

MEETING OF THE PARLIAMENT

Wednesday 1 December 1999
(*Afternoon*)

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Scottish Parliament

Wednesday 1 December 1999

(Afternoon)

[THE PRESIDING OFFICER *opened the meeting at 14:30*]

Time for Reflection

The Presiding Officer (Sir David Steel): I welcome Professor Donald Macleod of the Free Church of Scotland, who will lead our time for reflection today.

Professor Donald Macleod (Free Church College): Thank you for your kind welcome. Let us bow our heads in prayer.

Our Father in heaven, in you there is peace and calmness, serenity and silence. In us, there is often dispeace and destruction, anxiety and harassment. Enable us now to look up, to see you and to see ourselves and our problems in terms of your perspective.

We give thanks to you, O Lord, for Scottish democracy. We thank you for this Parliament and for all who thought and acted it into being. We bless you for its openness and accountability and for the integrity of all who serve in it and who serve it as officers. We bless you for the power given to this Parliament and we pray that those who serve will have the grace to use that power in accordance with your mind.

Remember, Lord, all of us who have power—preachers, journalists and politicians. May we feel a keen sense of responsibility and may we use that power on behalf of those who have no power. May we speak for those who cannot speak for themselves.

We remember you thus: the God, who, in Jesus Christ, let yourself be pushed out of the world on to the cross. You looked at reality through the eyes of an outsider and of the homeless and of the world's poor. You have known our pain, our fear and the bitter taste of death. You have commanded us, as the God of compassion, to remember the poor. We remember them, Lord, this day before you.

May each of us in our sphere and capacity use our power in the interests of the homeless, the rough sleepers, the elderly and the victims of crime, drug addiction, alcohol, sexual abuse, domestic violence and discrimination. May we never use that power without sensitivity. May we use it never for ourselves, but only for the sake of others.

Give us confidence, Lord—not least in this great new institution—in the possibility of change. Although often what we can do is but small, may we know the power of little. May we know that the aggregate of a large number of small changes will lead to a more just, more compassionate and more inclusive society.

Our Lord, the world is so big and we are so small; the problems so huge in comparison to our vision, imagination, intellect, and resources that it is often beyond our powers to handle them. Give us humility in the face of those awesome challenges.

We will learn, Lord, not to despair, but to cry for help. In

that sense of dependence and of our finitude, we ask that we may address the tasks of this day and of this week.

May grace, mercy and peace from God the Father, the Son and the Holy Spirit rest upon and abide with each one of you now and everlastingly. Amen.

Beef on the Bone

The Presiding Officer (Sir David Steel): There will now be a statement on the beef-on-the-bone regulations. The minister will take questions at the end of her statement, and there should be no interventions during it. The minister has 10 minutes.

14:37

The Minister for Health and Community Care (Susan Deacon): Several members have asked that I make this statement today; I welcome the opportunity to inform the Scottish Parliament directly about the decisions announced yesterday on beef on the bone. I would like both to explain the thinking behind the announcement and to set it in the wider context of food safety policy.

We have consistently said from the earliest days of the partnership Administration that we would lift the ban on beef on the bone as soon as medical advice said that it was safe to do so. We said that in the partnership agreement document; we repeated it in our programme for government. We have adhered to that principle and today the promise is fulfilled.

In my statement on 22 September, I informed members of the Executive's decision to retain in full the ban on sale of beef on the bone, which was introduced in December 1997. September's decision was made on the basis of medical advice that I received at that time from Professor Sir David Carter, chief medical officer for Scotland.

My statement also indicated, however, that while there were a number of uncertainties, in relation to BSE infectivity of certain tissues—dorsal root ganglia and bone marrow—and in relation to the rate of maternal transmission, the position would be kept under regular review. In particular, new evidence, specifically on maternal transmission, would become available in November.

I can confirm that the position has been kept under active scrutiny and also that the updated predictions from Professor Roy Anderson's group in the Wellcome Trust Centre for the Epidemiology of Infectious Disease at the University of Oxford have now been made available to the chief medical officers. Shortly after receipt of the updated information, the four UK CMOs met yesterday morning and agreed on joint advice which they issued to ministers in the four UK departments. As has been done before, that advice has now been published and is available to members from the Scottish Parliament information centre.

Having reviewed the most up-to-date information

available, the UK CMOs have advised that the current circumstances now allow the beef-on-the-bone ban to be lifted for retail sales, so allowing consumer choice. The advice goes on to indicate that, in view of continuing uncertainty about the infectivity of bone marrow, the retention of the ban on the use of bones for manufactured and processed products would be prudent. Finally, the advice emphasises the need for continued rigorous controls, continued monitoring of the human-variant Creutzfeldt-Jakob disease epidemic and close monitoring of new research results as they become available.

I am pleased to inform members today that the Scottish Executive accepted that advice immediately and has acted swiftly and decisively, in accordance with our stated policy. A consultation document was issued yesterday to approximately 100 interested organisations, proposing a lifting of the bone-in-beef ban on visible cuts of beef sold through retail outlets. Copies of the consultation document are also available from SPICe.

When the ban is lifted, consumers will be able to choose whether to purchase and consume such products. The proposal is also to lift the ban on beef and beef products supplied in restaurants and other catering outlets, where consumers will be able to ask whether the beef or beef products supplied have been prepared from bone-in beef. Restaurant owners and caterers will be encouraged to make that information available.

I stress that I want the matter to be dealt with as soon as possible. Our aim is for a short period of consultation; the consultation document that we have issued includes a copy of the draft regulations to implement the proposals. I intend that the regulations should be laid and implemented quickly, so that the ban will be lifted before the Parliament goes into recess. Scottish consumers will be able to purchase rib roast and T-bone steaks before Christmas.

The ban will be retained on the use of bone-in beef in the production of manufactured beef products, as consumers in such cases will have no easily verifiable information on whether such products have been prepared from bone-in beef. That residual ban will also be lifted as soon as the medical advice indicates that it is safe to do so.

I firmly believe that our approach on this high-profile food safety issue has been the right one. The first priority of the Executive—consistently and clearly—has been the protection of public health. Throughout, our policy has been guided directly by our medical advice. Food safety is not—and should not be—a party political issue. It is exclusively a public health issue.

Of course, a balance has to be struck.

Consumers must be given the opportunity to choose, provided that they are in a position to make informed choices. Again, that is what we propose. Where consumers have sufficient and reliable information to make an informed choice, the proposal is that the ban will be lifted. Where uncertainties remain, and where there are doubts about the public health implications of the use of beef bones in manufactured or processed goods, the ban has been retained.

That is a prudent approach. Consumers can be reassured that we are taking the most responsible approach and that we have—and will continue to—put their health interests above all else. Finally, we have acted swiftly and decisively, once further evidence of medical advice has been received, on the same day as receipt of the advice.

This issue underscores some of the key issues that will guide future policy under the new food standards agency: protection of public health will be paramount; policy will be based on the best scientific and medical advice available to us; responses will be proportionate in the light of the risks involved; and consumers will be able to exercise informed choice.

Such an approach is in both the short-term and the long-term interests of everyone in Scotland: the consumer and the producer. This announcement is good news for consumers and another step forward for the beef industry in this country. In the end, everyone gains from a soundly based food safety policy.

I hope that this statement serves to explain to members the Executive's policy on beef on the bone, set against the key objectives of food safety policy more generally. I will be pleased to answer any questions that members might have.

Richard Lochhead (North-East Scotland) (SNP): The Scottish National party joins the beef industry in welcoming the long-awaited announcement on what today's *The Press and Journal* called the "beef-on-the-bone farce". It will certainly bring farmers some cheer in time for Christmas, but will the Minister for Health and Community Care detail the changes in scientific evidence and in the statistics that have persuaded the Executive to lift that unnecessary ban?

The minister said that consumers should be given the opportunity to choose—why did she not believe that before today, given that the sale of beef on the bone posed no more risk to human health than many other products on sale? Does she accept that the Government's delay in lifting the ban has inflicted further damage on Scotland's beef industry and that it now deserves maximum support to enable it to get back into its former markets?

Susan Deacon: I said clearly in my statement that food safety is not a party political issue, and I insist that it should not be so. I repeat, in case the member was not listening earlier, that the Scottish Executive has said from the outset that our policy would be determined by medical advice. I have been in regular contact with the chief medical officer, Sir David Carter.

In the summer, when Parliament last debated the issue, we were dealing with predictions about predictions. The Oxford evidence has become available only within the past week. CMOs across the UK have quickly considered that evidence and given us their advice. They have assured us of the continuing decline of the BSE epidemic in cattle; the latest Oxford estimate is that the number of BSE-infected cattle under 30 months that could enter the human food chain within 12 months of clinical infection is now only 1.2 cattle for all of Britain in 2000.

On the basis of that advice, we took a decision; the evidence has changed from six months ago. I suggest that members listen to medical advice on the issue in the same way as we have, as that is the basis for sensible decision making.

Alex Johnstone (North-East Scotland) (Con): I am grateful to the minister for ensuring that all of us who are interested in the issue were fully informed before yesterday's announcement. Will she confirm that when the beef-on-the-bone ban is lifted, the position will be similar to an option that was available to Jack Cunningham when the ban was originally imposed? On a slightly different subject, given the evidence to the Rural Affairs Committee on the removal of spinal cord material from new carcasses, should we press for a review of that issue, so that the sheep industry can be given a much-needed fillip, such as the beef industry has had today?

Susan Deacon: Of course I recognise the industry's concerns. As I have said consistently, we put public health first, but we recognise the industry's interests alongside that. I believe that the more confidence we can give consumers in beef and beef products, the better that is for the industry. So today there is a win-win situation. On the basis of the medical advice, I do not think that we ought to be loosening some of the other measures that are in place. I quote from the joint statement by the UK CMOs:

"It is important to retain and rigorously enforce other control measures for protecting the human food chain from cattle over 30 months infected with BSE."

There is still a great deal of work to be done in monitoring human-variant CJD. We must continually monitor, learn and take sensible precautions. I believe that we have done so. Recently Ross Finnie and I had a useful meeting with the National Farmers Union of Scotland. We

discussed some of the difficulties in striking an appropriate balance. I believe that our policies are sensible, precautionary, appropriate and in the best interests of consumers and the farming industry in Scotland.

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): First, on behalf of the Liberal Democrats, I welcome the minister's statement. The Executive has acted swiftly—on the same day that it received the latest medical advice from Sir David Carter—to lift the ban. That is to be greatly commended.

We also welcome the fact that any future policy under the Scottish arm of the food standards agency will continue to hold that the protection of public health is paramount. I know that the industry backs that view, 100 per cent.

The minister said that she intended that the regulations be laid and implemented quickly, so that the ban would be lifted before Parliament goes into recess and Scottish consumers would be able to purchase T-bone steaks; I look forward to that greatly. A consultation document proposing the lifting of the ban has been issued to 100 organisations. Will the minister clarify the purpose of the consultation exercise? I want to be certain that the ban is actually being lifted.

Susan Deacon: I welcome Mr Rumbles's comments and share his concern to ensure that when the ban is lifted, it is lifted properly. We are carrying out a consultation exercise because the legislation requires that any change to the ban be subject to consultation. We have asked for responses to the consultation by 7 December. That is a short time, but we think that it is reasonable under the circumstances. I also intend to write to the Presiding Officer and the relevant committee conveners regarding how we will progress the rest of the process of changing the regulations, so that we can—I hope—meet the outlined time scale and do so within the letter and the spirit of the law.

Dr Richard Simpson (Ochil) (Lab): Along with everyone else, I welcome the lifting of the ban. I congratulate the Executive on the way in which it has handled the issue, which has been entirely appropriate, following medical advice.

What will the Scottish Executive, in partnership with the UK Government, do now to promote beef in the United Kingdom, as well as abroad?

Susan Deacon: I thank Dr Simpson for his positive comments and for his many contributions in debates on the issue over previous months.

As I said in reply to Mr Johnstone, of course we recognise the need to support the Scottish—and, more widely, the British—beef industry. As Minister for Health and Community Care, my main

area of involvement has been with the health issues. However, I assure the member, on behalf of colleagues, from the First Minister down—or across—to the Minister for Rural Affairs, and all those in between, that a collective effort has been made across the Scottish Executive and, crucially, in co-operation with ministers in other parts of the UK, to ensure that steps are taken in the best interests of our agriculture industry.

A recent aid package of some £40 million—announced back in September—was given to the livestock sector. In addition, I assure members that work continues to ensure that we do all in our power to support the Scottish agriculture sector.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): Does the minister agree that, for all of us, public health is paramount? However, does she accept that even now there is no clear-cut, unequivocal scientific evidence of a causal connection between consumption of material infected with BSE and contraction of CJD?

Susan Deacon: Given the way that the issue has been kicked around like a political football in recent months, I wish that I could believe Mr Ewing and his party when they say that public health is paramount. I hope that in future months, in the challenges and issues that we will have to face in relation to food safety, the SNP will join me in putting public health first.

I despair when I hear members talking about clear and unequivocal causal connections in relation to such a matter. The chief medical officer has issued written advice on the matter on many occasions. He has discussed the issue in great detail with the Rural Affairs Committee. In doing so, he has explained the degree of uncertainty that exists, which is why we have had to take a precautionary approach. It is estimated that the number of years for the incubation period of human-variant CJD goes into double figures. Therefore, we do not have the ability to point to the specific causal connection that Mr Ewing is requesting. That is why we have to have sensible, reasoned, informed debate around those issues and why we must listen to our scientific and medical advisers. That is precisely what we have done.

