FINANCE COMMITTEE

Tuesday 15 December 2009

Session 3

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FINANCE COMMITTEE
† 29th Meeting 2009, Session 3

CONVENER

*Andrew Welsh (Angus) (SNP)

DEPUTY CONVENER

*Tom McCabe (Hamilton South) (Lab)

COMMITTEE MEMBERS

*Derek Brownlee (South of Scotland) (Con)
*Malcolm Chisholm (Edinburgh North and Leith) (Lab)
*Linda Fabiani (Central Scotland) (SNP)
*Joe FitzPatrick (Dundee West) (SNP)
*Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)
*David Whitton (Strathkelvin and Bearsden) (Lab)

COMMITTEE SUBSTITUTES

Gavin Brown (Lothians) (Con)
Lewis Macdonald (Aberdeen Central) (Lab)
Stewart Maxwell (West of Scotland) (SNP)
Liam McArthur (Orkney) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

John Swinney (Cabinet Secretary for Finance and Sustainable Growth)

CLERK TO THE COMMITTEE

James Johnston

SENIOR ASSISTANT CLERK

Mark Brough

ASSISTANT CLERK

Allan Campbell

LOCATION

Committee Room 2

† 28th Meeting 2009, Session 3—held in private.

Scottish Parliament

Finance Committee

Tuesday 15 December 2009

[THE CONVENER *opened the meeting at 14:00*]

Decision on Taking Business in Private

The Convener (Andrew Welsh): Good afternoon and welcome to the Finance Committee's 29th meeting in 2009, in the third session of the Scottish Parliament. I ask everyone present to turn off mobile phones and pagers now.

Agenda item 1 is to decide whether to consider item 8, which is on our work programme, in private. Do members agree to take that item in private?

Members *indicated agreement.*

Pre-budget Report 2009 and Scotland Performs

14:01

The Convener: Item 2 is to take evidence on the pre-budget report and the Scotland performs website. I welcome John Swinney, the Cabinet Secretary for Finance and Sustainable Growth, who is accompanied by three Scottish Government officials. They are Alyson Stafford, director of finance; Gary Gillespie, deputy director, office of the chief economic adviser; and Trudi Sharp, deputy director, performance division. I invite the cabinet secretary to make an opening statement.

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): I will first comment on the pre-budget report, which the Chancellor of the Exchequer delivered to the House of Commons on 9 December 2009 and which provided an updated forecast for the United Kingdom economy and public finances. The Treasury expects UK gross domestic product to contract by 4.75 per cent in 2009, which is a sharp downward revision from the forecast of a fall of 3.5 per cent that was made in April's budget. The UK economy is predicted to recover in 2010, with the PBR forecasting growth of between 1 and 1.5 per cent. The recovery is expected to accelerate in 2011, with growth of 3.25 to 3.75 per cent. The forecasts for 2011 are significantly more optimistic than those of independent forecasters, including the Organisation for Economic Co-operation and Development and the International Monetary Fund. The consensus is that growth of about 2 per cent is more likely. Should Her Majesty's Treasury's forecast prove to be overoptimistic, that will have implications for the outlook for the public finances.

Within those forecasts for the public finances, the Treasury now estimates that net borrowing will rise to £178 billion in 2009-10 and £176 billion in 2010-11. The figure for 2009-10 is £83 billion higher than in the previous year. The forecasts exclude the financial support to the banking sector. In the PBR, the chancellor indicated that he expects that the losses that have been incurred from the various interventions might ultimately amount to about £10 billion, which is down significantly on the forecast loss of between £20 billion and £50 billion that was made at the April budget.

It is clear that the severity of the UK fiscal position will have significant implications for fiscal policy in the years ahead. At a UK level, tax rises and spending cuts are set out in the chancellor's pre-budget report. Reductions in spending will bring consequent reductions in future Scottish budgets. That is why it is so important that, in the 2010-11 budget, we make real progress towards ensuring the sustainability of capital and revenue budgets over the medium term.

The PBR contained a number of specific policy announcements, including those on the raising of employee, self-employed and employer national insurance contributions by a further 0.5 per cent on top of the 0.5 per cent that was announced in April's budget, and the introduction of a temporary tax on bank bonuses. There was also confirmation that the headline VAT rate will return to 17.5 per cent from 1 January 2010. As a result of the announcements in the chancellor's statement, the Scottish Government will receive consequentials totalling £23 million in 2010-11. Of that, £11 million is capital and £12 million is resource. Those consequentials should be viewed in the context of the earlier reductions in the Scottish budget from initial plans, as highlighted in a recent Scottish Parliament information centre report.

Perhaps the most significant implication of the PBR for Scotland was the chancellor's decision not to announce further acceleration of capital expenditure into 2010-11. As the committee will know, I wrote to the chancellor in October requesting that he announce provision for a further stimulus of accelerated capital investment. Although we see tentative signs of growth returning to certain sectors of the Scottish economy, recovery is at an early but critical stage. That is why I was disappointed that the chancellor did not announce a further acceleration of capital expenditure into 2010-11.

In concluding my remarks, I turn to the outlook for the Scottish Government budget as a consequence of the pre-budget report. On the basis of the detailed projections for the expenditure components that are contained in the report, it is estimated that total managed expenditure will fall by between 0.1 and 0.2 per cent in real terms between 2011-12 and 2013-14. In comparison, between 2000-01 and 2007-08, the UK TME grew by an average of 4.3 per cent per annum in real terms. Using those figures, the Institute for Fiscal Studies has forecast that total UK departmental expenditure limit expenditure will fall by approximately 4 per cent in 2011-12, by 2 per cent in 2012-13 and by 3.6 per cent in 2013-14. That will be an average real-terms reduction of 3.2 per cent per annum—significantly more than the reduction that we face in 2010-11 and sustained over a three-year period.

The PBR did not contain detailed outlines for departmental budgets over the next spending review, and the precise effect on spending in Scotland will depend on how such a departmental expenditure limit reduction is shared across Whitehall departmental spending programmes. It is, therefore, not possible at this stage to be precise about the impact on the Scottish Government budget. Nevertheless, the assessment by the IFS appears to be in the correct range.

The PBR revealed that the UK Government intends a significant part of the burden of the adjustment to public expenditure in the period ahead to focus on public investment. UK Government net investment is scheduled to fall from £49.5 billion in 2009-10 to £22 billion in 2013-14. The implication for gross investment is a projected cut of around 12 per cent per year in real terms in UK investment spending. It is clear that we can expect a significant squeeze on public spending in Scotland in the years ahead that is likely to be unprecedented in its severity and duration. It will present major challenges to our Parliament and our Government, and the Government is determined to work with the committee and our partners to address the challenges that it will raise for Scotland.

The Convener: Thank you, cabinet secretary. In inviting questions from committee members, I will allow around half an hour for questions on the PBR, then we will move to questions specifically on Scotland performs.

Derek Brownlee (South of Scotland) (Con): Cabinet secretary, you mentioned the uncertainty around the implications for the Scottish Government budget. That uncertainty will exist until we have a spending review that sets out the allocation of future budgets between departments. You have been explicit in accepting the IFS figures as reasonable. Are your planning scenarios for Scottish Government spending based on roughly a 3.2 per cent real-terms reduction each year for the foreseeable future?

John Swinney: As I said, there is uncertainty about the precise nature of the changes that will be made to public spending over the next few years. Those will depend significantly on the way in which the UK Government decides to restrict departmental expenditure limits in some areas of expenditure. In some departmental expenditure limits, there is close to 100 per cent comparability between the Scottish Government and the UK Government. In those circumstances, we will simply take a proportionate share of those amounts, which would ordinarily be of the order of 10.05 per cent of any change. In other areas of public expenditure, the comparability is closer to zero, so there will be no implication for the calculation of our departmental expenditure limits. That is why I said that it was difficult to be precise about such factors—there is a level of uncertainty.

