would create overheads.

The motion is positive. It will allow the UK Government to confer additional powers and responsibilities on Scottish ministers. The UK Government announced some time ago that the funds that are released through the process will be spent on social and environmental purposes. In England, the bill proposes support for youth services and financial inclusion. We intend to consult on the matter. I am already aware of strong interest in the use of released funds from a number of parliamentary colleagues and the third sector. If the Parliament passes the motion, we will consult on the priorities early in the new year.

Brian Adam (Aberdeen North) (SNP): Thank you, minister. Not all of us share your confidence in the Big Lottery Fund's capacity to redistribute the funds. The proposal that it should do so is clearly in the hands of ministers. Given that, under the current arrangements for the Big Lottery Fund, funds are not evenly distributed throughout Scotland and given that the legislation recognises that the money in dormant accounts in small banks and building societies should be spent locally, what steps will you take to ensure that the Big Lottery Fund either distributes the funds in the areas where they came from or distributes them evenly throughout Scotland? Under the current pattern of distribution, funding does not really go to places such as Aberdeen or Shetland.

Jim Mather: We had an open and useful meeting just last week with the chief executive of the Big Lottery Fund and Alison Magee, who is the chair of the fund's Scotland committee. They are well aware that we are consulting throughout Scotland. In addition, we plan to hold seminars with the third sector, the first of which will be on 7 January. We want to open up minds and activate all Scotland. I take your point. It is useful that you put it on the record, because we want to get

across the message that we are looking for even-handedness in the distribution of funds. Given that we are talking about sums of the order of £40 million, that is one of the criteria that we will consider.

Brian Adam: Given that the Big Lottery Fund engages regularly with the third sector but has not managed significantly to change the distribution pattern of funding, are we in danger of distributing the funds according to who shouts loudest or who is best organised in engaging with the Big Lottery Fund? If you use the same method, you will continue to get the same results. There is considerable merit in the idea of using dormant bank and building society funds in this way, but I am concerned about how the distribution mechanism will pan out in practice. If the Big Lottery Fund uses the same methods of engagement with the third sector, we will undoubtedly get the same results. That gives me pause for thought.

Jim Mather: I have another persona as a constituency MSP, so I understand your concern. However, I am reluctant to say too much without getting information from the Big Lottery Fund about its distribution. You are flagging up the point that it would be seemly, correct and useful for us to get an understanding of the geographical spread of the distribution and that we should raise the issue forcefully with the Big Lottery Fund. Distribution should be even-handed throughout Scotland.

Dave Thompson (Highlands and Islands) (SNP): You mentioned £40 million. Is that Scotland's share?

Jim Mather: Yes.

Dave Thompson: The report before us says that our share will be apportioned in accordance with standard Government funding mechanisms. Do you think that the money in Scottish dormant accounts should come to Scotland, rather than all the money going into a central pot and being distributed according to the Barnett formula?

Jim Mather: The process of managing banking is a reserved matter, so it is not in Scotland's gift to take the approach that you suggest. We have a mechanism whereby Scotland, Wales and Northern Ireland get a Barnett formula-type distribution. Given the appetite, enthusiasm and need in the third sector, it is right to progress on that basis at the moment.

Dave Thompson: I would hate it if the people of England thought that we were getting more than our fair share.

Jim Mather: We will all just have to live with the current reality and progress to make things happen. The prize is material and the need out there in the field is great.

Lewis Macdonald (Aberdeen Central) (Lab): I want to follow up that point. Paragraph 9 of the note from the Subordinate Legislation Committee, which I imagine that the minister has seen, says that it is expected that the distribution of funds to the four countries of the United Kingdom will be done on a per capita basis, which is slightly different from the Barnett formula basis on which Government funding is distributed. Which method of distribution will be used?

Jim Mather: I defer to my officials on this question, but my clear understanding is that the Barnett formula is in play.

Geoff Pearson (Scottish Government Public Service Reform Directorate): The Barnett formula never appears in legislation and is never referred to in bills. This bill refers instead to "population-based formulae", which is what the Barnett formula is. As a result, this is not a per capita issue. It is expected that negotiations between the Treasury and other UK countries will be based on the Barnett formula.

Lewis Macdonald: So the reference in the Subordinate Legislation Committee report to distribution being made

"on a per capita basis"

is an error.

Geoff Pearson: It is more of a simplification.

David Whitton (Strathkelvin and Bearsden) (Lab): Will the money that comes from this measure simply be lumped in with what the Big Lottery Fund already gets, or will the fund have a separate account for takings from dormant bank accounts?

Jim Mather: It will be a totally separate matter, with separate records and reports to Parliament. It will be like a separate, discrete subsidiary.

David Whitton: So the fund would be able to introduce an easier application mechanism. As a constituency member like yourself, I know a number of third sector applicants who are less than happy that pretty good applications to the Big Lottery Fund have been turned down because of the complexities of the application process.

Jim Mather: As an advocate of continuous improvement, I am very positive about the possibilities of achieving that outcome. Moreover, the fact that, before the bill was introduced, we had planned a session on third sector engagement similar to those that we have had on other industrial sectors augurs well for the prospects of having a useful dialogue. I do not think that I am being too prescient when I say that our conversations on 7 January might well be dominated by the bill.

Gavin Brown (Lothians) (Con): Clause 21(5) of the bill sets out Scottish ministers' power to issue

directions to the Big Lottery Fund with which it must comply in exercising its functions. Has the Scottish Government had any internal discussions about how that power might function? That might take care of some of Brian Adam's points.