Mr Jamie McGrigor (Highlands and Islands) (Con): I am very pleased to hear the minister's statement, as will be the beef farmers. Will she answer the second part of Alex Johnstone's question? Will the minister and the Executive turn their attention to the sheep industry, where the new rules requiring slaughterhouses to split carcasses have imposed huge extra costs and have resulted in many sheep being shot in the fields?

Susan Deacon: I have listened to Ross Finnie

speak at some length, in several forums, about the issues facing the sheep industry. I know that he is committed to taking action on that. I will be happy to relay to Mr Finnie the comments that have been made.

Christine Grahame (South of Scotland) (SNP): Is the minister aware that the case of Jim Sutherland—heroic hotelier of Lauder—is due to be heard in the criminal appeal court next Tuesday, to determine whether he has a case to answer? Does the minister agree that in the changed circumstances following today's announcement, notwithstanding the pending appeal, the Crown should now abandon the case against him simpliciter?

Susan Deacon: I can assure the member that I am aware of the case in question, but the fact that it is still being considered in the courts means that I cannot comment on it today.

The Presiding Officer: That is right. I was about to say that the matter is sub judice.

George Lyon (Argyll and Bute) (LD): I, too, welcome today's decision. It is good to see the Executive following along the lines that the industry has been calling for over the past three years—all such decisions must be taken on the basis of science, not politics, unlike pre-1996. The industry is still concerned about the other measures that were put in place because the pre-1996 regulations were not enforced properly. Can the minister assure us that everything is being done in Europe to ensure that there is a move towards lifting the restrictions relating to European, rather than UK, legislation? Will the Executive do everything possible to ensure that we make progress on lifting some of the BSE regulations in the sheep and beef sectors?

Susan Deacon: I assure the member that we will listen carefully to industry concerns. We will always try to achieve the appropriate balance between the public health interest—which is paramount—and the needs of the industry. I mentioned earlier the meeting that Ross Finnie and I had with the NFU Scotland. At that meeting, we discussed how to achieve such a balance. I listened carefully to what was said, and I will consider how to take forward the points raised at the meeting.

Mary Scanlon (Highlands and Islands) (Con): Now that Scottish and British beef will be labelled with its country of origin when on sale in the EU market, why cannot meat produced in Europe be labelled with its country of origin in the UK market? When can we be assured that beef from other EU countries has met the rigorous standards that our own beef must meet?

Susan Deacon: Let me assure members that my primary concern is the interests of consumers

in Scotland. The same high standards that we apply to beef and beef products from within the UK, we apply to imported beef products. We will continue to do that in the best interests of Scottish consumers.

Brian Adam (North-East Scotland) (SNP): I have a technical point about the minister's statement—can she clarify what is meant by

“a lifting of the bone-in-beef ban on visible cuts of beef sold through retail outlets”?

I presume that we have no plans to sell invisible cuts.

Susan Deacon: I am struck by the member's wit and overcome with mirth.

It is important that consumers are able to make informed choices. There is still uncertainty about the infectivity of bone marrow and research on that is continuing. Therefore, we believe that that is a suitably precautionary and prudent measure to maintain the ban for processed beef products, such as baby foods, as the consumer cannot know or ask whether beef on the bone has been used in their production. That is why we plan to leave in place the controls in that area.

The Presiding Officer: That concludes discussion on the minister's statement.

Business Motion

The Presiding Officer (Sir David Steel): The next item of business is consideration of Parliamentary Bureau motions. I ask Mr Tom McCabe to move motion S1M-336, which proposes an addition to the business programme that was agreed last Thursday and relates to the timetabling of stage 3 of the Public Finance and Accountability (Scotland) Bill.

Motion moved,

That the Parliament agrees that, at Stage 3 of the Public Finance and Accountability (Scotland) Bill on 1st December 1999, proceedings shall be conducted as follows—

- (a) debate on amendments shall, if not concluded earlier, be brought to a conclusion 1 hour after the commencement of proceedings at Stage 3,
- (b) remaining debate at Stage 3 shall, if not concluded earlier, be brought to a conclusion 1 hour 30 minutes after the commencement of proceedings at Stage 3.—[*Mr McCabe.*]

The Presiding Officer: The question is, that motion S1M-336 be agreed to.

Motion agreed to.

Public Finance and Accountability (Scotland) Bill: Stage 3

15:00

The Presiding Officer (Sir David Steel): We now move to the first real stage 3 debate in this chamber. It is on the Public Finance and Accountability (Scotland) Bill.

I would like to take members through what will happen. In the event of the debate concluding before 5 o'clock, it is expected that a member of the Parliamentary Bureau will seek leave to move a motion without notice to bring decision time forward.

As we have just agreed, proceedings on stage 3 are programmed to last up to one hour 30 minutes. The electronic voting system can be used for divisions at any time during that period. Copies of the marshalled list of amendments that are to be considered have been available since this morning, and are available from the clerks at the back of the chamber.

I have decided that all amendments for which notice has been given should be selected for debate. Copies of the groupings list have been placed on members' desks, and amendments have been grouped to allow a single debate to take place on related amendments to avoid undue repetition. I remind members that all amendments must be called in turn from the marshalled list. Amendments will be disposed of in the order in which the provisions to which they relate arise in the bill.

There will be one debate on each of the 12 groups of amendments in the groupings list. At the end of the debate on each grouping I will put the question on the first amendment of the grouping, and Parliament will decide whether to agree to the amendment. I will then call the next amendment in the marshalled list. If that has already been debated, the member who has proposed it will move it, but should not make a speech. There will be no further debate, and I will then put the question.

After all the amendments have been disposed of, we will debate the motion in the name of Jack McConnell that is on the business bulletin, as to whether the bill be passed.

We now begin the debate on stage 3 of the bill. I call Andrew Wilson to move amendment 23.

After section 1—Financial procedures: written agreements

Andrew Wilson (Central Scotland) (SNP): I am grateful for the amendment's being selected.

The principle that is set out in this amendment is one that the Scottish National party hopes will garner cross-party support. The amendment seeks to be constructive, and to improve the standing of the bill and the relationship between the Executive and the legislature. It seeks to enshrine in legislation what is already happening in the budget process this year, and to ensure that written understandings between the Executive and the legislature are required at every stage of proceedings.

Subsection (1) provides that agreements should exist. Subsection (2) provides that those agreements should, in the first instance, be brought by the Executive, as they are at present. Finally, subsection (3) states that Parliament must agree to the written understandings.

That is the same process as we are engaged in at present. The SNP's idea is that it should happen under any Executive and any Minister for Finance. That does not bind the Executive to anything to which it is not already committed. No one can say now that we would have these agreements if a different Administration were elected. The amendment is to ensure that this helpful process of engagement between the Executive and the legislature is set in stone.

Finally, it requires that Parliament be engaged in that process, so that it will be seen as inclusive.

I hope that the amendment can garner cross-party support. I look forward to hearing that during the debate.

I move amendment 23.

The Minister for Finance (Mr Jack McConnell): Thank you again for the selection of amendments, Presiding Officer.

I will make a few remarks and I will reserve the right to respond to the debate as well. I hope that on the basis of my remarks, Andrew Wilson may be prepared to reconsider.

As a new Parliament, we do not have the benefit of years of experience, or of established conventions that govern the processes of interaction between the Government and the Parliament. Not all the processes can be easily enshrined in legislation—the processes featured in the amendment come into that category—and neither can they all be dealt with adequately in standing orders. None the less, we must make them work. It is for that reason that we suggested that some of the financial issues advisory group's recommendations be given force, not by

legislation, but by a series of understandings. In effect, we are attempting to build conventions in a new Parliament.

The advantage of that approach is that understandings bring flexibility, which is absent using the blunt instrument of legislation. The nature of those processes means that the precise requirements will change over time, in the light of events and changing circumstances. That is not to say that such arrangements should not be honoured; of course they should. The Executive is determined to abide by agreed arrangements. If the Executive ever sought to change those, that could happen only following full discussion with the Finance Committee and the Audit Committee, or with the Parliament.

The amendment seeks to do two things. First, it seeks to give the detailed agreements legislative force. Given the nature of the subject matter—which does not easily lend itself to legislation—I do not think that that is appropriate. As I have already said, I view those as serious undertakings, by which we shall abide.

Andrew Wilson: Will Mr McConnell give way?

Mr McConnell: Mr Wilson will be able to respond later.

Secondly, the amendment seeks to ensure that the terms of any agreements are agreed by resolution of Parliament. That is the key point. It is a matter for the Parliament that does not require legislation. I expect the committees to report to the Parliament on the terms of the proposed agreements, and the Parliament to resolve accordingly. I had always imagined that when the agreements were finalised they would be approved by the Parliament and by the Executive. That is what I understand by agreement. It is not necessary for that requirement to be laid in legislation.

I hope that Mr Wilson will take this important point on board. If the amendment were carried, it would give the power to impose an understanding in the absence of a parliamentary agreement. That was never my intention and I am surprised that that is raised in the amendment—even by accident. The amendment says that if the agreement is not covered by a resolution of the Parliament, the minister's proposed agreement shall be put in place. I do not think that the agreements should be put in place unless they have been agreed by this Parliament and by the Executive. That may not be a deliberate intention of the amendment, but it is clear from subsection (1)(c) that subsection (2) would be in place if an agreement had not been reached by the Parliament.

In all our preparations for and debates on the bill, I have stressed time and again my desire that

we agree to our new, democratic and principled procedures without party divisions or conflict between Parliament and the Executive.

I hope, on the basis of the undertakings that I have given again today, that Mr Wilson will withdraw his amendment at the end of the debate.

Mr John Swinney (North Tayside) (SNP): I thank the minister for his comments and I compliment him on the way that he has handled the bill and the arrangements with the Finance Committee. The comments that I will make today are designed to draw attention to some limited problems, which have emerged from the way in which those matters have been handled. I want to provide clarity for Parliament regarding the way in which it handles such issues in the future.

Let us examine the history of the written agreements to which the minister has referred. The first draft was issued to the Finance Committee on Friday 22 October for it to debate on Tuesday 26 October. I say that not to make pedantic points of detail, but to raise the point that at the outset of the process concern was expressed by members of the Finance Committee about the amount of time that was available for consideration of those written understandings.

In column 45 of the *Official Report* of the Finance Committee meeting on 26 October those comments were made, not by me, but by Keith Raffan—a member of the Finance Committee.

Once the Finance Committee had provided its views on those issues, the minister issued revised drafts on, I think, 24 November, which was last Wednesday. Those amended drafts have not been considered or agreed by the Finance Committee. Throughout consideration of the bill, the minister has invited us to accept that substantial aspects of financial procedures, in which this Parliament should engage, should not be included in the bill but should be left to written understandings. We are at the stage 3 debate, being asked to agree the contents of the bill, when the Finance Committee and its convener cannot come to Parliament and say that they are content with the contents of the written understandings. That suggests to me that we are being asked to give commitments today when we have not seen all the documents that should have been seen and scrutinised by the Finance Committee. Therefore, a serious parliamentary issue is at the heart of the amendment that we have lodged.

Amendment 23 asks the Executive to agree to nothing more than what it has agreed to already, with one additional point—simply to record in the bill that there is a requirement for such written understandings to exist. I accept without reservation all that the minister said about the need for us to have flexibility in our financial

procedures and not to set those procedures in stone. However, I want to put an obligation on the Executive, on its successors and on its successors' successors, to strike an agreement with the Finance Committee and the Parliament about the way in which we conduct our procedural consideration of these matters.

All we ask of the minister is that he formalises a process to which the Executive has consented, and that he inserts the agreement in principle on that point into the bill. I hope that the purpose of the amendment finds favour with many members of the Executive parties who, I know, strongly support the Parliament's committee system. The amendment's purpose is to protect the position of the Finance Committee and its ability to execute properly the functions that it has been given in the first written understanding—functions that we do not want to be eroded in any way in future.

I took part in a debate last night in Dundee, with Mr McAllion, Mr Raffan, Mr Gallie, Mr Harper and various other people, during which Mr Raffan made the point that Parliament would today consider a world-class finance bill. He was absolutely right—the bill is a tremendous step forward. Before arriving at this stage we have given the Executive clear support throughout the Finance Committee's consideration of the bill. However, there is an important issue on financial procedures that we are being asked to consent to, in principle, without there being enough protection for Parliament in the bill—the one point on which we seek the Executive's agreement.

The minister said that the amendment would give the written agreements legislative force—it would not. The SNP wants to give the agreements a status in legislation that will bind the Executive and Parliament to certain obligations. He said that the terms of the agreements had to be agreed by Parliament—that is absolutely right—and that he plans to bring the agreements to Parliament for agreement. His final remark was on the ability of the Executive to impose an agreement. However, that is in no way covered by subsection (2) of our amendment. Subsection (3) adequately covers the need for us to secure agreement between the Executive and Parliament on the issue.

There is nothing in what the minister has said so far that, in my view, questions the validity in principle of our amendment. As I said earlier, the written understandings that we are considering have not been agreed by—or signed off by—the Finance Committee. However, members are being asked to sign off a bill without the consideration that is part of the process being completed.