The IFS's assessment appears to be in the correct range, and the Government will consider the implications of such a range in its future planning. The type of information that we require for future planning could be set out in a budget in the spring of 2010, although I suspect that the rationale that underpins the pre-budget report militates against that. The much more likely scenario is that we will be given the precise data as the output of a comprehensive review that I imagine is unlikely to be with us earlier than October 2010, although it could be with us by the end of the Westminster parliamentary term in July 2010. However, that has to be at the unlikely end of the spectrum.

Derek Brownlee: On the Scottish Government as an employer, it was suggested at the weekend that the impact of the proposed change to employers' national insurance contributions would cost the national health service about £44 million a year. Has the Scottish Government quantified the impact of that change across the wage bill in the Scottish budget?

John Swinney: The entire implications across the Scottish budget have not been calculated. However, I can confirm that we estimate that the increased cost for the NHS as a consequence of the national insurance increase will be £22 million.

Derek Brownlee: Page 62 of the pre-budget report refers to European Investment Bank funding that has been made available to other regions and nations in the UK. In relation to that, there was a piece in *The Herald* over the weekend on the Scottish Investment Bank. Can you clarify the situation with the European funding? With regard to the joint European resources for micro to medium enterprises programme, is Scotland going to be a JEREMIE-free zone?

John Swinney: The Government, working with Scottish Enterprise, has been exploring the opportunities to advance the possibility of securing EIB funding through the JEREMIE programme. However, we run up against the significant obstacle of the Treasury's funding arrangements. A bit of flexibility would undoubtedly help us to advance. We must be assured that we can deliver increased spending capability and power as a consequence of having those resources. The Government continues to pursue that issue with the Treasury.

Derek Brownlee: Why, then, are other parts of the UK able to access the scheme when the Scottish Government is unable to do so? I presume that the same rules apply across the UK.

John Swinney: Different mechanisms are being used in other parts of the UK. For example, in north-east England, the mechanism essentially takes the resource outwith the public sector, but that would not enable us to deliver the type of investment decision-making capability that would come from operating the fund—like a number of investment funds that are operated by other organisations—under the auspices of the Scottish Government's departmental expenditure limit. The Government has engaged in dialogue with the Treasury to try to secure the type of arrangements that have been delivered in Wales. We are continuing with those discussions.

Malcolm Chisholm (Edinburgh North and Leith) (Lab): It is right that you have generally accepted the way that the Government has borrowed money in recent times, and in fact have asked for more of it in terms of accelerated capital expenditure. Given that level of borrowing, do you think that the timescale that the Government has outlined to cut back the deficit and repay debt is reasonable?

14:15

John Swinney: My difficulty with that gets to the nub of the practical issue of capital acceleration and the chancellor's growth forecast. The model that he has marshalled for the future of public finances over the next four to five years is predicated on securing 3.25 to 3.75 per cent growth in 2011. I contend that, if we are to achieve that level of growth, we will have to move a significant distance from where we are today. Therefore, if we do not have a sustained and dynamic economic recovery throughout 2010 at the predicted level of 1 to 1.5 per cent, and then a significant rise to 3.25 to 3.75 per cent in 2011, we will not generate the revenue flows that will enable the debt to be repaid.

By removing the fiscal stimulus in 2010, the chancellor runs a risk of interrupting, holding back and restricting recovery so that the economy does not motor at the level that we need. We require 4 per cent growth from the private sector, and although the outlook is more optimistic than it was 12 months ago, it is still challenging. My concern is that, if the fiscal stimulus is removed in 2010, we may not be able to generate the economic conditions that will result in the growth that the chancellor envisages. As a consequence, it is difficult to see how the debt could be repaid according to his suggested schedule.

Malcolm Chisholm: From that, I take it that you see no problem with increasing the levels of borrowing in the short term. You can confirm that point in a moment. If it is so vital to stimulate the economy and you require that accelerated capital, that leads to the question—which takes us back to our previous evidence-taking session—why have you not targeted that economic area more directly within the resources that you control in your budget for next year?

John Swinney: On the increased borrowing that I am talking about, I have made clear publicly that the capital acceleration programme of £300 million to £350 million that has been at our disposal over the past couple of years would assist in 2010-11. If we built that up on a UK basis, we would be looking at something like £3 billion, which is the increase in expected borrowing that the chancellor has undertaken between his assessment in the April budget and the pre-budget report in December. Therefore, that is not particularly different from the expected pattern of borrowing.

On Mr Chisholm's second point, I assure him that the Government is working to ensure that all the resources that are its disposal for capital investment are fully and effectively deployed to support and stimulate such investment in Scotland. We will do that through the 2010-11 budget. If I am fearful of any element of the budget that lies ahead, it is the perspective that the chancellor set out on the future of capital investment, which looks like a reduction of about 12 per cent over a number of years. That will be a really significant constraint on capital spending in the years to come.

Malcolm Chisholm: You have emphasised the bad news, as you see it, and have used the figures from the Institute for Fiscal Studies, although I am not entirely sure that we can rely on them, because I am not sure how the institute can estimate with any confidence the level of annually managed expenditure.

I will focus on the other side: the departmental expenditure limits, which are our primary concern. In the pre-budget report, health expenditure, which amounts to almost a third of our budget, was protected; a real-terms increase was announced for education, for which we will get the consequentials; and there was protection for policing, from which we will also get consequentials. Do you not welcome that and agree that it is good news for the Scottish budget, notwithstanding the other difficulties that we face?

John Swinney: I tried hard to be as dispassionate as possible in setting out the information to the committee. We cannot be precise about such questions, and I do not claim that the estimates that I have put before the committee are precise—they are in a range that it is not unreasonable to deduce from the information that is at our disposal.

Mr Chisholm has suggested that we do not have any interest in annually managed expenditure, but we certainly do have an interest in it; it is a crucial factor in calculating the size of the departmental expenditure limit resource that is available to us. Any observation of annually managed expenditure suggests that it will occupy a greater proportion of total managed expenditure in the next three years than it has done in the last three years, which puts pressure on departmental expenditure limits.

Returning to my answer to Derek Brownlee, I say that if the chancellor's detailed decisions about departmental expenditure limits in the United Kingdom protect health, education and some elements of justice, that will provide some encouraging comparability factors for the future. However, we need to see the numbers in detail to be clear about the implications.

The other thing that we need to be clear about is the re-examination of baselines in spending reviews—there is some history to that. We found a change in the baselines for the Department of Health's budget for 2008-09. Such changes have a material impact, as our own baseline changes correspondingly and directly.

Malcolm Chisholm: I am trying to establish the extent to which you disagree with what the UK Government is doing. Accelerated capital expenditure aside, I am not sure that you are that far away from the economic judgments that the Treasury is making. Do you welcome the rebalancing of public expenditure cuts and tax increases in the Government's approach to dealing with the fiscal deficit? It is said that there will be a 2:1 ratio, which rebalances the original proposed ratio. Do you welcome that new balance between public expenditure reductions and tax increases in order to deal with the deficit, which you recognise must be dealt with in due course?

John Swinney: I accept without reservation the need for the deficit to be tackled. It is a significant factor for us and we acknowledge that that has to be done. However, there is part of the rationale for the pre-budget report that I do not follow. The headline statements say that we must be careful to encourage growth and not to remove fiscal stimulus too quickly. However, in my view, we do see fiscal stimulus being removed too quickly. I do not follow that rationale at all. For the chancellor to be confident of getting 1 to 1.5 per cent growth in 2010, and 3.25 to 3.75 per cent growth in 2011, real momentum is required in the economy, but that is hindered by the lack of accelerated capital expenditure in 2010.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): You have strongly emphasised the accelerated capital element, which has been the subject of much comment on the part of the Government, in clear terms, in response to the PBR. The First Minister said in the chamber last Thursday that the Government

"had calculated that 5,000 jobs had been generated by the use of accelerated capital spending."—[*Official Report*, 10 December 2009; c 22094.]

That was to do with the accelerated money this year. That figure is correct, I assume.

John Swinney: The figure was generated by the Government's input-output model and produced by our statisticians so, yes, the figure will be correct.