Jim Mather: At the moment, the Scottish Government is taking no position on Scotland's priorities on this issue. The consultation will be very open and real. Indeed, in the open seminars that we will run, people will be able to eyeball and challenge us directly, and we will record outcomes in real time to allow people to see exactly what is happening. That kind of audit trail will take this consultation to a new level of conversation.

I see that Mr Whitton is amused by that, but taking consultation to a new level is probably a very healthy thing to do.

David Whitton: It is just that the phrase "mind map" flew through my head. I do not know why.

Jim Mather: Mind maps are useful things. I would never denigrate them.

Gavin Brown: Will the minister give a commitment to hold these meetings throughout Scotland so that everyone can have their say? After all, if they are held in only one or two cities, we will not get the required spread.

Jim Mather: Good point. The answer is yes.

Marilyn Livingstone (Kirkcaldy) (Lab): With regard to the ministerial power, the Subordinate Legislation Committee report says:

"it is quite clear that the power would have to be exercised to narrow the 'social or environmental' purposes to which monies may be applied."

How will you take that forward?

Jim Mather: The headline "social or environmental purpose" will form the basis of our guidelines for the consultation process. We will look to get the third sector to come forward with as many good ideas as possible that conform to that notion and back those with the probability of the best outcomes.

Marilyn Livingstone: So there will be set criteria.

Jim Mather: The basic criterion that expenditure should have a "social or environmental purpose" is set out in the bill. We believe that the third sector—whose budget is increasing—contains a lot of energy and ideas and we want to ensure not only that those ideas start flowing but that the best ideas are backed.

Marilyn Livingstone: Will the third sector receive further guidance notes on this matter?

Jim Mather: The seminars will inform the documentation that goes out, as will the consultation process.

09:45

Brian Adam: Will you consider allocating the money through local councils of voluntary organisations, most of which are organised on the basis of local government boundaries or aggregations thereof, to ensure that there is a vehicle whereby money can be directed throughout Scotland on a population-share basis? Members are concerned that some voluntary sector organisations that are extremely well organised and know how things work might get a larger share of the type of funding that we are discussing than do smaller, local organisations, which might engage with local councils of voluntary organisations but are perhaps not as familiar with the procedures or do not have the resources to be able to engage with the Big Lottery Fund, for example.

Jim Mather: You make valid points, which are well worth serious consideration. I will consider the issue as early as Friday, when something useful will happen in Argyll and Bute, when we bring together the council, the private sector in the area, other public agencies that deliver services to or draw money from the area and the third sector, to try to agree a common goal and more cohesion about what we want to achieve in Argyll and Bute. It makes perfect sense to ensure that there is more collaboration between local councils and the third sector. There might be an opportunity to create more social enterprises that can operate services, perhaps more effectively than councils can do, and alleviate the burden on councils.

Christopher Harvie (Mid Scotland and Fife) (SNP): It has been said that in my region it is ironic that more socially interventionist activity takes place within 15 miles of St Andrews than takes place elsewhere in areas that might be up against it. Might you consider the experience of certain German Länder in running Toto-Lotto games—which pay dividends from nationalised gambling—whereby there is built-in bias towards areas that cannot always express themselves well and where third sector intervention is required? Towns such as Melrose and St Andrews always seem to come out on top in Scotland.

Jim Mather: A great thing about coming to this committee is that I always pick up ideas that are well worth considering and implementing. It is sensible to consider whether there is an algorithm whereby consideration can be given to areas that are not as proactive as others.

Geoff Pearson: It is obvious that the committee is concerned about geographical distribution. The Scotland committee of the Big Lottery Fund, which will distribute the money, came into existence only in March, so it has had a short period in which to get used to its remit. Its membership is widely drawn from across Scotland—Alison Magee is from the Highlands. I have been told that the

committee is concerned about achieving the geographical spread about which members asked.

Under “Strategic plans for Scotland”, the bill provides that the Big Lottery Fund must prepare a report on its assessment of needs and how it delivers funds in relation to that assessment. The fund will have to declare where it thinks that there is a need and answer to the Parliament for its decision. That means that members will have a chance to examine the issues.

The Convener: Thank you for your helpful comments. I strongly welcome the minister's commitment that in Scotland the money will be distributed according to need—I take that to be on the record. That was the previous Government's approach, although I remember that we were roundly criticised for it at the time. We welcome the change in attitude.

It would help the committee if the proposed statutory instrument contained explicit definitions. We have not been given a great deal of detail today. I understand why that is the case, but I presume that the order that the minister lays before the Parliament will contain the definitions that members requested, so that the Parliament can be clear about the proposed allocations.

Jim Mather: As I said, we will consult and we will focus on ensuring that the money is spent as effectively as possible. The proposed order will be subject to the affirmative resolution procedure and we will consult further with the Big Lottery Fund before laying it before the Parliament for debate. How we drive the process forward is open and straightforward. The beauty of it is that we can put more emphasis on and energy into ensuring that we get the most effective use of the money in future.

The Convener: If there are no further questions, is the committee content to recommend to the Parliament that the legislative consent motion be approved?

Members indicated agreement.

The Convener: Are colleagues content to leave it to me and the deputy convener to produce a brief, factual report on the LCM? I see that no one is opposed to our doing that.

I thank Mr Mather and his officials for coming to the meeting. We will consider item 3, on the budget, in private.

09:50

Meeting continued in private.

10:20

Meeting suspended until 10:53 and thereafter continued in private until 12:03.

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