I therefore suggest that the Minister for Finance consider the opportunity that is available to him under rule 9.8.5 of the standing orders. As the member proposing the bill, he can adjourn stage 3

consideration of the bill—in order to give proper weight to the views of Parliament—if he agrees in principle with an amendment that has been brought forward, but is not absolutely satisfied by the details of the amendment. I make that helpful suggestion to address the way in which the minister could wind up this afternoon's debate.

15:15

The Presiding Officer: I remind members that we have 12 groups of amendments to go through. I am anxious to ensure that we have time for debates on the other groups. If we have not had time for debates, the amendments will be put to the chamber without discussion. I am making an appeal for brief speeches.

Mr Keith Raffan (Mid Scotland and Fife) (LD): I rise on behalf of the Liberal Democrats to oppose the amendment and support the minister. Much of what the minister said, I would have said. My problem with the amendment is that it is unnecessary. What is more, it reduces flexibility. I take the point that we have not yet debated the amended draft agreements, but their last paragraph makes quite clear that they are agreements between the Finance Committee and the minister.

The minister has co-operated well with the committee—indeed, we got the papers on 22 October, four days before we debated them, which I believed is a record for a minister. I wish that the others would do the same, although I am aware of the pressures that ministers are under.

The agreements are important and the guarantee that the minister has given that they will be debated in this chamber is important. I also think that it is important that we retain flexibility. Mr Swinney was right to say that I said that we have established a world-class budgetary process. That is a tribute to the financial issues advisory group and their excellent report to the minister and to the Executive.

I do not want to make what would be the equivalent of a third-reading speech now, but I must say that we have a world-class system in place. We have a framework that will have to be altered in the light of the experience that we will go through in stages 1, 2 and 3 of a budget bill when we get into a full financial year. I would not want to tie the hands of the Finance Committee or of the minister by enshrining this in legislation at this point. I would rather that the committee and the minister retained a flexibility that allowed us to alter those agreements and understandings in the light of experience. That is common sense.

I oppose the amendment because I believe that it is crucial that we retain flexibility.

Mr David Davidson (North-East Scotland) (Con): Much of what the previous speakers have said relates to the honesty with which this Parliament is approaching what could be a very good bill for Scotland.

We support, in principle, what Andrew Wilson is trying to achieve with his amendment. Nothing in the bill cannot be dealt with through the amendment. What the amendment does not do is specify what the written agreements are. It provides a framework to which the Parliament, the Finance Committee, the minister and other committees can refer as a method of deliberation and as a means to update the bill when it becomes law.

We need flexibility but we also need to have building blocks in the bill that satisfy the requirements that have been stated on a cross-party basis in the Finance Committee. It is refreshing that people do not divide on party lines in that committee, which has approached the issue positively and sensibly. All members of the committee have made contributions. The wording of the amendment might not be perfect, but I am happy to let the minister use the powers given to him by the standing orders to change the wording to make it more suitable. However, the amendment satisfies the general desire of the members of the Finance Committee.

I see that I am being frowned at by Liberal Democrat members, but we have had a good discussion in the committee. We have demonstrated trust, in that the Finance Committee does not have the written agreements in a discussed form. The amendment would ensure that, whatever discussions take place, either with this Executive or a future one—which might be of a different persuasion—there is an opportunity for this Parliament to deal with the process. In saying so, we support the amendment.

The Presiding Officer: I recommend to members that we wind up debate on this amendment, as we are a quarter of the way through our time and we have dealt with only the first amendment, important though it is.

Andrew Wilson: I am grateful for the comments that we have heard so far on this amendment. I hope that they have been made in a spirit of improvement. I say to Mr Raffan that his argument against setting in stone the form of the written agreements does not stand. All that we want to set in stone is the existence of written agreements. The form that those written agreements take can be amended as we choose; there is nothing binding on that. Therefore, his justification for opposing the amendment does not stand.

I hope that the minister will give thought to the opportunity at his disposal to improve the wording.

I am not precious about that. I would be delighted if he agreed to the amendment in principle and took the opportunity to amend it, as both Mr Swinney and Mr Davidson have suggested. I invite all members to support the principle of the amendment.

The Presiding Officer: I apologise. I should have allowed Mr McConnell to speak first.

Mr McConnell: I address the specific point that I made, that this amendment would give more power to the ministers than has ever been envisaged by our drafting of the bill.

I do not have strong views on whether the procedure for agreeing written agreements should be in legislation, although I think that it is better that it is not. If the amendment had addressed that point, we could perhaps have gone ahead today. I do not think that it is necessary to break up the debate and adjourn, to revisit this amendment. I have said very clearly on the record today that these written agreements will be agreed. It will be up to the Parliamentary Bureau to decide how the Parliament agrees them. However, it will be for this Parliament as well as for the Executive to agree them.

Dr Richard Simpson (Ochil) (Lab): I wonder whether the minister will agree with me on two points.

First, because of the inflexibility of this amendment, it may not include some items that we may want to include later. For example, subsection (1)(b) mentions changes only to expenditure allocations. If we wanted to change income allocations during the year, that would not be allowed. There is already that inflexibility.

Secondly, it is always open to the Finance Committee to introduce this in legislation through the Finance Committee at a later date, if we feel that the terms that have been promised today are not being appropriately met.

Mr McConnell: I think that those are good points that are well made. Flexibility may be an important issue. We may want to have more agreements, in the future, than are listed here.

I hope that Mr Swinney will listen to this point. The amendment says:

"Scottish ministers shall ensure that . . . administrative arrangements"

will conform to

"an agreement established under subsection (3) or, if no such agreement has been established, proposed agreements under subsection (2)."

That means that, if this Parliament has not passed the written agreement that is referred to in subsection (3) by resolution, our proposed agreement, without amendment by the Finance

Committee or discussion in the Parliament, will become the written agreement that is put in place.

What I have said again clearly today is that I want written agreements to be agreed here—not just proposed by ministers—by Parliament and the Executive.

Mr Swinney rose—

Mr McConnell: The agreement of this amendment would lead to a situation in which the ministers would have more authority than they would have had otherwise. Much as I might enjoy that, we have sought all the way through to avoid that situation. I ask once again that this amendment be withdrawn. If it is not, I am prepared to recommend that the Parliament vote against it.

Mr Swinney: I thank the minister for allowing me to intervene. This subject is not an unfamiliar one in debate between the two of us, as we have discussed it many times in the Finance Committee. I refer him to the *Official Report* of the Finance Committee from 2 October, when I raised exactly the same issue. At stage 2 of the bill, we were encouraged not to amend the contents of the bill, as the written understandings would be in a condition and a position before we completed the process of the bill. We do not have Finance Committee agreement on the contents of those written understandings, yet we are being asked to sign off the process today.

I ask the minister, who, in the process of his speech, has not objected in principle to there being reference in legislation to the written understandings, to accept the offer that I have made to him today and to consider this issue, bearing in mind that the Finance Committee's rights have been compromised by the fact that we have not had the opportunity to sign off those written understandings.

Mr McConnell: It is unfortunate that, when we have been trying to build a consensus around this bill, and when the revised arrangements are based on the comments of the Finance Committee and the Audit Committee that were circulated last week and are in the public domain, we are facing what I regard as an attempt by Mr Swinney to point-score about the timing of the arrangements. I do not think that that is appropriate.

Today a firm undertaking has again been given that these understandings will not be put in place without the agreement of this Parliament, which is exactly what this amendment is meant to be about. Because such an undertaking has been given, the amendment is unnecessary. It would give additional powers to ministers that my version of the understandings would not give and, as Dr Simpson has correctly pointed out, would put in place an inflexible list of arrangements that could

not be added to. That would be wrong, because we may want to have more understandings in the future. Those are the points that have been made, and I hope that they inform the judgment that members make.

Mr Davidson: I thank the minister for giving way.

Mr McConnell: I did not give way; I had finished.

The Presiding Officer: That was a good try, Mr Davidson, but I think that Mr McConnell had finished. I am sorry, but we must come to a decision.

The question is, that amendment 23 be agreed to. Are we all agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR

Adam, Brian (North-East Scotland) (SNP)
 Aitken, Bill (Glasgow) (Con)
 Campbell, Colin (West of Scotland) (SNP)
 Canavan, Dennis (Falkirk West)
 Crawford, Bruce (Mid Scotland and Fife) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Davidson, Mr David (North-East Scotland) (Con)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Elder, Dorothy-Grace (Glasgow) (SNP)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Ewing, Mrs Margaret (Moray) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Fergusson, Alex (South of Scotland) (Con)
 Gallie, Phil (South of Scotland) (Con)
 Gibson, Mr Kenneth (Glasgow) (SNP)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Grahame, Christine (South of Scotland) (SNP)
 Hamilton, Mr Duncan (Highlands and Islands) (SNP)
 Harding, Mr Keith (Mid Scotland and Fife) (Con)
 Harper, Robin (Lothians) (Green)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Johnston, Mr Nick (Mid Scotland and Fife) (Con)
 Johnstone, Alex (North-East Scotland) (Con)
 MacAskill, Mr Kenny (Lothians) (SNP)
 MacDonald, Ms Margo (Lothians) (SNP)
 Marwick, Tricia (Mid Scotland and Fife) (SNP)
 Matheson, Michael (Central Scotland) (SNP)
 McGrigor, Mr Jamie (Highlands and Islands) (Con)
 McLeod, Fiona (West of Scotland) (SNP)
 McLetchie, David (Lothians) (Con)
 Neil, Alex (Central Scotland) (SNP)
 Paterson, Mr Gil (Central Scotland) (SNP)
 Quinan, Mr Lloyd (West of Scotland) (SNP)
 Reid, Mr George (Mid Scotland and Fife) (SNP)
 Scanlon, Mary (Highlands and Islands) (Con)
 Swinney, Mr John (North Tayside) (SNP)
 Tosh, Mr Murray (South of Scotland) (Con)
 Ullrich, Kay (West of Scotland) (SNP)
 Wallace, Ben (North-East Scotland) (Con)
 Welsh, Mr Andrew (Angus) (SNP)
 White, Ms Sandra (Glasgow) (SNP)
 Wilson, Andrew (Central Scotland) (SNP)
 Young, John (West of Scotland) (Con)

AGAINST

Alexander, Ms Wendy (Paisley North) (Lab)
 Baillie, Jackie (Dumbarton) (Lab)
 Barrie, Scott (Dunfermline West) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brown, Robert (Glasgow) (LD)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Dewar, Donald (Glasgow Anniesland) (Lab)
 Eadie, Helen (Dunfermline East) (Lab)
 Gillon, Karen (Clydesdale) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Gorrie, Donald (Central Scotland) (LD)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (Edinburgh Pentlands) (Lab)
 Home Robertson, Mr John (East Lothian) (Lab)
 Hughes, Janis (Glasgow Rutherglen) (Lab)
 Jackson, Dr Sylvia (Stirling) (Lab)
 Jackson, Gordon (Glasgow Govan) (Lab)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Kerr, Mr Andy (East Kilbride) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Lyon, George (Argyll and Bute) (LD)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 MacKay, Angus (Edinburgh South) (Lab)
 MacLean, Kate (Dundee West) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 McAllion, Mr John (Dundee East) (Lab)
 McCabe, Mr Tom (Hamilton South) (Lab)
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McMahon, Mr Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Morrison, Mr Alasdair (Western Isles) (Lab)
 Muldoon, Bristow (Livingston) (Lab)
 Mulligan, Mrs Mary (Linlithgow) (Lab)
 Murray, Dr Elaine (Dumfries) (Lab)
 Oldfather, Ms Irene (Cunninghame South) (Lab)
 Peacock, Peter (Highlands and Islands) (Lab)
 Radcliffe, Nora (Gordon) (LD)
 Raffan, Mr Keith (Mid Scotland and Fife) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Scott, Tavish (Shetland) (LD)
 Simpson, Dr Richard (Ochil) (Lab)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North-East Fife) (LD)
 Smith, Margaret (Edinburgh West) (LD)
 Thomson, Elaine (Aberdeen North) (Lab)
 Welsh, Iain (Ayr) (Lab)
 Whitefield, Karen (Airdrie and Shotts) (Lab)

ABSTENTIONS

Watson, Mike (Glasgow Cathcart) (Lab)

The Presiding Officer: The result of the division is as follows: For 44, Against 54, Abstentions 1.

Amendment 23 disagreed to.

Section 3—Contingencies

The Presiding Officer: The minister will now

move amendment 1, with which we will debate amendments 18 and 19.

Mr McConnell: I move amendment 1, which responds to a suggestion that was made by the Finance Committee. It changes the way in which the control of ministerial spending under the contingency arrangements set out in section 3 of the bill is set. The bill originally proposed that the total spend in any one year under those arrangements should be no more than £50 million, and provided that that figure could be updated by order.

The amendment is intended to remove the need to make such orders by setting a control that is a percentage of the expenditure authorised by the Parliament under the terms of section 1 of the bill—a percentage of the resource expenditure authorised in the annual budget act, which will vary from year to year—and that takes account of increases due to inflation.

The two amendments to section 25 are consequential on amendment 1 and remove references to the process of revising by order the limit on contingency spending.

Mr Raffan: I am grateful to the minister, because this amendment follows on from an amendment that I proposed on 2 November, which would have replaced the figure of £50 million with a percentage. It is in everybody's interest that we do that, because a figure can be eroded in the short term—let alone the long term—by inflation. A percentage figure is far more sensible.