Jeremy Purvis: Those are actual jobs that have been generated.

John Swinney: That is our assessment of the economic impact of that capital expenditure.

Jeremy Purvis: They can be either real jobs or not real jobs; they cannot be an assessment. Can I assume that those are real jobs that have been generated as a result of the increased capital spending?

John Swinney: If we had not spent that money in that fashion, we would not have had as many people in employment. That is the very simple point that the First Minister made.

Jeremy Purvis: The First Minister's point was that the Government

"had calculated that 5,000 jobs had been generated".

Will the Government publish the details of where those jobs are and in which sectors they are located? Either those jobs have been generated or they have not been generated. The First Minister said clearly that failure to provide accelerated capital spending in the coming year would come

"at a cost of 5,000 jobs".—[*Official Report*, 10 December 2009; c 22094, 22095.]

Will the Government publish the information on where those 5,000 jobs are?

John Swinney: The Government publishes employment data on a regular basis so that people can examine the pattern of employment growth and contraction within the Scottish economy, which is undoubtedly driven by the way in which we deploy public expenditure. Essentially, that is the point that the First Minister made to Parliament.

Jeremy Purvis: Will information be released to show the 5,000 jobs that have been generated as a result of the capital expenditure that has been brought forward to this year?

John Swinney: As I said—convener, I am probably in danger of repeating myself—the assessment was calculated using the Government's input-output model. If we had not invested that money in the Scottish economy, we would not have the 5,000 jobs that the First Minister said have been assessed as the economic impact of that public expenditure.

Jeremy Purvis: I will pursue this line of questioning, because I presume that the input-output model simply takes the total amount put in and gives an equivalent number of jobs out. Those are not necessarily actual jobs, but the First Minister was clear about the number of jobs that have been generated. If we are to have a proper debate about the implications of the PBR, we need to use proper information.

The cabinet secretary has not been able to say that the Government has information about which projects and schemes have generated those new jobs. The First Minister was very clear last week that the shovel-ready schemes include 25 transport projects and that a number of health projects could be scheduled if the money was accelerated into 2010-11 from 2011-12, but we have not been given any equivalent information about the projects from 2009-10. All that we have been given is an assessment that the accelerated capital expenditure was broadly equivalent to 5,000 jobs in the economy. That is not the same as saying that 5,000 jobs have been generated.

John Swinney: With respect, I think that that is exactly the same as saying that 5,000 jobs have been created because, if we had not spent that money, we would not have had 5,000 jobs—

Jeremy Purvis: Why does the Government not publish the information about where those jobs are?

John Swinney: We publish incredibly detailed employment statistics about different sectors, different areas of the country and different age groups on a monthly basis. All of that information is available for any member of the public to interrogate. The detailed information that is published probably could not be more comprehensive about employment statistics. We publish a colossal amount of information.

Jeremy Purvis: Within the information that is published—

The Convener: I think that this line of questioning has been taken as far as it can go. Do you have a final question?

14:30

Jeremy Purvis: I do. Within the figures that have been published in this financial year, in the quarters up to now, would you be able to identify employment associated with the capital works that have been accelerated?

John Swinney: I reiterate the point that I have made to the committee: we publish comprehensive data across sectors, geographies and age groups. I am trying to think whether there are any other differentiating factors—those are the three principal ones. The figures are published monthly, so clearly it is possible to compare different data sets.

The Convener: Seek and ye shall find.

Joe FitzPatrick (Dundee West) (SNP): I will continue on the general theme of accelerated capital expenditure. A lot of my constituents and constituents throughout Scotland would be keen to know the sort of projects that could have been undertaken sooner had we received that accelerated capital expenditure. If those projects had gone ahead sooner, they would have protected existing jobs for another year, after which the private sector may have had more confidence. What sort of projects might have been supported?

John Swinney: The First Minister cited a number of possible projects at First Minister's question time last week, including projects around Dundee waterfront, to which the Government is already making a significant financial contribution through Scottish Enterprise. We see the evidence from projects around the country where capital expenditure has been accelerated. Major developments are under way at the Scottish exhibition and conference centre; work is going ahead to upgrade junctions on stretches of the A9; work has begun on the A96 at Fochabers; and work continues at the Fife energy park. Accelerated capital expenditure has also allowed the start of some site preparation works for the Borders railway. There are various other such projects, all of which illustrate the character of what can be drawn forward to stimulate economic activity.

Tom McCabe (Hamilton South) (Lab): I take it from your remarks that you see growth of 3.25 or 3.75 per cent as being optimistic. Let us assume that you are right and that such growth does not materialise. Can you give us some examples of the kind of scenario planning that the Scottish Government is doing for growth of less than those percentages, and the impact that that will have on the money that is available to the Scottish Government?

John Swinney: That work is well under way as we prepare for the UK Government's spending review, which will take place in summer 2010. We will receive the outputs from that. Our assessment of the impact must be based on different levels of expectation of public expenditure. The figures that I cited for 2011 will be part of the assessment of the impact on public expenditure that is made by the Chancellor of the Exchequer at the time. We will identify a number of possible scenarios to determine what resources we might have at our disposal. Mr McCabe will know that those numbers are subject to a range of variables, not the least of which is the level of economic growth that is delivered. There are also the comparability factors between departmental expenditure limits in the UK.

What we can take from any analysis is the fact that the profile of public expenditure in the years to come will be dramatically different from the profile of public expenditure for most of the past decade. As I said, on average, between 2000-01 and 2007-08, UK total managed expenditure grew by an average of 4.3 per cent per annum in real terms. That will contrast with a fall in TME of between 0.1 and 0.2 per cent between 2011-12 and 2013-14. There will be a great difference in the profile of public expenditure—we are looking at a much more constrained public spending environment in the years to come.

The Convener: We should move on to Scotland performs. I am sorry; I call Linda Fabiani first.

Linda Fabiani (Central Scotland) (SNP): Is the argument about capital acceleration well and truly over? Does any scope exist for continuing to discuss it?

John Swinney: We will certainly continue to pursue the point. To be frank, any change of position will depend on whether there is a budget in spring 2010, which is more than a little uncertain. We depend on the UK Government taking a more favourable decision in that respect.

David Whitton (Strathkelvin and Bearsden) (Lab): Will the cabinet secretary confirm that the budget figure for next year is the highest that Scotland has ever had?

John Swinney: In cash terms, that will undoubtedly be the case. However, as Mr Whitton knows, the world does not stand still—costs increase and inflation applies. He also knows that, for the first time since devolution, we are dealing with a real-terms cut in public expenditure in Scotland. That is the focus that the Government has brought to the difficult choices that underpin the 2010-11 budget.

I have taken time today to marshal before the committee my public expenditure expectations beyond 2010-11 as a best estimate using the information that is at our disposal, because members of Parliament must be thoughtful about the choices that are made about our financial commitments in 2010-11. If we make in that year financial commitments on which several further years' expenditure depend, we must find the money to support those commitments. As I have set out to the committee and said to Mr McCabe a moment ago, the spending environment will be significantly more challenging than might have been expected.

David Whitton: It would therefore be useful if the First Minister were, perhaps, a bit more thoughtful about the language that he uses about the size of cuts that he claims the Scottish Government has suffered—a figure of £800 million has appeared out of the air, which in fact includes £347 million of accelerated capital that had been accounted for.

John Swinney: First, I should say that the First Minister is always thoughtful—I must put that on the record. I know that Mr Whitton will agree with that.

David Whitton: It is clear that you know the First Minister better than I do.

John Swinney: I do not have with me last Thursday's *Official Report*, but I am pretty sure that the First Minister cited the source of his remark at question time as the briefing from the Scottish Parliament information centre's financial scrutiny unit on the pre-budget report, which was published on 9 December. That shows a reduction of £814 million in planned expenditure in 2010-11. As ever, the First Minister was being thoughtful and accurate.

David Whitton: The First Minister forgot to mention that he included in the figure that he gave £347 million of accelerated capital.

John Swinney: At the risk of playing a game of ping-pong—

David Whitton: I am just making a point.

John Swinney: The First Minister was, of course, quoting a SPICe briefing paper.

David Whitton: The same SPICe briefing paper has you with £943 million more in your budget next year, but never mind.

John Swinney: It also has me with £814 million less than we expected.

The Convener: The ping-pong must end at this point. Jeremy Purvis has a quick question.

Jeremy Purvis: I can help the cabinet secretary. The First Minister said:

> "SPICe published a financial scrutiny unit briefing that gives the exact figure for the change to the Scottish budget since publication of the draft budget for 2009-10".

That is correct. He continued:

> "there has been a reduction of £814.4 million."

That is what the briefing says. He goes on to say that that

> "is the exact figure caused by Labour's spending squeeze in Scotland as a result of the Labour recession in Westminster."—[*Official Report*, 10 December 2009; c 22097.]

However, he does not indicate that, just before the table from which he quotes, the SPICe briefing simply says that

> "Changes to the Scottish Government Budget as a result of the UK and Scottish Government decisions are presented in table 2."

I am sure that the cabinet secretary will agree that part of the table from which the First Minister quoted is a result of decisions by the UK and Scottish Governments. Is that correct?

John Swinney: I did not realise that part of Mr Purvis's role was to help the Labour Government in London—

Jeremy Purvis: I am simply seeking the truth. The statement is either correct or not correct.

John Swinney: Oh—I always seek the truth.

The Convener: I think that we are moving into different territory, but I give the cabinet secretary the opportunity to respond.

John Swinney: All I can say is that the First Minister was quoting from the SPICe briefing paper that we all have in front of us and which makes the position absolutely clear.

Jeremy Purvis: Just to be absolutely clear, do you agree that the figures in the SPICe table are a result of decisions by the Scottish and UK Governments?

John Swinney: The accelerated capital expenditure that was available to us in 2010-11 was a consequence of decisions that were made by the UK Government. I would have loved that Government to have provided us with a similar opportunity to sustain economic activity in Scotland in 2010.

The Convener: We are where we are.

You said that work on preparing for next year's spending review is well under way. Will you share that work with the Parliament to support our strategic budget scrutiny phase in the spring?

John Swinney: I will, as always, be delighted to work with the committee on providing any information that it might find helpful about the Government's processes. However, I add the caveat that I do not expect to have clarity about the numbers that we will be dealing with until about October 2010. As I said, I will be able to share with the committee some of the Government's processes for examining certain spending review issues, but some of the detail will have to wait until I have clear financial information on which to build our thinking.

The Convener: We well understand the complexities. Your answer is appreciated.

We will move on to the Scotland performs website. I invite the cabinet secretary to make some initial comments before I open the matter up to questions.

John Swinney: I will make a few brief remarks. Scotland performs is the public website that shows the Government's progress in delivering its purpose and national outcomes, and which draws together in one place some of the detailed information that underpins progress on the Government's agenda to deliver the long-term sustainable improvement that will develop our economy and tackle some of the entrenched problems in Scottish society.

Secondly, the website, which is regularly updated, reports against seven high-level purpose targets, 15 national outcomes and 45 national indicators. Two years in, it is showing clear progress in many areas. That progress is incremental; for example, on the national outcome to "live longer, healthier lives", life expectancy and healthy life expectancy in Scotland are increasing and there have been reductions in premature mortality rates from Scotland's big three killer diseases: death rates from cancer, coronary heart disease and strokes are all down.

Thirdly, Scotland performs gives an up-to-date and transparent account of how our country is performing, and we are continuing to develop it. From the end of January, NHS Scotland will report its performance through the website and we are also exploring how other key partners' contributions to national outcomes can be reflected through it.

The Convener: In the absence of annual evaluation reports, which were available for the former stage 1 of the budget process, how will measurement of forward performance be formally reported to Parliament?

John Swinney: As the database of the assessment of performance across a range of indicators, Scotland performs is publicly and easily accessible and can be interrogated by committees and Parliament without their having to wait for an evaluation report to be undertaken. If my memory serves me correctly, the last time an evaluation report was produced was in 2005, by the then Scottish Executive. That was essentially a one-off book that assessed a number of different priorities. Scotland performs gives us the ability to interrogate the available information regularly.

14:45

The Convener: As the cabinet secretary will understand, the committee is always in search of accurate information to help us in our deliberations.

Malcolm Chisholm: You helpfully wrote to us on 5 November about progress on budgeting for outcomes, which is the idea of linking expenditure to outcomes. I have some questions about that, which I will roll together. To what extent does the performance information in Scotland performs influence short-term budgetary decisions? To what extent will it influence preparations for the next spending review? Retrospectively, how did it influence the Government's economic recovery plan?

John Swinney: I will take the last question first. With the economic recovery plan, we have tried to look at the different outcomes that we want to achieve, which include the creation of economic opportunity for individuals in Scotland and which are governed by our desire to pursue the Government's purpose of increasing sustainable economic growth. We made a number of judgments about practical policy interventions that we believed would assist in supporting those outcomes.

Scotland performs has less of a role to play when it comes to short-term budget decisions; it carries much more weight in influencing the approach that we take to spending reviews because—as Mr Chisholm will appreciate in the context of the example that I cited on health performance—many of the indicators are influenced not by overnight activity but by sustained activity over a number of years. If we saw ourselves making but little progress on a key policy outcome over the duration of a spending review period, that would certainly drive policy initiatives that would involve designing other interventions to improve performance.

Derek Brownlee: In the past, I have raised with you the time lag between the data that underpin Scotland performs and publication of the indicators. The example that I used was the indicator on increasing the business start-up rate. Everyone accepts that Scotland has had a long and deep-seated problem with business start-ups—the rate is lower than it is in the rest of the UK. Until very recently, Scotland performs indicated that progress was being made on that front on the basis of statistics that predated the current Scottish Government's entry into office, although the position now seems to have been updated.

You have just developed the point that poor performance on an indicator in Scotland performs drives spending decisions, but is it not a bit late if, two and a half years into a Government's term of office, it finds out that it is not making progress on an indicator, particularly one that is as important as improving the business start-up rate? That must be an issue. If Scotland performs is not what drives Government spending decisions, are the right indicators being used? You indicated that that is not the case. If the indicators do not show a lack of progress for, say, two years, does that suggest that perhaps the Government should not be using them to direct spending decisions?

John Swinney: First, if I created the impression in my answer to Malcolm Chisholm that Scotland performs does not inform budget decisions, I created the wrong impression. I thought that I had said to Mr Chisholm that it has more of an impact on spending review decisions than it has on short-term decisions. The example that I cited about living longer and healthier lives is largely driven by our experience of the three major killers in Scottish society—alcohol consumption, smoking and lack of exercise. On those factors, we would all like bigger and bolder changes to happen swiftly, but I think we all accept that changes take time. Much of what the Government has done in its agenda is to build on the foundations that our predecessors put in place for the direction of policy on those matters.

If, within Scotland performs, we identify a pattern of performance that gives us cause for concern, we can undoubtedly consider different policy interventions. Scotland performs does not capture all the data that ministers see. Ministers and the Parliament see a huge amount of data on a range of different questions and factors in society. Any one of those pieces of data could lead the Government to think, “Actually, we’re not doing enough in this area. We’re not making enough of an impact. We need to change course on some of these questions.” Routine policy-making activity will allow us to form some of those judgments.

There is certainly a time lag in some of the information’s coming to hand, but there have been more than 100 updates to Scotland performs since the system was established in 2007. That shows the usefulness of being able to see assembled in one place a range of data that can be used to make judgments about performance.

To return to the convener’s question, if we were to wait until an evaluation report was published, the delay would be even greater, because we would have to wait for a range of different indicators to settle at a given time. The indicators are updated very regularly. Notes come to me to advise me of the statistical information that is coming in and that the data are going to be changed on Scotland performs. I stress that the notes merely advise me that that is going to happen—they do not ask for my view about it. That happens on a fairly routine basis.