I presume that the 0.5 per cent proposed amounts to more than £50 million. For our information, perhaps the minister could provide us with the figure.

Amendment 1 agreed to.

Section 8—Borrowing by certain statutory bodies

The Deputy Presiding Officer (Patricia Ferguson): I call Mr McConnell to move amendment 2, with which we will debate amendments 20 and 21.

Mr McConnell: I move amendment 2. Amendments 2 and 21 are to enable limits on local authority capital expenditure to be set out in budget acts, as recommended by FIAG. They also apply to bodies such as police and fire boards, which are treated as local authorities for the purposes of section 94 of the Local Government (Scotland) Act 1973. Amendment 20 is a consequential change to the bill's interpretation provisions.

15:30

The amendments impose parliamentary control on the Executive's proposals for local authority capital spending, in so far as that counts against the total budget. Without these amendments, ministerial decisions on local authority capital expenditure would not be subject to parliamentary approval. The Executive considers that to be anomalous. Local authority capital expenditure is a mixture of expenditure that counts against the total Scottish budget, and expenditure that is financed from local authorities' own resources. The intention is that the figure that appears in a budget act should relate only to that part of local authorities' expenditure that counts against the total budget. It would be inappropriate for a budget act to specify a figure that included any part of expenditure that was financed directly by local authorities.

We have concluded that it is not possible to define the relevant part of local authority capital expenditure in legislation; instead, the amendments require Scottish ministers to lay before Parliament a report that describes the expenditure to be covered by the limits set out in budget acts. The Executive intends that the expenditure that is described in such reports will be that part of local authorities' and related bodies' expenditure that counts against the total budget.

Mr Andrew Welsh (Angus) (SNP): Amendment 21 says that

"the Scottish Ministers shall seek to ensure that the aggregate amount of relevant expenditure . . . does not exceed the amount specified for that year".

Could the minister explain how? What powers and what monitoring does the Executive propose will be used?

Mr McConnell: Without these amendments the Executive will be able to establish the annual limits on local authority capital expenditure without reference to Parliament or reference to the budget acts. The phrase "relevant expenditure" means that we will specify in each budget act and in the supporting documentation exactly which element of local authority capital expenditure is subject to parliamentary control each year. In that way, we hope that each year Parliament will have the right to approve that total, rather than that total simply being a matter for the ministers themselves.

Euan Robson (Roxburgh and Berwickshire) (LD): I seek clarification on subsection (6) of amendment 21. Is the minister suggesting that he is taking new powers to determine the methodology of annual capital receipts and capital expenditure? I understand the point that he made about bringing to Parliament the whole question of his decisions, but in that subsection is there any new mechanism or new power granted to

ministers to change the methodology?

Mr McConnell: No. As part of this process we were determined to ensure that while it was important that parliamentary control was possible over minister's decisions on local authority capital expenditure, that did not extend to local authorities' decisions on their own receipts. Therefore, the amendment as proposed puts existing ministerial decisions and controls under the authority of Parliament, but only those ministerial decisions, and would leave local authorities to make their own decisions in relation to their receipts.

Amendment 2 agreed to.

Section 9—Keeper of the Registers of Scotland: financial arrangements

Mr McConnell: The next series of amendments are technical, so I will be as brief as I can be.

Amendment 3 is a technical amendment. Section 9 of the bill intends that the Keeper of the Registers of Scotland should operate on a trading fund basis. In other words, his expenses are to be funded from his income, without the authority of Parliament. Of course, the keeper will not have a free hand, as section 9 already ensures that he will have to meet the financial objectives that are set by ministers.

The amendment is necessary to ensure that section 9 operates as intended. Without it, all the controls that are set out in part 1 of the bill would apply to the keeper, and a trading fund style of operation would not be possible. The amendment rectifies the situation by specifying that the only section of part 1 that applies to the keeper is section 6. Section 6 covers procedures for repaying money that has been paid into the Scottish consolidated fund in error, as it is possible that the keeper might erroneously pay money into the SCF. The application of this provision to the keeper is appropriate. I hope that members support this amendment.

I move amendment 3.

Amendment 3 agreed to.

Section 11—Audit Scotland: financial provisions

Mr McConnell: I move amendment 24. I will also speak to amendments 25 and 26.

The main amendment is amendment 26. It is largely technical, and has the purpose of ensuring that there is adequate provision to allow the preparation of consolidated accounts. In particular, it would enable Scottish ministers to obtain financial information from bodies outwith the Scottish Administration. Although there is no

immediate intention to produce consolidated accounts incorporating bodies outwith what is known in accounting as the departmental boundary, and because any such intention would require a considerable planning cycle, it is felt prudent to make adequate provision now.

Amendment 24 prohibits Audit Scotland from charging the Scottish Administration for work undertaken in connection with any consolidated public accounts. That is in accordance with other arrangements set out in the bill that already ensure that Audit Scotland is not able to charge the Scottish Administration for any work that it undertakes, as funding for that type of work will be arranged through budget acts.

Amendment 25 is consequential on amendment 26 and removes the reference to consolidated accounts in section 18, as amendment 26 removes the requirement for that.

Amendment 24 agreed to.

Mr McConnell: I move amendment 4, which is a very minor and technical amendment. As drafted, section 11 would restrict Audit Scotland's application of resources to fund expenditure to the amounts authorised in budget acts. Section 7 of the bill now provides for the possibility of authorising the application of resources in legislation other than budget acts for everybody else and section 11 requires similar amending. Furthermore, the amendment adds more flexibility to the provisions as it now caters for the possibility that future enactments may authorise the application of receipts by Audit Scotland.

Andrew Wilson: Many amendments that we will hear today appear to be drafting improvements on amendments that the minister has previously lodged. It would have been nice if he had shown the same flexibility to the SNP's draft amendment, given that we do not have the resources of the civil service behind us.

Amendment 4 agreed to.

Section 13—Auditor General for Scotland

The Deputy Presiding Officer: I call Mr McConnell to move amendment 5, with which we are debating amendment 22.

Mr McConnell: I will resist the temptation to respond to Andrew Wilson's previous remarks. Amendment 5 deals with tasks such as audits and value-for-money studies that the Auditor General, under the provisions of this bill, authorises others to do on his behalf. The provision is necessary to enable the staff of Audit Scotland to exercise the Auditor General's functions, if he so authorises, as if they were his own staff. The amendment merely ensures that he remains ultimately responsible for any such work.

Amendment 22 does exactly the same, where the Accounts Commission authorises others—Audit Scotland staff, for example—to exercise its functions.

I move amendment 5.

Amendment 5 agreed to.

Section 17A—Audit Scotland: accountable officer

Mr McConnell: I move amendment 6, which is very straightforward. My notes call it “trivial”, but I prefer straightforward. The bill establishes the position of accountable officer for various bodies and office holders. There is an erroneous reference to

“the accountable officer of Audit Scotland”

and for the sake of consistency, the amendment replaces “of” with “for”.

Amendment 6 agreed to.

Amendments 25 and 26 moved—[Mr McConnell]—and agreed to.

Mr Swinney: On a point of order, Presiding Officer. You have just put amendments 25 and 26 to the chamber for a vote. However, unless I have been sleeping, which is always a possibility, amendments 18, 19, 20 and 21 earlier in the grouping have not been put to the vote. Can you clarify that?

The Deputy Presiding Officer: We will come on to those, Mr Swinney. We are following the order in the marshalled list.

Section 19—Audit of accounts

The Deputy Presiding Officer: The minister will now move amendment 7, with which we will also debate amendment 8.

Mr McConnell: I move amendment 7, the purpose of which is to remove the provision that specifically allows the Auditor General to appoint a member of the staff of Audit Scotland as an auditor. That provision is unnecessary. A similar result can be achieved by the Auditor General for Scotland making use of the power of delegation in section 13(5).

Amendment 8 is to clarify that the AGS, in making an appointment, must take into account not only the person’s professional qualifications and experience, but any other relevant matters. Such matters may include whether the person has the necessary resources to undertake the scale of audit that is being considered. That person must, none the less, still have the minimum qualifications that are set out in the bill; that is, he or she must be eligible to be a company auditor or must be a member of a body of accountants that has been

established in the United Kingdom or another European economic area state.

I should make it clear that the term “a body of accountants” is intended to refer to a body exercising a supervisory role in relation to the profession, and not simply to an informal collection of accountants.

The Deputy Presiding Officer: I am sure that that is very reassuring.

Amendment 7 agreed to.

Amendment 8 moved—[Mr McConnell]—and agreed to.

Section 21—Economy, efficiency and effectiveness examinations

Mr McConnell: I move amendment 9. I will speak to amendments 10 to 17 as well. Those amendments respond directly to concerns that were expressed in this chamber, as well as in committees, about the scope of the bill and the need to give further powers to the Auditor General for Scotland. They all concern arrangements for value-for-money examinations. The Executive expects that the majority of value-for-money studies will be conducted under arrangements that are provided for in the bill.

Amendment 9, however, provides the additional option of value-for-money examination by agreement. It enables the Auditor General to conduct a value-for-money examination into the use of resources by a body that is not covered by the remaining provisions of section 21, with the agreement of the body concerned. That complements the existing provisions, and provides for the Auditor General to arrange for studies in circumstances that might otherwise be precluded.

Amendments 10 to 17 have been prepared as a result of points that were made by members of the Audit Committee during stage 2 scrutiny of the bill. The intention is to widen significantly the scope of bodies that the Auditor General might examine for value-for-money purposes. The original draft of the bill would have prohibited Scottish ministers from specifying as a suitable subject for value-for-money examination any body that received no more than half of its income from public sources. Amendment 10 reduces that threshold so that Scottish ministers are able to propose any body that receives more than a quarter of its funds from public sources as suitable for value-for-money examination.

Amendment 11 recognises that, on occasion, a body may receive a considerable amount of public funds, but, because of the size of its total annual income, may not be within the scope of the provision. The amendment deals with that possibility by enabling Scottish ministers to

propose that any body that receives more than £500,000 is suitable for value-for-money examination, even if the sum involved is less than a quarter of that body's total annual income.

The remaining amendments in this group are, by and large, consequential on those two earlier provisions, although there are also some changes that have been prepared merely to refine the drafting of the bill.

I commend these amendments.

Mr Swinney: This group of amendments is very welcome. In particular, I would like to highlight the minister's decision to lower the thresholds for value-for-money studies, in terms of the proportion of an organisation's income that may have come from the public purse and of the absolute sum that may be the subject of inquiry. That is important, because we live in an age in which we must ensure that issues of value for money are implicit in the operations of Government.

The minister will not be surprised to hear me say that, in the past few months and years, many of us have been impressed by the work of the Accounts Commission in driving forward value for money and in examining comparative performance in the delivery of public services, with the objective of improving the management practices involved in the delivery of those services. I hope that that approach will be encouraged under the new arrangements that this bill will provide.

The minister will be aware that, prior to the election, the SNP made considerable input to the debate on value-for-money exercises and what the public purse could achieve if there was a systematic willingness on the part of Government to seek out best value in using those resources. I hope that some of that thinking now underpins the actions of the minister as he exercises his duties.

15:45

Mr Welsh: I would like to draw out the thinking behind the minister's proposal. The Auditor General's powers to initiate investigations on economy, effectiveness and efficiency are crucial to the work of public financial accounting in Scotland. By encouraging best practice and by bringing to light and to public scrutiny poor use of resources, the Auditor General will undoubtedly be able to improve financial awareness and create higher standards of service provision in Scotland.

The work of Audit Scotland is at the heart of good government and resource use within the province of this Parliament. Although I note the reduction of the constraint on the Auditor General from a threshold of 50 per cent to one of 25 per cent, I believe that the amendment still does not go far enough in allowing proper public scrutiny

and accountability. I do not believe that there should be any no-go areas for the Auditor General or for Audit Scotland where public money is being spent.

Although allowing access to bodies funded up to 25 per cent by public funds is definitely an improvement, I still ask why any such restriction is being placed on Audit Scotland. That public watchdog should be able to track and to account for public funds. Although the Auditor General may choose not to investigate smaller amounts spent by publicly funded organisations, he or she should have the power, where it is considered appropriate, to go into anywhere where public funds have been allocated, unless there is very good reason not to do so.

I am also wary of the new catch-all amendment, which will work only if the organisation involved voluntarily agrees to its own scrutiny. I am concerned that situations may arise in which scrutiny would be desirable but the organisation that needs to be scrutinised will not co-operate. I ask the minister to explain the caveat of volunteering an examination. Why is the Auditor General not given full powers to follow public money wherever it goes? I hope that the minister can explain more fully the reasoning behind those exceptions to the normal rules of scrutiny.

Euan Robson: I welcome the changes to the threshold; the quarter figure is much more acceptable than the half. I note what Mr Welsh, the convener of the Audit Committee, has said. However, having asked some parliamentary questions about this matter in an attempt to find out which organisations might be concerned, I know that it is difficult to get an understanding of precisely which bodies might be involved below the quarter threshold.

The quarter threshold is a good starting point. It was also sensible to include the £500,000 figure; that is an important development. I welcome the flexibility of the minister's approach to the matter. The amendments, if they are agreed to, will improve the bill considerably.

Mr Nick Johnston (Mid Scotland and Fife) (Con): I, too, welcome the minister's flexible approach. I lodged the original amendment for a threshold of 15 per cent. As members of the Audit Committee realise, 50 per cent is an arbitrary figure, as are 25 per cent and 15 per cent, and we have to come to some compromise.