Derek Brownlee: It would be helpful if you could write to us and detail when the data on indicator 2, on the business start-up rate, has been changed since Scotland performs started. I do not have the precise figures in front of me, but I think that until very recently it was still showing data from 2007. My point is not about the selection process for the data that underpin Scotland performs, which I appreciate has a degree of independence; it is simply that, if we have to wait for two years to find out that we are not making progress on a key indicator, that strikes me as a rather long wait for an important area of public policy.

John Swinney: If you will forgive me, convener, I will write to you about the detail that underpins that indicator, because I know that it has been updated since Scotland performs was established. I do not have full enough information in front of me to give that detail now, but I will write to the committee to explain how that has been handled.

Another point that is material in that respect is that, of course, we made a choice about what the national outcomes and indicators would be. I stress that there are 45 national indicators. I could not begin to calculate how many data sources we could have chosen to include from a host of different areas, but a choice was exercised about that information. Of course, all the other sources are still readily available to interested parties.

The Convener: Time is wearing on, so we need short sharp questions, please.

Jeremy Purvis: As the cabinet secretary said, the Scotland performs website gives seven top-level purpose targets, which are further broken down into 11 targets. In his opening remarks, he said that clear progress is being made, but performance against eight of those 11 targets is shown as either worsening or at a standstill. If that is clear progress, how will the Government define failure?

John Swinney: Much more helpfully than was ever done in the past, the Scotland performs website essentially identifies a range of different indicators that can provide judgments on the performance of policy in particular areas and across the board. In some areas, we will make progress at particular times. Obviously, we are currently making progress on reducing emissions and on participation rates, but we are clearly not making progress on economic growth. That is hardly surprising when we remember that we are in the biggest recession for many years. Clearly, the high-level purpose targets will be affected by economic circumstances, so we must just accept that the targets contain challenges. The Government is focused on trying to address those, which is why we are so determined to make as much of an impact as we can on economic recovery.

Jeremy Purvis: Can the cabinet secretary confirm that the data sets or definitions of the purpose targets will not be changed during this term?

John Swinney: They will not be changed.

Jeremy Purvis: I also want to ask about the information that the Government publishes. Understandably, the Scotland performs website seeks to present information in an open and transparent way to allow people to make their own decisions. However, is it the Government’s practice to remove information from its website if it is simply not helpful to the Government for people to see it? I ask because, following recent questions that have been asked about senior pay in the public sector, information on senior executive pay has been removed from the Government's directory of non-departmental public bodies. The directory now simply provides links to the respective organisations. How does that fit in with the principle behind Scotland performs, which is that people should have access to information that allows them to understand what is going on?

John Swinney: On the question of access to information on what is going on, the Scotland performs website is focused on identifying a range of different indicators that give a clear sense of what progress the Government is making. For example, on the public bodies to which Mr Purvis referred, the Scotland performs website includes an indicator against which the Government's performance can be judged.

On the specific point about public sector pay, if my information is correct—I will check this and get back to the committee if need be—the information to which Mr Purvis referred contained certain inaccuracies. I am not sure that there would be any point in having inaccurate information on the Government's website. If we have incorrect information, we should remove it. Crucially, as Mr Purvis pointed out, the Government website gives links to all the websites that would give Mr Purvis the exact information that he is looking for.

Jeremy Purvis: With respect, cabinet secretary, I said that the directory of NDPBs gives links to the organisations, but the information that was previously given in the directory is not necessarily available. I understand the point about correcting inaccurate information, but if the information on the salaries of chairmen and chief executives of public bodies that was on the directory until First Minister's questions a couple of weeks ago was inaccurate, it is surely incumbent on the Government to correct that information rather than to remove it. It has been replaced purely with a link to the respective organisations and there is nothing on the pay of the chief executives.

15:00

John Swinney: I will perhaps give the committee a letter with as much information as I can provide on the issue, because I want to be as helpful as possible. Mr Purvis knows that I am concerned about issues in relation to senior salaries. It is important that good quality information is available on that. I understand that the information that he talked about was incorrect. I will establish exactly where we have reached on that and then I will write to the convener to provide that information.

The Convener: Thank you, cabinet secretary. We look forward to that reply.

David Whitton: For my clarity as much as anything else, who is actually accountable for each of the indicators on the Scotland performs website?

John Swinney: Ministers are accountable for the performance in relation to Scotland performs. Ministers are responsible for delivering the performance, which is captured by Scotland performs. If I understand Mr Whitton's question, he is asking who is responsible for the indicators. The calculation of data and determination whether the performance is improving, maintaining or worsening are undertaken by a professional statistical group in the Scottish Government over which ministers have no influence.

David Whitton: On Mr Brownlee's point about the length of time it takes to assess whether a milestone has been reached, are there proposals to speed up the process, for example by having interim targets, so that we can get a quicker look at whether we are performing on key economic indicators?

John Swinney: I return to the point that lots of information is available periodically. The quarterly gross domestic product statistics tell us about performance on GDP. We have an absolute target to raise by 2011 Scotland's GDP growth rate to the UK level, but we can see the relative performance on a quarterly basis. From time to time, the performance on other indicators will be assessed to be improving, worsening or maintaining. That is all driven by the data.

There will be other examples in which we try to put into the public domain information that gives a more comprehensive assessment of performance. For example, last Friday, the chief economist, Dr Goudie, published his sixth update on the Scottish economy, which is available on the Government's website and which provides comprehensive information on the relationship between the global economy, the United Kingdom economy and the Scottish economy. That gives significant insight into some of the issues in which Mr Whitton is interested.

David Whitton: You mentioned your target of economic growth, which is ambitious in the current economic circumstances. In general, is it better to be overambitious and to try to hit high targets, than to have mediocre targets so that you can hit them and say that you have performed?

John Swinney: The Government would certainly never wish to be perceived as mediocre in any way—we will always be ambitious for Scotland.

The Scotland performs structure and the national performance framework that underpins it essentially provide a picture of the type of modern progressive society that we all wish to be part of. If the awful moment were to come and this Administration was to be replaced, I would like to think that many of the outcomes in the national performance framework would be shared by an incoming Administration. That would mean—to return to my answer to Mr Chisholm—that there would be an opportunity to retain our focus on problems in Scottish society that will not be sorted out in one parliamentary term but will require deeper and more sustained work, and to see some of that flow through the system.

The Convener: Linda Fabiani has the final question.

Linda Fabiani: That is nice. On ambition, I was interested to note indicator 1, which is to

"At least halve the gap in total research and development spending compared with EU average by 2011."

I am pleased to see that that spending is going up. Indicator 1, of course, ties in with indicator 9, which is to

"Improve knowledge transfer from research activity in universities."

Improving knowledge transfer from universities is an on-going issue, and I note that there are no figures for that yet. When are you likely to be able to give such figures? In the current economic climate, and for future economic growth, indicators 1 and 9 are crucial.

John Swinney: I accept that. We are working on the indicator for knowledge transfer with the Scottish Further and Higher Education Funding Council, although we are finding it particularly challenging to put in place a robust measurement of that approach. Obviously, we will update that information as soon as we have made progress.

The Convener: I thank the cabinet secretary and his officials for their evidence. There will be a short suspension to allow the cabinet secretary's officials to change over for the next agenda item.

15:07

Meeting suspended.

15:09

On resuming—

Financial Services Bill

The Convener: Item 3 is to take evidence on the legislative consent memorandum for the UK Financial Services Bill. Members will have in their papers a copy of the LCM and a short note by the clerk explaining the procedure. Accompanying the cabinet secretary for this item is Dorothy Ogle, policy manager in the financial inclusion team—welcome to the meeting. I invite the cabinet secretary to make a short opening statement.

John Swinney: The motion seeks approval for the United Kingdom Parliament to extend clause 6 of the Financial Services Bill to Scotland.