I welcome the new threshold, but I do not welcome the fact that the minister has missed out an important concession that he offered verbally to the committee—that, in exceptional circumstances, the Auditor General would be able to go into any organisation where public funds were involved. Why, at this late stage, did he feel

that he should leave that out of the bill?

Dr Simpson: I welcome the proposed amendments, which are skilfully drafted. Despite the concerns of Andrew Welsh and Nick Johnston, the threshold that has been adjudged is reasonable because, if the figures are too small, we run the risk of totally overwhelming our administration. Both the Audit Committee and the Finance Committee will have to keep that under review.

Mr McConnell: When considering this matter, it is important to differentiate clearly between access to financial and other information and value-for-money studies. The amendment is primarily about value-for-money studies, for which it was entirely appropriate—in the light of the discussions that we had—to review the threshold and to bring it down from 50 per cent to 25 per cent.

Brian Adam (North-East Scotland) (SNP): Will the minister give way?

Mr McConnell: It may be helpful for Mr Adam to listen to my point; afterwards, I will bring him in.

If we were to go below 25 per cent, a wide range of organisations that receive a very small proportion of their money from public funds would be included on a compulsory basis. They may then hold back from applying for public funds because of the possibility of a value-for-money exercise.

The amendment does not restrict the Auditor General's power to get access to information for any of the audits that he is carrying out. Section 22 gives the Auditor General wide-ranging powers to gain access not only—as part of one of his audits of another body—to information from bodies that have received public funds, but to documentation that relevant persons might have that could affect that audit or the use of public funds. That wide-ranging provision gives the Auditor General for Scotland the power to look after the public pound as far as he or—perhaps in the future—she will ever have to.

The provision is important and must be compared with the 25 per cent figure for value-for-money studies. The latter provision, combined with the provision for a specific agreed value-for-money audit to be carried out by the Auditor General for Scotland for bodies that receive less than 25 per cent of their income from public funds, covers the exceptional circumstances that have been mentioned. Mr Johnston may disagree about the interpretation, but I hope that he will agree that the combination of those two provisions gives the Auditor General sufficient powers to look after public funds in Scotland.

Brian Adam: Like others, I welcome the concession that the minister has made. However,

not everybody is used to reading legalistic documents. I therefore ask the minister to clarify two technical points and respond to the detailed point made by Mr Johnston about what I had understood was the agreement to reduce the threshold to 0 per cent in exceptional circumstances. Will the minister clarify whether amendment 9 allows the Auditor General free access to any organisation that expends public money, as Andrew Welsh and Nick Johnston would like?

My second point is perhaps even more technical. Amendment 12 would delete the words “the condition in” from section 21(3)(b), which refers to whether,

“in the case of a class of body or office-holder, the condition in paragraph (a) is satisfied in relation to at least half of those in the class.”

I am not sure whether

“half of those in the class”

is another area where the threshold should be 25 per cent rather than 50 per cent. Indeed, I am not sure what exactly is meant by those words. How will the minister honour his pledge to allow full access to information from any organisation that spends public moneys in exceptional circumstances?

Mr McConnell: The words

“half of those in the class”

refer to the class of body or office-holder, which is mentioned in the line above.

On access to information in exceptional circumstances, section 22 of the bill gives the Auditor General the power to seek the information to which Mr Adam, Mr Welsh and Mr Johnston refer. That is different from conducting a value-for-money exercise. I suspect that if a body in Scotland that received less than 25 per cent of its income from public funds—and that was subject to parliamentary scrutiny or debate because of the way in which that money was spent—refused to agree to a value-for-money study that the Parliament felt was reasonable, the Parliament would not agree to that body getting the 10 or 15 per cent of its income that it got from public moneys in the following year. That is the control that we would have and why the bill will work by agreement, without an audit being imposed.

We need to set some priorities for the Auditor General for Scotland, which is what the amendment seeks to do. The amendment follows the public pound and ensures that proper value-for-money exercises can be carried out, but it does so in a way that prioritises the elements of public finance that are substantial and whose scrutiny is therefore in the public interest.

Amendment 9 agreed to.

Amendments 10 to 16 moved—[Mr McConnell]—and agreed to.

Mr McConnell: Amendment 27 concerns value-for-money examinations of the water and sewerage authorities. The Water Industry Act 1999 creates the new office of Water Industry Commissioner for Scotland, which is a major step forward in the regulation of the water industry in Scotland. We are concerned that, as both the commissioner and the Auditor General for Scotland have a remit to ensure that the water and sewerage authorities act with economy, efficiency and effectiveness, there is a potential for overlap. I am sure that the Auditor General and the commissioner will liaise to ensure that their activities are complementary and do not duplicate each other. Amendment 27 merely gives such an arrangement statutory force. I hope that members will agree to it.

I move amendment 27.

Mr Davidson: To clarify that point, will the minister say whether he has in mind a pecking order in terms of who initiates what? There is some ambiguity—I hope that the minister will pardon me, but I am not sure about the way in which he has drafted the provision. Is it the Auditor General who will ask the Water Industry Commissioner to get involved in a value-for-money study, or will the commissioner do that automatically and then report to the Auditor General? Alternatively, will they have two separate, independent functions? From the Parliament's point of view, would the Auditor General kick-start the study?

Mr McConnell: The bill refers specifically to the powers of the Auditor General and to the role of Audit Scotland. It would therefore not be appropriate for it to determine how the Water Industry Commissioner would carry out his or her duties. The bill is about what the Auditor General will do; as amendment 27 says, the Auditor General would have to consult the Water Industry Commissioner for Scotland before he chose to carry out a value-for-money study.

The commissioner and the Auditor General could, in theory, still carry out two studies at the same time, but one would hope that the Auditor General would not institute a value-for-money study in an area that was already being dealt with by the commissioner. That is what the amendment seeks to achieve.

Mr Davidson: Can I ask the minister for further clarification?

The Deputy Presiding Officer: No, Mr Davidson.

Amendment 27 agreed to.

Amendments 17 to 21 moved—[Mr McConnell]—and agreed to.

Schedule 1

BORROWING BY CERTAIN STATUTORY BODIES

16:00

Mr McConnell: Given the shortage of time, I will shorten my remarks on amendments 28 and 29, both of which are technical. Their intention is simply to maintain existing arrangements in relation to water authorities' working capital flexibility.

The bill, as drafted, would apply parliamentary control to all borrowing by the new water and sewerage authorities. The controls would extend to borrowing by means of bank overdraft to meet a day-to-day excess of expenditure over income. The controls could severely limit the authorities in managing their expenditure efficiently, because they would have to ensure that, at the year end, they had not exceeded the borrowing limit set by Parliament. That might require them to reduce their investment on capital projects so as to be certain that they would not be exceeding their borrowing authority. Presently, administrative arrangements allow the authorities to operate an overdraft facility that does not count against the Parliament's budget. The bill, as drafted, would remove that flexibility; the amendments are intended to reinstate it. I hope that members will agree to them.

I move amendment 28.

Amendment 28 agreed to.

Amendments 29 and 22 moved—[Mr McConnell]—and agreed to.

Public Finance and Accountability (Scotland) Bill

The Deputy Presiding Officer (Patricia Ferguson): I invite Mr McConnell to move motion S1M-320.

16:02

The Minister for Finance (Mr Jack McConnell): This bill is a fine example of how devolution can make a real difference to the people of Scotland. It will help the Parliament and the Executive to take decisions on expenditure that are critical to Scotland and to our future success. Those decisions will, of course, be taken in a Scottish context.

The bill has shown that a devolved Administration can tackle issues of real consequence. Its provisions go to the heart of good governance. The bill has shown that the Parliament and the Executive can work together—although it was developed by the Executive, it owes a great deal to the input of the Parliament, particularly to that of the members of the Audit Committee and the Finance Committee.

Let me place the bill in context. In February 1998, the then Secretary of State for Scotland asked the financial issues advisory group to mark out a blueprint for Scotland's public finances after devolution. Members will recall from earlier discussions that that group produced an extremely thorough report, proposing a variety of measures intended to ensure that, after devolution, Scotland's public finances could be managed effectively.

As many of us will be aware, the statutory framework that the bill will put in place is just one of several ways in which FIAG's recommendations are being implemented. FIAG's vision of a financial regime that would be open and accessible, and that would provide a balance between the Parliament and the Executive, goes to the heart of the bill. Although there was a deliberate decision not to throw out tried and tested Westminster procedures unless something better could be devised, there are a number of areas where the Parliament is about to lead the way on financial management. Examples that spring to mind are the statutory arrangements for ensuring that officials of the Scottish Executive are answerable to the Parliament for their financial stewardship, and the arrangements for public audit, which are perhaps epitomised by the proposal to establish a single public audit service for Scotland—a service that we all expect to be at the leading edge of public audit practice.

The main provisions of the bill cover Parliament's controls on the Executive's expenditure, including controls on temporary and emergency arrangements. They ensure that the Executive's spending programme will be subject to thorough parliamentary scrutiny. Members should be in no doubt—the partnership Executive supports those processes and we will meet their demands. We will account for our actions and ensure that Parliament is involved in our financial decisions. I reiterate that again on behalf of my colleagues; this is a challenge, but we will make it work.

Having covered the statutory requirements of the budgeting process, the bill goes on to deal with accountability. Crucially, it will make officials answerable to the Parliament, while in no way diminishing ministerial accountability. It puts officials under a statutory duty to challenge the decisions of ministers on the grounds of irregularity, impropriety or poor value for money.

Other measures will help to ensure that financial accounts are prepared promptly and that proper accounting standards can be insisted on. It is my intention that the public sector in Scotland should lead the way in producing financial information that is accurate, informative and on time. The bill's provisions for audit will help to ensure that that objective can be met.

Finally, the bill puts in place a value-for-money regime. It does not place unreasonable burdens on public sector managers, but it enables the Parliament to ensure that the expenditure that it authorises is spent economically, efficiently and to good effect. Overall, the bill sets up a statutory framework for financial management of which we all can be proud.

There have been a number of changes to the bill since it was first debated in Parliament; many stem from recommendations made by MSPs during meetings of the Finance Committee and the Audit Committee and during informal discussions. The process by which the bill has been prepared has seemed to me very positive; I hope that it will set a model for how the Parliament and the Scottish Executive will work together in future.

This bill would not have been possible without a great deal of help and support. I extend my thanks first to the members of FIAG; their report was the foundation of the bill and of wider matters covered by the standing orders and non-statutory parliamentary arrangements. I also thank the individuals and organisations, too numerous to mention individually, who responded to the consultations conducted by FIAG and the Executive. Help in drafting tricky technical issues came from a number of sources; I mention particularly officials from the Accounts Commission and the National Audit Office. My

thanks also go to the members of the Finance Committee and the Audit Committee and to their clerk and her assistants. As I said, members of the committees approached the bill in a positive and constructive way and the clerk greatly assisted in that. I thank my colleagues on the Executive for their support.

The bill stems from recommendations whose sole purpose was to ensure that Scotland has the best possible framework for public financial management. Its provisions are often complex and, although its objectives are straightforward, its implementation will require our dealing with a variety of technical, financial and legal issues. Despite its complexity, the bill has been subject to thorough and effective scrutiny by the Parliament, which has resulted in a number of improvements. We now have a bill that allows us in a new way to set our budgets, to spend money openly and wisely and to account for what we do.

I move,

That the Parliament agrees that the Public Finance and Accountability (Scotland) Bill is passed.

16:07

Andrew Wilson (Central Scotland) (SNP): I welcome the bill in its final form and I congratulate FIAG for the role that it played at the start of the process, informing so much of the legislation before us.

The good governance that we can demonstrate as a Parliament is critical to the whole process. I think that it was Mr Welsh who said at stage 2 that one of the beauties of a small country was that one could govern better; that is the principle of devolution that we would like carried into all the areas of policy competence that normal countries have. If we can demonstrate that we can spend our resources more wisely, more effectively, more efficiently and with greater transparency and if we can promote better governance, surely that makes a powerful case for having the same responsibilities as a normal country in revenue raising. I look forward to the day when we have a balanced budget—when, like any normal country, we are responsible for raising as well as spending the money.

When Mr McConnell relaxes after the rigours of a tough day, I suggest that he reflects on his colleague across the Irish sea, Charles McCreavy TD, who is today administering perhaps the most exciting budget bill in Europe this year—the Irish Government is about to allow the people of Ireland to share in the country's economic success. It would be nice if we had the same opportunity in Scotland.

I commend the Minister for Finance for lodging 20 of the 28 amendments to correct previous

inadequacies in his drafting. It would have been nice if he could have engaged with some of the positive, co-operative politics that the Finance Committee and the Audit Committee, under the able convenerships of Mike Watson and Andrew Welsh, seek to promote. Perhaps as we go on we can return to those good principles.

16:09

Mr David Davidson (North-East Scotland) (Con): I welcome the approach that has been taken to the bill. The bill must be a fascinating piece of legislation, because we have the largest turnout of Labour members for many weeks—it is encouraging to see them supporting the Minister for Finance.

The Scottish Conservatives welcome the bill for providing a structure and a mechanism by which the Parliament can ascertain on behalf of the Scottish people where their money is spent and whether it is spent prudently and to the maximum effect. The bill sums up what we have tried to achieve in the Finance Committee and the Audit Committee; I hope that people recognise that we have approached it in a constructive, non-partisan manner. I also welcome the input, before the establishment of the Parliament, from FIAG and the many other organisations that the minister mentioned.