The Financial Services Bill sets out a number of reforms to strengthen financial regulation and restore market confidence. The bill will protect and empower consumers, support better corporate governance and strengthen regulation. To contribute to that objective, the bill proposes to remove the

"promoting public understanding of the financial system"

objective from the Financial Services Authority. The FSA will be required to establish a new consumer financial education body to raise the understanding and knowledge of members of the public on financial matters and improve their ability to manage their financial affairs.

The public awareness role for the new body that is outlined in new section 6A of the Financial Services and Markets Act 2000, which is inserted by clause 6 of the bill, relates to personal finance and consumer education on financial matters in the round rather than the regulation of financial services. It is therefore considered that the purpose is devolved.

In addition to the public awareness role, the new body will have powers to provide a nationwide money guidance service, as outlined by the Thoresen review in 2008. The service will provide impartial sales-free financial advice that is tailored to the needs and circumstances of the users. The aim is to raise levels of financial capability so that people gain the maximum benefit from their income and fewer people take on unsustainable levels of debt. In time, that will ease demand on debt advice and other types of crisis intervention and it will benefit the wider economy, because consumers will be better informed. A money guidance service is currently being piloted in the north of England with positive results and roll-out across the rest of the UK is planned for 2010.

As part of its duty to promote public understanding of the financial system, the FSA is already delivering a substantial financial education programme in Scotland under its national strategy for financial capability and a joint plan with the Treasury, "Helping you make the most of your money: a joint action plan for financial capability", which includes targeted work with new parents, young people and vulnerable groups, such as offenders and people with learning disabilities who are moving to independent living. The new body will take on that work alongside the roll-out of the money guidance service.

The consumer financial education body will give the financial capability agenda a higher profile, allow the relatively seamless transfer of the national strategy and address barriers such as flexibility to receive funding from a range of sources. There are significant potential benefits for Scottish users from the services that the consumer financial education body will provide. In particular, the roll-out of the money guidance service should help to fill a gap that was recently evidenced by the impact of the recession on individuals. If the bill and the roll-out proceed according to the current timetable, the money guidance service will provide a valuable service for those rethinking their finances as a result of the recession.

The work of the new consumer financial education body will support Scottish work on financial inclusion and is likely to make a positive contribution to achieving national outcomes. Recent research by the FSA has identified strong links between improved financial capability, wellbeing and mental health. There are obvious links to wider resilience, employability and tackling poverty.

The Government believes that the activities of the proposed consumer financial education body, in particular the money guidance service, represent an improvement on the current national arrangements to support financial capability and should have a significant positive impact in Scotland.

The rest of the Financial Services Bill, which also extends to Scotland, provides for matters that are reserved to the United Kingdom Parliament by schedule 5 to the Scotland Act 1998. I believe that there is no added value in separate legislation, as Scottish interests are reflected in the bill and a separate process would be complex and would require further time and resources to achieve the same policy aim. It is with that in mind that I make those remarks to the committee on the draft legislative consent motion.

The Convener: Thank you. Greater financial awareness and financial education are objectives that are close to the heart of the committee and its work. I invite questions from members.

Jeremy Purvis: I have two points. First, how will the work of the new body interact with the existing Government programmes in Scotland, such as funding for support provided by citizens advice bureaux or the enterprise in schools agenda? Will there be duplication? Will the new body be able to do work that is already being done or funded by the Scottish Government?

John Swinney: It is difficult for me to give a definitive final answer to Mr Purvis's question just now, because the contracting arrangements are still under discussion. I referred to some of the pilots from which lessons will be learned. Our assessment is that there is no significant overlap between the money guidance service and existing services. The research that has been undertaken has identified a gap in the marketplace for dispassionate financial advice. We have certain interventions, through financial education, that lead to improved financial capability, mainly for school pupils and certain vulnerable adults. The money guidance service is more comprehensive.

We have received assurances from the United Kingdom Government that every effort will be made to ensure that roll-out of the money guidance service will take into account existing infrastructure and the particular needs of Scotland, especially in terms of geography. However, we want to avoid any duplication or potential contradiction in the services that are available.

15:15

Jeremy Purvis: My second question is political and relates to the consequences of decisions that are taken on the bill. Scottish National Party MPs voted against the bill at second reading. Ultimately, they do not want the bill to progress, so the consequence of their actions could have been that Scotland would be required to set up a separate body. It is a bit odd that SNP MPs voted against the bill but the SNP Government is prepared to let the Westminster Government legislate for it.

John Swinney: Far be it from me to suggest that there are occasions when it is necessary or inevitable for political parties to take one stance in the House of Commons, to promote their political agenda, and a different stance in the Scottish Parliament, to ensure the orderly execution of Government responsibility. I would not be so unkind as to suggest that that trait would be familiar to the Liberal Democrats; I will leave the matter there.

Jeremy Purvis: The Liberal Democrats are in favour of Scotland regulating the area independently. The Scottish Government is proposing that the matter be legislated on at Westminster, but the consequence of SNP MPs voting against the bill could have been that it would not progress. Is that not correct?

John Swinney: The last time that I looked, there was no evidence of a rebellion on the Government benches in the House of Commons and it was likely that the bill would proceed, unless there is an early general election. I do not know whether Mr McCabe, Mr Whitton or Mr Chisholm can tell me otherwise—Mr Chisholm has form on the question of rebellion. In order to take forward policy initiatives in an orderly fashion within the current constitutional arrangements of the United Kingdom, we have decided to lodge a legislative consent motion on one limited provision of the bill, relating to financial education. As Mr Purvis knows, I wish to change the current constitutional arrangements. However, while I am a minister in the Scottish Government, I will always act with absolute responsibility on these matters.

The Convener: From my long acquaintance with Westminster, I know that such apparent paradoxes are not uncommon.

As there are no further questions, I thank our witnesses for attending today's meeting and for the evidence that they have given. As our agenda is quite heavy, the cabinet secretary will forgive me for moving straight on. Do members wish to raise any specific issues in the committee's report?

Jeremy Purvis: I heard the assurances that the cabinet secretary gave regarding duplication, but I am not satisfied with them. As the cabinet secretary said, it appears that the consumer financial education body's work on financial advice and support in Scotland will be outsourced, through a UK Government contract. There is considerable merit in the suggestion that the Scottish Government should deal with the matter, as this is a fully devolved area. I do not accept that what is proposed is simply the orderly conduct of business. Under what is proposed, a private agency could be contracted to undertake devolved functions in Scotland without this Parliament having any oversight. I have considerable concerns that should be expressed to the Parliament as a whole.

The Convener: Are you disagreeing with facts that have been given or are you recommending a course of action?

Jeremy Purvis: I recommend that we raise with the whole Parliament the concern that a potential consequence of agreeing to the LCM and allowing Westminster to legislate is that a private organisation will be authorised to carry out devolved functions with which this Parliament will have no involvement. Therefore, the report that we make should express that to the Parliament.

Joe FitzPatrick: If the Liberal Democrats have concerns about this, surely their MPs should have raised them at Westminster.

Jeremy Purvis: They voted against the bill, as did SNP MPs.

The Convener: Thankfully, our concern is our national Parliament here, not what is happening in Westminster. I suggest to Jeremy Purvis that the concerns that he raises can be included in the committee report, if he so wishes and if the committee so agrees. That would probably be the best way to do it. We can circulate a draft and find out what the committee thinks.

Linda Fabiani: Why do we not just decide now?

The Convener: Do you have a suggestion?

Linda Fabiani: I am just a bit confused, because only one member has concerns. Normally, we would just decide whether to agree to the LCM. Am I right?

The Convener: We could so do if that is the committee's mood or we could circulate a suggestion among members. I am in members' hands. Are there strong views on the matter?

Joe FitzPatrick: The debate was had at Westminster and a decision has been taken. We are now talking about a small and limited intervention in Scotland resulting from that.

The Convener: We could acknowledge Jeremy Purvis's views in the committee report, if you wish, although he can withdraw them.

Linda Fabiani: Again excuse me because I have not been a committee member for that long and there have not been many LCMs in that time, but am I right in thinking that the report should be about whether we agree that the LCM should be implemented and that the matter will then go to the Parliament for it to make its decision?

The Convener: The clerks can give us some advice on the matter.

James Johnston (Clerk): It would probably be helpful if I were to clarify the situation for the committee. It is for the Parliament to decide whether it wants to agree the LCM; the committee can decide whether it wants to comment on the LCM. I suggest that, in reporting to the Parliament, the committee simply attaches as an appendix the *Official Report* of this item.

Linda Fabiani: Does the committee make any recommendation to the Parliament or do we just say, "This is our view of the LCM"?

James Johnston: That is entirely a matter for the committee. There is no requirement for the committee to make a recommendation.

The Convener: That being so, can we now move on?

Linda Fabiani: Have we agreed anything?

James Johnston: I suggested that you could simply include in your report a reference to the *Official Report* of this discussion.

Linda Fabiani: But what are we reporting about the LCM?

The Convener: The report will include Jeremy Purvis's remarks. It is open to the committee to disagree with that suggestion; otherwise, Jeremy Purvis's remarks will be part of the report. If there is a strong feeling that the remarks should be expunged, it is in the committee's hands. However, Mr Purvis has made his comments, which will be in the report—

Linda Fabiani: I am sorry, but I am still confused—what are we saying in the report?

Tom McCabe: The committee is agreeing that the LCM should go ahead.

Linda Fabiani: So that is the report, with Jeremy Purvis's remarks included. That is fine.

Jeremy Purvis: The committee can vote on whether my remarks should be in its report, but I would prefer that the committee notes them and, if it wishes to add the *Official Report* as an appendix, that is fine. I still have considerable concerns about the LCM.

Tom McCabe: Jeremy Purvis is entitled to have his concerns and we should do our best to accommodate the fact that he advanced them at committee, but that should not influence the committee's decision on the LCM. With the exception of Jeremy Purvis, the committee is content with the LCM, which is what we should say in our report.

The Convener: We therefore agree to the LCM.

Forth Crossing Bill: Financial Memorandum

15:25

The Convener: Item 4 is to consider our approach to the scrutiny of the financial memorandum to the Forth Crossing Bill. Members have a paper from the clerk that suggests that the committee might wish to adopt level 3 scrutiny. The paper suggests that we seek written evidence from financially affected organisations: the City of Edinburgh Council, Fife Council and the Forth Estuary Transport Authority. In addition, it suggests that we might wish to seek evidence from organisations and academics with an expertise in large-scale procurement projects. Is the committee content with those suggestions?

Derek Brownlee: This might be implicit in the paper but, for the avoidance of doubt, I suggest that it would be helpful if we sought evidence from the Scottish Futures Trust.

The Convener: Is that agreed?

Members *indicated agreement*.

Joe FitzPatrick: Responses came from the councils that we are asking to give evidence, but Perth and Kinross Council and Dundee City Council were also very much involved. Are we limited to asking the City of Edinburgh Council and Fife Council for evidence because they are directly financially affected? I see the clerk nodding. That is fine.

I want us to contact the Road Haulage Association, too.

The Convener: Is that agreed?

Members *indicated agreement*.

The Convener: Is the committee content to delegate to the deputy convener and me the responsibility for deciding on additional witnesses on the basis of written evidence?

Members *indicated agreement*.

Alcohol etc (Scotland) Bill: Financial Memorandum

15:27

The Convener: Item 5 is to determine our approach to scrutiny of the financial memorandum to the Alcohol etc (Scotland) Bill. The paper from the clerk suggests that we might wish to adopt level 3 scrutiny and that we seek written evidence from all local authorities, the business organisations that are noted in the FM and other business organisations. On the basis of the written evidence received, the deputy convener and I will decide on additional witnesses for oral evidence, if members are content with that. Are members content with the arrangements as set out in the paper?

Joe FitzPatrick: The financial memorandum refers specifically to "health costs" and "crime costs". Should we not invite written evidence from health boards and the police? I am happy for the clerks to think of appropriate witnesses. I do not think that we necessarily have to write to every single police force.

The Convener: Does that have the committee's agreement?

Members *indicated agreement*.

The Convener: With that addition, are members content with the arrangements as set out in the paper?

Linda Fabiani: Another thought just came into my head—it was a moment of inspiration. A University of Sheffield study informed a lot of this. Would it be worth inviting an academic who was involved in the study to give evidence?

The Convener: We think that that could be done.

Malcolm Chisholm: I do not know what the correct way to deal with this is, but I have to say that I was astonished when I read the financial memorandum. I think that the clerk gave this as a fact in the paper. At the bottom of page 2—[*Interruption.*]

The Convener: You are hitting the microphone with your papers.

Malcolm Chisholm: I do not know from whom we can get written evidence about this, but it is stated as a fact that the policy will result in costs to the Scottish Administration due to a reduction in alcohol duty and VAT from reduced sales of alcohol. I raised the point with John Swinney informally, but I think that we need to get written evidence from the Government on that. I am quite astonished, because the issue did not arise when the smoking ban came in—there was no question of reduced cigarette sales resulting in a cost to the Scottish Executive. It is astonishing to me that the financial memorandum was ever agreed to by ministers. I do not really know what the statement is based on—or rather, I know what it is based on, but it cannot be right, because it did not happen with the smoking ban.

The Convener: I am assured that we will be taking evidence on that and you will be able to pose that question to the appropriate Government minister. You can pursue that issue.

Derek Brownlee: Malcolm Chisholm raises exactly the same point that we wrestled with regarding the Damages (Asbestos-related Conditions) (Scotland) Bill, if I recall correctly. It relates to the statement of funding policy and to decisions of the devolved Administrations having an impact on the UK Treasury. I remember that we, or perhaps the Justice Committee, sought clarity on whether the clause in "Funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly: Statement of Funding Policy" would be invoked, and I think that that was in vain. However, it would be helpful to seek clarity from the Treasury on whether it will seek to apply the relevant provisions under the statement of funding policy if the Alcohol etc (Scotland) Bill is enacted.

The Convener: I suggest that we write to the minister in charge of the bill, seeking clarification.

Derek Brownlee: But the decision will not be taken by a Scottish minister; it will be taken by a UK Treasury minister under the statement of funding policy, so we should write to the Treasury.

Malcolm Chisholm: The costs of the policy have been accepted by the Scottish Government as a fact; otherwise, they would not be mentioned in the financial memorandum. That is what I am surprised about.

The Convener: We are seeking clarification. We can still write to the minister, pointing out the matter that Derek Brownlee has just raised.

Derek Brownlee: We need clarity from the minister as to why he says that those costs are a certainty but we also need clarity from the UK Treasury. We might find that they are not reading from the same page. The decision in this instance is made by the Treasury, so we should write to the Treasury for clarification.

The Convener: Yes, we can do that, and we will await a response. With those alterations, which the clerks have noted, are the arrangements as set out in the paper before us agreed?

Members *indicated agreement.*

Crofting Reform (Scotland) Bill: Financial Memorandum

15:31

The Convener: Item 6 is to consider our approach to scrutiny of the financial memorandum to the Crofting Reform (Scotland) Bill. The paper from the clerks suggests that we adopt level 2 scrutiny for the FM, and it provides a list of affected bodies from which we may wish to seek written evidence. Are members content with the suggestions in the clerk's paper?

Members *indicated agreement.*

Budget Bill (Format)

15:32

The Convener: Item 7 is to consider correspondence from the Cabinet Secretary for Finance and Sustainable Growth on the format of the budget bill. Members have the letter before them, together with a note from the clerk. The formats of the budget documents and of the budget bill are subject to an agreement between the Finance Committee and the Scottish Government. Is the committee content with the changes that are set out in the letter for the budget bill for the 2010-11 financial year?

David Whitton: No. The letter refers to something that the committee has discussed previously. I can understand what the cabinet secretary is trying to do, but I believe that it would make transparency more difficult. His shuffling money between directorates, departments and so on is all very well, but Parliament needs to know where the money is going and what it is being spent on. There is nothing wrong with the system as it is, and I do not think that it should be changed in the way that the cabinet secretary suggests.