The written agreements are vital to the role of the Finance Committee in budget scrutiny. They will help the committee to support the work of Parliament's other subject committees. We must build on what we have done today to produce a good, proactive relationship between the minister and the Finance Committee and the Parliament's other committees. In particular, we must be able to call on the minister at fairly short notice when an item needs to be discussed. We will try to be flexible, as the minister has always tried to be.

We must have an assurance today that any potential Cabinet or Executive committee structure set up by Mr Blair—such as the one that has been mentioned in the past couple of days—will not undermine, in any way, any relationship between Scottish ministers and the Parliament.

We have always said that every penny must be traceable and that there should be no build-up of war chests. We hope that the bill will prevent the recycling of previous financial statements as new spending. We need clarity about the status of all on-going spending programmes. Perhaps the minister will consider the provision of monthly management accounts, or some such vehicle, to assist the committees in their work.

Public consultation, while laudable, takes place only at stage 1. The Finance Committee had problems at stage 2 and even the expert

witnesses whom we brought in to give assistance and clarity had some difficulty. I hope that the minister will address that.

Perhaps the minister would like to give some thought to a contingency fund. I am always unhappy when contingencies are drawn from various budgets; that gives an opportunity for smokescreens, which we do not want in this Parliament. We want to be able to see clearly what ministers are doing. We must also recognise that honest Jack may not always be our Minister for Finance. It is important for whoever succeeds to that role, whatever end of the bench he currently sits at—I do not know, as I am not the First Minister—that what we do today progresses in a constructive manner.

In conclusion, I simply remind the First Minister—at least I would like to do so, but he is not here—of his words at the opening of the Parliament about Government openness and accountability.

The Deputy Presiding Officer (Mr George Reid): Ten members have indicated their desire to speak. Any other members who want to participate should press their buttons now.

16:12

Paul Martin (Glasgow Springburn) (Lab): I welcome the fact that the bill will be passed today. I am sure that I speak for all members of the Audit Committee when I say that I welcome the minister's contribution to the process. The Audit Committee has had a constructive debate on the bill; that is to be welcomed.

I welcome the fact that the minister has accommodated a number of points that were raised during the committee's proceedings, particularly the point on value-for-money studies. The 25 per cent threshold will certainly be a start to the process.

The Parliament has been the subject of much criticism recently. The bill establishes financial accountability to ensure that we have a fully transparent process that will be a credit to the new Parliament. I ask that the public and the press give us some credit for what has been done so far. I see that three members of the press are sticking out the debate this evening. *[Interruption.]* I stand corrected—four members of the press are in the gallery.

Quite rightly, the Public Finance and Accountability (Scotland) Bill has leaned towards the FIAG recommendations. Those recommendations have been largely welcomed and have allowed us to ensure maximum transparency and financial accountability.

Given that we have more than £16 billion at our

disposal, we must target funding towards priorities and avoid waste. We are entering a refreshing era, where the spending of public funds is under fierce scrutiny. I believe that the model that we are debating meets those aims.

I am pleased, in particular, with the bill's emphasis on plain English. As an ex-member of Glasgow City Council, I know that officials used to compete with one another to create new jargon. The only way in which we can excite interest in the budgeting debate is if we use plain English to make our accounts more accessible—that will ensure proper accountability.

The proposal to transfer the Accounts Commission's responsibilities for the health service audit to the Auditor General is crucial. I have been frustrated by not being able to raise in the Parliament issues concerning local health boards. The proposal recognises the prominent role that the Parliament must play in the health service audit. The Executive's plans to consolidate public accounts give us real powers to obtain information from bodies and to allow information to be audited. That is another example of effective financial management.

As Keith Raffan said, we will have a financial framework that will receive worldwide recognition. That framework will ensure the highest possible standards of financial accountability.

The Deputy Presiding Officer: I should have called Keith Raffan to open for the Liberal Democrats; my apologies.

16:16

Mr Keith Raffan (Mid Scotland and Fife) (LD): I am happy to follow Mr Martin, particularly given his remarks about the press gallery. It is interesting that the press gallery is so full when something minor or trivial happens, yet when the Parliament does a piece of work that is not just solid and substantial, but a first-class model for other countries—I include the United Kingdom and Westminster in that description—so many of the journalists have left. I am glad that there are a few more journalists now. The last time we debated the matter, there was only one journalist in the press gallery. We in the Finance Committee like percentages, so I could say that the amount of journalists has increased by 400 per cent. *[Laughter.]*

The bill goes to the heart of the relationship between the Parliament and the Executive. I doubt that the Parliament will pass a more important bill in this session. The bill establishes the financial management framework for the future. Most important, it establishes the budget-making process and the relationship between the Executive and the Parliament and the Parliament

and its committees in that respect. It is not just a question of the Executive's accountability to Parliament, or to the Finance Committee and the Audit Committee in particular. What is important is that those committees and the Parliament will be involved in the budget-making process. That is central to the bill and it is infinitely superior to anything at Westminster.

I hope that what we have done today will have a reaction—occasionally at Westminster there is a response as well as reaction—and that the UK Parliament will begin to debate its right to be involved in the budget-making process.

Some questions remain. There is a question about stage 1 of the budget bill. The Minister has given a guarantee that he will provide a provisional expenditure plan for that crucial stage. At the beginning of the financial year, between April and July, not just the Finance Committee and the Audit Committee, but the subject committees, will have an opportunity to have input into the budget-making process. The provisional expenditure plan must be fairly detailed if the committees are to be able to make an intelligent judgment about different spending priorities.

Stage 2 will be in the autumn. September 20 is when the minister is likely to introduce his detailed budget, and by the end of November we will need to have fully debated and discussed it in the Finance Committee, the Audit Committee and the subject committees. That is a very short period. In the light of experience, we may well have to try to lengthen it.

Those are some current reservations—there are very few—about the bill. Much will be revised in the light of experience. As soon as we move into the new financial year—the first full financial year of the Parliament—we will be able to make a judgment about how well the process is working.

As the minister rightly said, we are leading the way. It is important that we pay tribute—as all parties have—to the financial issues advisory group. If it had not been for its excellent work—the foundation for the bill—we would not be at this stage now.

It is very important to pay tribute to those who, in the run-up to the Parliament, produced a very fine piece of work to help us to do our work once we were elected. Credit is due to them, and from now on—as authors always say at the beginning of their books—all the mistakes will be ours. I am sure that the press and the voters will remind us of that in the months and years to come.

I am happy to support the bill. I believe that it sets out a budget-making process for Scotland that is a model of its kind and to which other countries will look in future.

16:20

Mr Andrew Welsh (Angus) (SNP): I congratulate the minister on successfully piloting through this measure. What is happening today is of massive importance for Scotland. This bill sets out one of the foundation stones for the work of the Parliament. The objectives of clarity, openness, accountability and the need to obtain maximum effectiveness and efficiency in the use of public money are at the heart of the FIAG recommendations, and all are to be found in this bill. If the bill meets those objectives, it will be a massive achievement for the people of Scotland.

The Parliament has no option but to budget prudently because of the fixed, limited nature of devolution finances. Westminster regularly overshoots the chancellor's predictions by tens of billions of pounds, but no such luxury is available to this devolved Parliament. We have to harness, gather and maximise the effect of every available pound on behalf of the Scottish people. Therefore, the greater the openness, scrutiny and financial efficiency, the greater will be the benefits for the people of Scotland in terms of services delivered and the use of resources.

The foundation stones exist in this bill; now Parliament and the Executive must deliver. Scotland is currently governed by quangos in many areas. I hope that the powers that are available to the Auditor General will bring to public light and scrutiny many dark areas of Scotland, and will do so on behalf of the people of Scotland. Wherever public money is involved, the public must be assured that there is transparency and value for money. However, the proper scrutiny of public accounts goes further than simple close investigation and reporting back. The scrutiny powers in the bill have to be used positively and with sensitivity, rather than becoming the simple application of fixed-rote formulae.

I look forward to a public scrutiny system in Scotland that always seeks out, and encourages the dissemination of, best practice, without stifling innovation and initiative. Raising overall standards and the quality of the services that are provided to the public must always be an essential part of the new Scottish financial system. This bill can only set out the framework for action. It is now up to everyone involved to deliver the reality.

The Minister for Finance has now delineated the system, and the lines of responsibility between Parliament and the Executive, and between Parliament and Audit Scotland, have been made clear. Now we must all check against delivery. I congratulate FIAG and thank the minister for delivering this bill. I wish everyone concerned every success in delivering for Scotland.

16:23

Mike Watson (Glasgow Cathcart) (Lab): At the risk of giving my colleague, the Minister for Finance, a red face, I join Andrew Welsh and others in congratulating him on the way in which the bill has been piloted to a successful conclusion—the formality of the vote notwithstanding. It is important to recognise that this is an example of decentralised government in practice. This Parliament, and not just those who have been involved in the various stages of the bill, should take some credit for that. Decisions on expenditure in Scotland are clearly set out, as are the means of holding to account those who have responsibility for them.

The bill has provided an example of effective working by two committees in the various processes of a bill—the Audit Committee under the convenership of Andrew Welsh was the lead committee, but the Finance Committee had a considerable role as well. It has shown how the system can work for bills in other subject areas. The system is not perfect, but we have shown very effectively how it operates.

As everyone has acknowledged, the bill is crucial. It is both forward looking in authorising Scottish public resources and finances and retrospective in scrutinising spending and holding to account the Executive and public bodies. We cannot overstate the importance of that in the context of the governance of Scotland and the crucial role that this Parliament has in it.

The important principle of value for money has also been established and set out as part of a statutory framework for financial management based on maximum transparency, as my colleague Paul Martin eloquently outlined. This process has been an historic event: this is the first bill to go through the full process of this Parliament. All of us who have played a part in it have formed a template for bills that will follow.

Not many people knew what the financial issues advisory group was before the process started. FIAG, as we refer to it, produced a blueprint, which will endure and will be a cornerstone of the way in which this Parliament operates and the government of Scotland is carried forward. All those who have contributed to that group, over a considerable period of time, should be congratulated.

On a more personal note, I thank those involved in steering through the first bill to go through all the various processes. It was not easy and often the way in which the process was set out was not as obvious as it might have been and had to be tested. I thank Sarah Davidson, who is clerk to the Finance Committee and the Audit Committee, which is not an easy task. I also thank her staff

and colleagues on both committees for the successful conclusion of what, I am sure in retrospect, will prove to have been an historic bill in this Parliament.

16:26

Dennis Canavan (Falkirk West): The declared aim of the bill is to make public finances accountable. I am not sure that the bill will achieve that aim to the extent to which many of us would like. I will give the minister an example, on which I would like him to respond.

Last year, serious allegations were made about misappropriation of public funds by senior management of the former Central Scotland Healthcare NHS Trust. The *prima facie* evidence was so strong that it convinced Mr John Rafferty, who was then chairman of the trust, to arrange for the setting up of an independent review panel to investigate the matter, which was also reported to the procurator fiscal. Mr Rafferty, who is now special adviser to the First Minister, gave me a commitment at that time that the findings of the independent review panel would be made public.

Sam Galbraith, then the health minister, reiterated that commitment in a parliamentary reply given to me in the House of Commons in January. That commitment has never been fully honoured. I want to know how this bill will ensure the honouring of that commitment.

Last week, Forth Valley Primary Care NHS Trust published a report of an internal audit that raises more questions than it answers. It identifies failures and irregularities but it does not identify who was responsible or say how much public money was misappropriated. Those are matters of legitimate public concern. Will the minister tell us whether this bill will help to ensure public access to information about alleged misappropriation of public funds?

Last week, we had a statement about freedom of information; this week, we have this bill, which is a statement about the need to bring public finances more to public account. It is time that we turned those fine words into action.

The Deputy Presiding Officer: Under the terms of the business motion, we now move to the winding-up speeches.

16:28

Mr Nick Johnston (Mid Scotland and Fife) (Con): I am pleased to be speaking at the final stage of this bill. Like Andrew Welsh, I think that in it we have laid the financial foundations for the governance of Scotland and for proper scrutiny.

Two points have emerged from this process.

First, we have exposed the consistent underspend of the Scottish Office. I hope that by exposing that underspend we will make better use in future of the £16 billion block grant.

Secondly, we have the chance to ensure that every public body that spends public money does so in the bright light. Perhaps we will be able to ensure better and more effective use of public funds. My colleague, David Davidson, spoke at length on the financial sections of the bill, so I will not dwell on that.

I welcome the establishment of Audit Scotland and give the good wishes of the Parliament and the Audit Committee to the staff of the National Audit Office and the Accounts Commission. I hope that the bringing together of those two bodies is a smooth transition.

We also welcome the transfer of audit of health boards and trusts to the Auditor General for Scotland. Speaking of the Auditor General, I was honoured to be asked to play a part in the appointment of that august gentleman. The calibre of all the candidates was extremely high.

I wish to put on record again the Conservative party's concerns that the bill, in broad terms, will not embrace the allocation of £6.4 billion to local authorities. I know that the Convention of Scottish Local Authorities has highlighted the need for an independent accounts commission that is free from political influence. Perhaps now we may get the openness that will ensure that the Executive does not keep constantly recycling, under the guise of new expenditure, money that has already been committed.

Finally, as time is tight, I want to add my thanks to Sarah Davidson and all the clerks to the Finance Committee and the Audit Committee for giving us guiding light and showing us the way through often stumbling footsteps. I commend to the chamber the patience that the clerks showed to people who, like me, have not been involved in this process before. I commend the bill to the chamber—it is a good bill and I have been proud to take part in its formation.

16:11

Mr John Swinney (North Tayside) (SNP): I begin by placing on record thanks from a number of my colleagues to the financial issues advisory group for the considerable work that was put into this area of thinking before our Parliament was established. I am glad that the minister has shown a willingness to go as far as he can to incorporate FIAG's thinking into the bill. That is much appreciated. I also wish to record the SNP's thanks to the clerks for their support throughout the process and for helping to enhance the parliamentary process as a result.

In his opening speech, the minister set out an impressive list of hopes for the financial management and control process that the bill gives the Parliament. He talked about openness and accessibility and about his determination to meet the demands of the parliamentary process. The SNP warmly welcomes those concepts and commitments: we intend to hold the minister to them vigorously.

Last week, the minister produced a glossy document, "Spending Plans for Scotland". If that document, with not one real-terms figure in its 24 pages of glossy print, reflects his definition of openness, I am afraid that his definition is different from mine. He gave commitments to ensure that accurate information is available to Parliament—and on time. As an Opposition, we warmly endorse those concepts, but we must look back to some of the steps in the bill's progress and recognise that not all the information was available on time.

I return to the major question about the process, which remains unanswered. As we approve the bill today—we will do so in a moment—the Finance Committee has not agreed the financial procedures aspect of the bill. These are important issues about the responsibility of Parliament and the scrutiny that Parliament can exercise over the Executive. The SNP intends to use this Parliament's procedures to ensure that that scrutiny is applied to its fullest extent. However, we need the Executive's co-operation to guarantee that the partnership that has existed so far on these issues can continue during the remainder of this parliamentary session.

16:33

Mr McConnell: I wish to reiterate my thanks to those outwith the bill team who were involved in producing the bill. I also wish to record my thanks to the officials who managed to deliver a bill that, in September, was presented to Parliament two weeks ahead of schedule. Even at that stage, I did not really expect that my hope of a Christmas finish would be met. However, today we have managed to reach stage 3 and the closing speeches three weeks ahead of schedule. I wish to thank those officials for their help in ensuring that that happened. It has given me a lot of pleasure to be part of the team that produced the bill and to speak to the bill today.

This has been an interesting, if short, debate, covering many issues that are crucial to the good management of the Parliament's finances. I do not want to pick up on the various close-to-party-political points that have been made. While that might liven up the afternoon, I do not think that it would be appropriate.

Twenty years ago, I was one of Dennis Canavan's constituents. I clearly remember him entering his second term in Parliament and entertaining the students of the University of Stirling with descriptions of appropriations in aid and various other phrases used at Westminster in order to, as he put it then, confuse members of Parliament and the public, and to hide decisions away from openness and transparency.

I am pleased that we have produced a set of procedures that will use plainer English and will be more open and transparent. However, I also remember Dennis describing to us at great length how he was able to use the procedures of the House of Commons to raise issues in debates that people were not expecting or which were not appropriate. He clearly still has that talent 20 years on.

It would not be appropriate to talk about the former Central Scotland Healthcare NHS Trust today, but it is important to note that the Auditor General for Scotland will be responsible for auditing the health service in Scotland and that the powers that this bill gives the Auditor General will ensure that the health service is subject to more scrutiny than it has had for a long time.

The bill is not the end of a process. Granting resources and scrutinising the use of them ranks among the most important functions of any Parliament. Detailed procedures will be put in place and will be agreed in the Parliament, but they will have to evolve to suit changing circumstances. We must be vigilant to ensure that the procedures remain appropriate; we must not be afraid to make changes if circumstances demand that we do. The bill provides the framework for the proper conduct of financial affairs by this Parliament, the Executive and other bodies.

Dr Richard Simpson (Ochil) (Lab): Does the minister agree that the process that we are setting up, whereby the Finance Committee will be able to scrutinise the general budget intentions and consult the subject committees, which will be expected to consult the public, means that we will have one of the most open systems in the western world?

Mr McConnell: I agree with that and confirm that we want to make the process work.

The partnership agreement said that the people of Scotland wanted open, stable and responsible government, fully accountable to a modern, representative Parliament. The Scottish Labour and Scottish Liberal Democrat partners said that they wanted innovative government that was open and that they welcomed from any source good ideas that encouraged participation. Those statements built on the work of the consultative

steering group, which said that the Scottish Parliament should be accessible, open and responsive and should develop procedures that made possible a participative approach to the development, consideration and scrutiny of policies and legislation. That is what we have done today and I commit the Executive to working towards that.

This is a good bill, a Scottish bill, and the first in our programme for government to complete its parliamentary passage. It was made in Scotland and it is characterised by timeless Scottish values: public service, probity and democracy. It contains rights and responsibilities for all of us in this chamber and I am honoured to ask members to vote for it today.

Decision Time

16:38

The Deputy Presiding Officer (Mr George Reid): The question is, that motion S1M-320, in the name of Mr Jack McConnell, on the Public Finance and Accountability (Scotland) Bill, be agreed to.

Motion agreed to.

That the Parliament agrees that the Public Finance and Accountability (Scotland) Bill is passed.

The Minister for Parliament (Mr Tom McCabe): With your permission, Presiding Officer, I would like to move a motion to bring forward members' business.

I move,

That the Parliament agrees that members' business be brought forward to 16:38.

Motion agreed to.

Co-operative and Mutual Sector

The Deputy Presiding Officer (Mr George Reid): We now move on to members' business. I ask members who are leaving the chamber to do so quietly.

The final item of business is a debate on motion S1M-238, in the name of Cathy Jamieson, on the subject of the co-operative and mutual sector. The debate will conclude, without any question being put, after 30 minutes.

Motion debated,

That the Parliament notes the significant contribution made by the co-operative and mutual sector in Scotland, and its continued role in promoting social inclusion and community involvement through initiatives such as retail co-ops, food co-ops, housing co-ops, credit unions, community businesses and its youth movement, the Woodcraft Folk, and welcomes the recent setting up of the Scottish Co-operative and Mutual Forum, which brings together co-operative organisations from across Scotland. **R**

16:39

Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab): It is a privilege to speak as the convener of the Labour and Co-operative group of MSPs.

I must start by declaring an interest. I am a member of the Co-operative party. It is somewhat strange that it is the only political party whose manifesto says that every time we speak on something, we will declare our interest. I hope that the Procedures Committee, the Standards Committee and the Parliament will address that issue and resolve the situation.

I welcome the co-operators, from various strands of the Co-operative movement, who have come along today to listen to the debate in the public gallery, and I thank the many people who have stayed behind to hear this debate on an important issue.

We have heard a lot of talk about finance. I am going to talk about finance from a slightly different perspective. We have heard a lot of talk about the passing of the bill being an historic event. I want to put it on record that this is also an historic occasion for the Co-operative party and the Co-operative movement in Scotland.

Most members will know that co-operation is not new. There is a long history of ordinary people working together for the common good, which some of my colleagues will talk about in greater detail. If members think back beyond the Rochdale pioneers, to the Fenwick weavers in Ayrshire and the work that was done by Robert Owen in New Lanark, they will recognise the various strands of co-operation. There are other organisations such

as the Co-operative Women's Guild, whose members were among the first to campaign on behalf of women, seeking equal rights, maternity rights and family allowances.

The Co-op in Scotland is following its long and distinguished history. Our information from the Co-operative Union puts in perspective exactly where co-operation exists in Scotland today. Five co-operative societies are operating nearly 500 Co-op stores, more than 100 funeral homes, 24 travel bureaux, 37 post offices and 17 farms—not a kind of business that people would necessarily associate with the Co-operative movement. Those enterprises are spread throughout the country, from Shotts and Ballater to Brechin, from Dumfries to Dalkeith, and from Stromness to Stornoway. There are Co-op shops in inner cities and suburbs, in towns and villages, in the Highlands and Islands, and in Scotland's rural areas.

Nearly 14,000 people in Scotland earn their living working for the Co-op. It is a truly grass-roots organisation that is owned by more than 430,000 Scots and directed by boards that are elected from among the consumer owners. For me, that is the essence of co-operation.

Over the past few years, Scottish Co-op has gone further than setting up its own stores in local communities; it has begun to find ways of helping people to help themselves. For several years, it has supported community stores that are managed by local volunteers, by offering consultancy on start-up, developing an on-going retail policy, helping to provide staff training, giving interest-free loans for initial stock, supplying equipment and delivering products. The Co-op has kept co-operatives and stores going in remote areas, often in the islands, and provides a service to consumers in underpopulated areas where there is not enough trade to sustain a commercial store and where the private sector would not have an interest.

Based on that experience, schemes have recently been extended to assist smaller self-help projects in the central belt—for example, Fruit Barra, which is part of the Govan healthy eating project, and the North Lanarkshire Federation of Food Co-ops. In July, the latter became a corporate member of the Co-operative Wholesale Society, which is a significant development.

Scottish Co-op and the wider Co-operative movement agree with the Scottish Executive that social inclusion is a key issue for Scotland. We have already had discussions with ministers about working in local communities and supporting the work of local volunteers. We welcome the initiatives that have been introduced by the Executive.

The Co-op was founded on the self-help

principle and continues to believe strongly in that principle. Social inclusion means giving people opportunities, the back-up and the confidence to help themselves—not just in the large co-operative societies, but in other co-operative organisations such as credit unions, food co-ops, housing co-ops and community businesses.

I will say a few words about the credit union movement. A recent document from the Local Government Association describes community-based credit unions as

“financial co-ops that offer quality and low cost financial services to their members.”

It continues:

“They can be particularly beneficial to those on low incomes or those excluded from mainstream financial institutions. They can also play an important part in the social regeneration and economic development of communities, as well as being important to anti-poverty and sustainable development initiatives.”

Most people recognise the need for further development of the work of credit unions. A recent study based on research by Liverpool John Moores University highlights the potential of credit unions to play an increasing role in the financial world.

All of us involved in the Co-operative movement favour an expansion of that form of common and mutual ownership. That was why in the early days of the Parliament I lodged a question asking us to consider paving the way by setting up some form of credit union. Although there is nobody from the press here to report this—which is significant, given the comments that have appeared in some articles—I want to say, for the record, that a credit union in the Parliament would not be about providing cheap loans to MSPs, but would be about sending out the message that co-operation and mutuality are a fundamental principle that is valued in Scotland, and a way forward that is supported by the Scottish Executive.

Today I want to restate the principle of common ownership and mutuality, and to say that it is as relevant today as it ever was. The recent setting up of the Scottish Co-operative and Mutual Forum is important, because it brings together for the first time all strands of co-operatives and mutuals in Scotland. That will enable us to take forward the message and to promote practical alternatives. The forum will provide a focus for the promotion of common and co-operative ownership and will allow us to promote mutuality as an alternative form of ownership of both services and institutions. The continued, sustained and predatory attacks on building societies and other mutual institutions indicate why that is necessary.

I want to make a couple of points about my involvement in the Co-operative movement and to

give particular credit to its youth wing, the Woodcraft Folk—the organisation that brought me into the movement in the first place. That organisation is about education for social change, as is the wider Co-operative movement. It has put development education into practice in a real and practical way, by linking young people in disadvantaged communities in Scotland with disadvantaged communities across the world.

I will draw my remarks to a close to allow other co-operators to contribute. This is the first debate on co-operation in the Scottish Parliament, but it will certainly not be the last. We will seek to ensure that the Executive considers co-operative solutions in all its policy initiatives. In true co-operative tradition, I end by inviting all members to come and join us for a small reception at Parliament Headquarters after the debate.

The Deputy Presiding Officer: If co-operators and others are to contribute to the debate, speeches should be kept to well under three minutes.

16:48

Linda Fabiani (Central Scotland) (SNP): I congratulate Cathy Jamieson on drawing Parliament's attention to an extremely important sector of Scottish society and—which is sometimes overlooked—an important part of the Scottish economy.

Scotland has played a leading role in developing co-operative and mutual institutions—the Trustee Savings Bank, public lending libraries, parochial schools, working-class housing societies and, most recently, rural community co-operatives.

The Executive has recently drawn attention to the increasing exclusion of many communities from the rest of society. The withdrawal of the banking industry from any kind of presence in Scotland's most deprived communities undermines the financial sector's argument for reducing regulation of its activities. Like Cathy, I have been pleased by the focus on the potential of credit unions to fill some of the gaps that have been left by the banks. I, too, am a great supporter of credit unions and would like to see a steady increase in the proportion of the population that has access to them.

Another mutual sector that is close to my heart is the housing association movement. I know that members from all parties hold the movement in high regard, and I have heard many individuals refer to the valuable work that is done by their local housing associations and co-operatives. I would like to make a plea for members to turn the rhetoric of support for the movement into active support. I address that plea in particular to the back benchers of the governing parties who, in the

press of other priorities, may have overlooked just how much the actions of the Executive are damaging housing associations and co-operatives.