The Convener: What is your suggestion?

David Whitton: To keep things as they are—the status quo.

The Convener: Does the committee agree with that?

Tom McCabe: There is a danger in calling for the status quo to be maintained. The committee has been pretty strong in calling for a drive towards clearer, more transparent information. Previous Finance Committees have been saying the same thing since the creation of the Parliament. Irrespective of the Administrations that have been in power, it is debatable how much progress has been made.

The proposal from the cabinet secretary, as I read it, takes us in the wrong direction. To say that we should accept the status quo is an acceptance of what we already have. We accept that the system could be much clearer and more understandable than it is, not just to members of the Finance Committee but, more important, to other interested people outside Parliament—we could say "the general public", although it is questionable how many members of the general public get into the detail. However, a range of interested organisations would like to understand better how the Government allocates and spends money and how money moves between different parts of the Government. The cabinet secretary's proposal would make it more rather than less difficult for people to understand that.

Linda Fabiani: Reading the report, I see that discussion on the format of the bill started back in 2008, so it has been on-going. Not having been part of it from the start, I would like more detail of how it came about and how we reached the stage that we are now at. I do not know who was on the committee when the discussions started, apart from you, convener.

The Convener: I underline what Tom McCabe said. The committee has made great strides in ensuring the maximum accurate, independent public information to allow the Parliament and its committees to scrutinise the financial situation properly on the basis of solid facts.

I also note from the clerk's paper that the Cabinet Secretary for Finance and Sustainable Growth

"confirmed that budgetary information should not become any less transparent as a result of this change. He said that this one total for the Scottish Government would be supported by indicative Cabinet Secretary portfolio totals and that, 'details of budgets by Cabinet Secretary portfolio would still be provided in the supporting budget documents to both the Act and in-year revisions as at present.'"

It is clearly set. I am anxious to ensure that, whatever Government is in power, our committees have the maximum objective information before them in coming to financial decisions.

Linda Fabiani: Perhaps you misunderstand my point of view. The thought of retaining the status quo does not appeal because, ever since I have been in the Parliament, we have been talking about getting better information for committees. If members who have been on the committee from the start of the discussions on the matter are content with what is proposed, I am content with it as well but, before I would be happy to go back to the status quo or consider something else, I would need more information, which I think I would use to justify the current proposal.

The Convener: What specific information would you seek?

Linda Fabiani: I am happy to go along with the proposal if those who have been part of the process from the start—such as you, convener—are happy that it would achieve what the committee set out to do. I am perfectly content with that but, were we to consider something different, I would need a lot more information.

Joe FitzPatrick: We have tried hard over a long time to keep the whole committee on board and moving in the same direction on the matter so, if we are not quite there—it is clear from David Whitton's and Tom McCabe's comments that we are not—perhaps we need another evidence session with the cabinet secretary to consider and thrash out the concerns.

The Convener: We could do that. It would be feasible if the committee were so minded.

Derek Brownlee: I was going to raise that possibility. At the end of the letter from March, there is an indication that the Government is willing to discuss the proposal. I share some of the concerns that Tom McCabe raised. Although we should be open minded about whether we can make positive changes to the existing format, we should not change it lightly, so taking up Joe FitzPatrick's suggestion of having further discussions with the Government and its officials is a pragmatic way of progressing the matter.

Jeremy Purvis: I understood from the cabinet secretary's letter of last week that he intends to introduce the coming year's budget bill, which is due straight after Christmas, in the new format. If, given that we have a number of concerns, we are carrying the matter on for further consideration, we ought to tell him that we would prefer that he did not use the new format because I am not sure whether we will have another meeting before he introduces the bill.

The Convener: I will try to be helpful. I am hearing doubts, so I suggest that we ask the minister to come before us on 12 January to address the doubts that have been raised and clarify what he intends. I hope that that would put the committee's mind at rest and allow the committee to ask the appropriate questions.

Jeremy Purvis: Is there time for that in advance of the bill's introduction?

James Johnston: The bill must be introduced by 20 January.

The Convener: Therefore, we must come to a decision on 12 January. The committee can express its doubts and get clarity on the matter. Is that agreed?

Members *indicated agreement*.

The Convener: That is agreed.

Jeremy Purvis: If that gives the Government sufficient time—

Linda Fabiani: That is what concerns me.

Tom McCabe: It seems unlikely. The work will have been done by then—

Linda Fabiani: I do not like the idea of holding up the revised budget bill format for another year.

The Convener: We could meet on 5 January, if members want to do that.

Linda Fabiani: No. I do not want to do that.

The Convener: We really must come to a decision.

Jeremy Purvis: Perhaps we can say to the Government that we would prefer it not to use the revised format, while acknowledging the timeframe for the bill. We could discuss the matter at our leisure after that. If we do not tell the Government about our concerns until 12 January, by which time the bill will have been prepared, as Tom McCabe said, we will be giving the Government a timescale that is a bit tight.

Joe FitzPatrick: Time is against us. Can we delegate to the convener and deputy convener the task of speaking to the cabinet secretary to ascertain what might be possible? Such a conversation could happen in a much shorter timescale. I think that we know where we are trying to go; we can hear members' concerns.

The Convener: I want to seek out the mind of the committee. There is clearly a problem and members have expressed doubts, but I wonder how deep those doubts are and whether they justify holding up the whole process. There has been a long road to travel to achieve the clarity on finance that we have achieved. Do we really want to hold up the process?

Tom McCabe: To be fair, convener, it is difficult to see how

"indicative Cabinet Secretary portfolio totals"

will "increase transparency", rather than decrease it. The approach would provide an enormous amount of flexibility. How can anyone comment on the appropriateness of the health budget, for example, if an indicative portfolio total is given? That is strange territory to be in.

The Convener: That tells me that we need a committee meeting on the matter. The question is whether members want to come in on 5 January or include the matter on our agenda for 12 January.

Malcolm Chisholm: We would have to do it on 5 January. The Government should be able to change the bill; it must prepare the figures as normal and then it will aggregate them if we agree with the proposed changes. We are not talking about a big change, but it would be unreasonable to ask the Government to—I suppose that I should have looked at my colleagues before I said that. We will have to be here on 5 January anyway, will we not?

The Convener: In the meantime, I can flag up with the cabinet secretary the fact that members have doubts. If I get a response, I will immediately pass it on to members. That might clarify the situation sufficiently, and we can take our usual approach to determining the voice of the committee. We must get clarification that will enable a decision to be taken.

Linda Fabiani: The letter in which the cabinet secretary first mooted the changes was written in March 2008. The committee must have done a lot of work since then, which must have suggested to the Government that it was moving in the right direction. Is it the case that the changes that could be made to address Tom McCabe's concerns, for example, would be minimal? I take it that the general principle was accepted back in March 2008.

Tom McCabe: The principle of increased transparency was accepted. However, the fact that we are talking about transparency does not mean that some civil servant doesnae deliver the exact opposite.

Linda Fabiani: You are such a cynic.

The Convener: It is what the beast looks like that matters.

We will bring the matter back to the agenda on 12 January, and we will make contact with the cabinet secretary, to draw what we have said to his attention. The response will be made known to members. Is that agreed?

Members *indicated agreement*.

The Convener: Before we move into private session, I put on record my thanks to Mark Brough, who is leaving the committee to go on secondment to the Accounts Commission—

Linda Fabiani: You poor soul, Mark. What did you do wrong?

The Convener: I remind you that we are still in public session—

Linda Fabiani: Oh, right. I think Mark is wonderful.

The Convener: Mark is indeed wonderful. He has been a great asset to the committee during the past years and we wish him well on his secondment, which will further his career. His ability is clear to the committee and we are grateful for his expertise and assistance. On behalf of the committee, I wish you well on your secondment, Mark. Good luck in your appointment and thank you for all your work.

Mark will be replaced by Terry Shevlin, who will join us from the Equal Opportunities Committee in January.

As agreed, we move into private session to consider our work programme.

15:44

Meeting continued in private until 16:01.

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