I have time to refer to only two of the most significant ways in which the Executive's actions are damaging. The first—and perhaps the most easily demonstrated—is the withdrawal of resources from housing associations and co-operatives. Over the period of the expenditure plan that was published by the Minister for Finance, the resources available to Scottish Homes will drop from £319 million to £264 million—a reduction of almost 20 per cent. That will cause major difficulties, not just for the organisation, but for the people who depend on it.

I do not have time to address the second element of the Executive's approach, but the policy is disastrous.

I ask the Minister for Communities, who basks in the title of the listening minister, to try trusting communities and to listen to them properly before forcing decisions on a no-choice option. Please abandon the big-bang approach, and invest in a proper success story. It might not go down well in John Wheatley House, but it will go down well in John Wheatley's home of Shettleston, which is now represented by the Deputy Minister for Local Government.

16:50

Johann Lamont (Glasgow Pollok) (Lab): I welcome the opportunity to speak, even if the previous speech was hardly in the spirit of co-operation.

I am proud to be a Labour and Co-operative MSP. I declare an interest as a member of the Co-operative party. I recognise and applaud the tradition in my area of co-operative activity in the Co-operative party, and importantly in the Co-operative Women's Guild, and the co-operative initiatives in the broader community. The Scottish Co-operative and Mutual Forum reflects the diversity of the movement that we seek to celebrate today.

There is a tendency to think that co-operative initiatives are the province of woolly-hatted do-gooders, that they are easy or soft options, and that they are not part of the hard debates on the economy and social inclusion. However, co-operation offers a significant contribution to those debates. The reality is that co-operative initiatives involve hard work, risk taking and high levels of trust, and when they work effectively, they are a standing reproach to those who would have us believe that there is no such thing as society, and that as individuals we must be appealed to only on the basest of motives—that of personal gain.

The Co-operative movement is not just a movement of the past that was intriguing in its time. It has something to say now and in the future. The Rochdale pioneers knew that, as did the visionaries closer to home in New Lanark. They understood the importance of social inclusion, the liberating influence of education and the power of decision making at local level. Those examples say something to those of us who might be defined as the political class. Vision, the ability to develop policy and to seek and find solutions to the world's problems are not the monopoly of those in elected positions, and we will stand or fall in Parliament by our ability to work with our communities to develop solutions.

The Co-operative movement is of significant importance, and is often willing to take responsibility, whereas the private sector, simply looking for quick gain, will not take the risk. Co-operative initiatives can meet needs that the public sector is often slow to recognise. Co-operative child care initiatives are a good example of the public sector following on where co-operation has gone previously.

The Co-operative movement also offers a variety of interesting options for the future, whether it is in finance, the housing sector or elsewhere. I hope that in the future, those models will be taken up.

The most powerful thing about co-operation is that it speaks to the good in us all, and it allows us to be optimistic that we can manage our affairs together and liberate ourselves to work together for the commonweal.

16:53

Marilyn Livingstone (Kirkcaldy) (Lab): Like Cathy Jamieson and Johann Lamont, I must declare my interest as a member of the Labour and Co-operative movement. I am proud to be able to say that.

The Co-operative movement has been part of my daily life and, like millions of people, I welcome co-operatives in our society. More than 150 years on from the Rochdale pioneers, the co-operative ideal is as relevant as it has ever been. Over the years, the Co-operative party has championed retail co-operatives, working and housing co-operatives, credit unions and the Co-operative Development Agency. The co-operative ideal embraces fully our commitment to the social justice agenda. That agenda is at the heart of all our policies in Parliament.

For more than 150 years, co-operative principles have provided a successful blend of individual advancement and collective betterment, and have held dear the key values of equality and democracy. The co-operative and mutual sectors

in Scotland have made a significant contribution to the health and economic well-being of the community, through initiatives ranging from food co-ops to community businesses.

Those initiatives have enabled many people who feel excluded from our society—for whatever reason—to feel that they are able to take part in their communities. As Cathy Jamieson said, people who feel excluded need help to help themselves. As other members have said, the valuable work of community-based credit unions and housing associations has gone a long way to address those problems. A major expansion of co-operatives within a social economy would provide us with a welcome social and economic alternative.

I congratulate Cathy Jamieson on bringing this debate to the chamber and add my support to the recent inception of the Scottish Co-operative and Mutual Forum, which will bring together co-operative organisations across Scotland. I wish the forum every success.

16:55

Donald Gorrie (Central Scotland) (LD): I applaud the motion and the co-operative principle. I want to raise two points.

First, our tax and social security system encourages many people to enter the black economy. It would be possible to make the rules more flexible in many areas to encourage small co-operative ventures in poorer urban and rural areas to provide interesting and useful work for people in a way that did not unfairly impinge on their benefits. If we were more relaxed, perhaps a light grey economy might replace the black economy to everyone's benefit. However, the co-operative principle of a community working together for the community's benefit should be behind that.

Secondly, the co-operative movement produced an extremely good pamphlet on running football clubs as co-operatives, which is a scheme that has had great success on the continent. Rhona Brankin kindly answered my question about the subject. Perhaps we should consider encouraging some of our football clubs to become co-operatives, which would bring all kinds of benefits to the community. The community would feel more involved and the scheme might also resolve some of the clubs' financial problems.

I wish the co-operative movement the best of luck.

16:57

Trish Godman (West Renfrewshire) (Lab): My mother's co-operative number was 51474 and it is

very handy for passwords in these days of e-commerce. I have changed it now, so people will not be able to find out all my secrets.

That number will never leave me; members can see how easily it comes to me. It represented a way that working-class men and women could save. They bought their goods in the local co-ops and waited with bated breath for the divvy either during the Glasgow fair or at Christmas.

I remember the word *menadge*—I will not say that we would be able to run one in Parliament—which is another form of working-class saving. However, we have moved from that system to the credit union, which gives people not only the power to save but, more important, the power to borrow. That means that people are socially included in a way that they were not before.

We should congratulate activists in credit unions, such as the vibrant credit union in Port Glasgow. However, they should be as widespread in this country as they are in Australia and the Republic of Ireland. For example, my son Mark, who lives in Sydney, banks with the Resources Credit Union.

With the advent of out-of-town shopping in large supermarkets, the retail and food co-operatives now have a unique and essential place. As people might have no means to travel outwith the town and corner shops might be overpriced, local co-operatives provide fresh, healthy and wholesome food at reasonable prices. Last night, while watching a TV programme that compared the health of kids in the 1950s to today's kids, I thought that most parents in the 1950s would have shopped in the local co-op. Not only were the co-ops a form of social inclusion, they provided a good and appropriate local service that contributed to the health of the nation.

When I was a single parent living in a difficult-to-let house in Pollok, a housing co-operative provided me with my first move into the housing market, which gave me the opportunity to be socially included rather than excluded. Cathy Jamieson has to be congratulated for bringing the motion to the chamber. The bringing together of co-operative movements across Scotland will make the movement much stronger and more cohesive, which can only be good for the promotion of social inclusion and community involvement.

17:00

Mr Brian Monteith (Mid Scotland and Fife)
(Con): Although I cannot recall my mother's divvy number, I fondly remember shopping in the St Cuthbert's store at Jock's Lodge in Edinburgh. How things have changed. Unfortunately, many of the stores that I remember, especially in

Edinburgh, are now public houses. Perhaps there is something to be learned from that.

I welcome this debate and the motion. I would like to speak about an area of expertise that I gathered when I was in public relations and working for a co-op—the Edinburgh Bicycle Co-operative Ltd. When it started life away back in 1977, it was just three people working in a corner shop of no more than 570 sq ft. All they did was bicycle repairs, and their turnover in that first year was £28,000. Today, Edinburgh Bicycle Co-operative is the largest independent bicycle retailer in the United Kingdom. It has 44 full-time staff, and 3,600 sq ft of retail space just up the road from the Parliament in Bruntsfield. It has the largest mail-order catalogue on the market for bikes and accessories—accessories being especially important. That was not meant as a plug; that was meant to show that co-operatives can have an important place in modern life and in the economy of retail Britain.

We have to admit that co-operatives are not always successful, so why was the Edinburgh Bicycle Co-operative successful? The difference was that it was oriented towards the customer. It continually reviewed what the customers wanted and had a management structure to do that. It was oriented to marketing and looked outwards rather than just inwards. That is important for any company, whether it is a co-operative limited company or an individual.

Co-operatives have a place. We Conservatives have absolutely no reason to fear or oppose them. We want them to be part of the structure of our economy. Any organisation that can encourage me to buy a bike has to have something going for it. It is with pleasure, therefore, that I support this motion.

17:02

The Deputy Minister for Communities (Jackie Baillie): I would like to add my congratulations to the many that Cathy Jamieson has already received for securing this debate. It has drawn attention to an important movement in Scotland, which, as we have heard, can make a key contribution to combating social exclusion.

As members will recall, last Wednesday we debated "Social Justice ...a Scotland where everyone matters"—the first part of the Scottish Executive's framework for tackling poverty in Scotland. We said that, in the spring, our action plan would set out our detailed plans for meeting the targets and reaching the milestones that we identified in that document.

We have heard much in the past half-hour that the Executive welcomes, and many principles that we have absolutely no difficulty in supporting. I

can reassure members that we will consider those ideas in the context of the action plan that we will bring to Parliament.

I think that members will agree that the main driver of poverty is worklessness: being without a job for any length of time is the surest guarantee of economic exclusion. We are working closely with Henry McLeish and his enterprise team to promote more inclusive policies and practices.

Since its establishment, Highland and Islands Enterprise has had an explicitly social remit. It has three strategic objectives, one of which is strengthening communities. Its priorities for that are: to promote investment in community assets; to develop community strengths and leadership; and to enhance the value of culture and heritage. Within each of those priorities, it sees a significant role for co-operatives, and seeks to support them with financial assistance, where appropriate, and through the provision of practical advice.

We have strongly encouraged Scottish Enterprise to follow suit. Its new strategy gives welcome attention to inclusive enterprise policies—indeed, promoting social inclusion is one of its four major goals.

Providing support for the development of new businesses in Scotland is a priority. Scottish Enterprise welcomes initiatives that help to produce businesses that are operated by a consortium or a co-operative group. It uses the expertise of Employee Ownership Scotland and other specialist advisers to assist clients who have expressed an interest in co-operatives and mutuals.

Over the next year, Scottish Enterprise is committed to developing a clearer focus for creative and innovative business engagement in the inclusion process. We will be considering what more Scottish Enterprise can do to encourage enterprise, particularly in deprived areas, but I believe that we can and should go further. This important debate has yet to involve all those who help to shape our economy. It is a debate about the role of social enterprise, and it involves co-operatives and mutuals as a key element.

The organisations that we find in the social economy have some important characteristics. Professor Peter Lloyd, whose research I shall share with members, has called them

“partnership driven for social ends”.

He notes that they have a leaning towards solidarity and democracy, and recognise individuals and communities above giving returns on capital. They are usually locally based, and are usually found identifying solutions rather than identifying markets. Cathy Jamieson is absolutely right: they empower communities and provide a

significant platform for self-help.

Let me pepper in a few statistics. The third sector is growing faster than most other parts of the European economy. In Germany, it grew at 11 per cent against 3 per cent in the economy overall; in France, it grew by 16 per cent against 4 per cent; in Italy, it grew by a staggering 39 per cent as opposed to 7 per cent. That is vital in relation to our mission to create new jobs.

Enterprise and communities are at the heart of our social justice strategy, and the Scottish Co-operative and Mutual Forum can do much to strengthen the links between communities and the enterprise sector. We need to boost prosperity and allow more people to share in that prosperity. We can do that only by building on the foundations of a healthy economy that generates jobs.

I can assure members that more will be done to promote the social economy, including co-operatives and mutuals. We recognise that Government has a part to play and we will offer clear leadership and appropriate support. We value the social economy and will seek to strengthen it. Our aspirations for a stakeholder society are not simply empty rhetoric.

I can tell Linda Fabiani that the money that is going into our new housing partnership programme amounts to £333 million. Coupled with the amount available to Scottish Homes, that equates to an increase of more than £200 million. That extra money offers a substantial opportunity to develop housing associations and co-operatives.

Let me say a few words about financial exclusion. The need for creative solutions is pressing—and so is time, so I shall rattle on quickly. We are examining financial exclusion and I am pleased that banks are beginning to recognise that they can deliver services to low-income households in disadvantaged communities.

The role of credit unions in delivering appropriate and accessible financial services is crucially important. They give the Executive a sound platform for the next phase of our work on financial inclusion, and we are keen to promote their merits and change their image as a poor persons bank. I hope that this Parliament will consider setting up a credit union.

Finally, I shall deal briefly with the Scottish community investment fund. It is not just the issue of personal financial services that we want to address. We want to ensure that community organisations established to address some of the issues of exclusion—food co-operatives, child care projects and housing co-operatives—have access to funds. We recognise that encouraging enterprise is vital. That is why we announced an

additional £10 million from banks and from a range of public sector and private sector sources for the first ever Scotland-wide community investment fund.

The Executive is serious about tackling poverty and exclusion. We welcome the energy and creativity of the Scottish Co-operative and Mutual Forum in promoting the principles of the movement as a vital component of the social economy. We have a historic opportunity to make the new Scotland a fairer society, in which wealth and opportunity are in the hands of the many, not the few—a key principle underpinning co-operatives and mutuals.

The Deputy Presiding Officer: That concludes the debate on the co-operative and mutual sector.

Meeting closed at 17:10.

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