

MEETING OF THE PARLIAMENT

Wednesday 16 December 2009

Session 3

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Scottish Parliament

Wednesday 16 December 2009

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

Time for Reflection

The Presiding Officer (Alex Fergusson):

Good afternoon. As always on a Wednesday, our first item of business is time for reflection. Our time for reflection leader today is the Rev Maureen Leitch from Bourock parish church in Barrhead.

Rev Maureen Leitch (Bourock Parish Church, Barrhead): In the book of Isaiah, we read that

“The people who walked in darkness have seen a great light”.

I really do not like this time of year. That may seem strange for a Christian minister with the celebration of Christmas just round the corner; after all, Christmas is one of the most important festivals in the Christian church. However, my dislike of this time of year has nothing to do with Christmas. Rather, it is because I do not like the short days and long nights. I much prefer long days and short nights.

I have to admit, however, that I can think of at least one benefit of these long, dark nights. As an old Persian saying puts it:

“When it is dark enough, you can see the stars”.

We were reminded of that recently when Galloway forest park became the first sky park in Britain. The quality of the darkness is outstanding, according to reports. Only in an intense darkness can we properly see the stars.

Perhaps we need this darker time of year, to see properly what is around us—a time when we can close our curtains to the world and take some time just to think.

It is into this dark time of year that the Christmas celebrations break, bringing much-needed light into the gloom of our surroundings. The darkness is pierced by the light of decorations on trees and in house windows, and as the shops are open much later than usual, they throw light on to our streets. Of course, Christians are also brightened inwardly by the celebrations that surround the child in the manger.

For most people, it is a time of joy and celebration, but we have to be aware of those for whom it may not be a time of celebration: the recently bereaved, the lonely, the homeless and those who are struggling financially. What can we do? A little of our time can be given over to visit,

and a little of our resources given in order to provide some help. In such simple ways we can bring light into the lives of others.

You may not think of yourselves as stars, but by giving a little kindness you can be the star that brings light into darkness, simply by following the example set by that child who was born in a manger. By thinking of others and helping others, you too can bring light into the darkness.

Presiding Officer and MSPs, I wish you all a joyful Christmas.

Business Motion

14:34

The Presiding Officer (Alex Fergusson): The next item of business is consideration of business motion S3M-5420, in the name of Bruce Crawford, on behalf of the Parliamentary Bureau, setting out a revised business programme for today.

Motion moved,

That the Parliament agrees the following revision to the programme of business for Wednesday 16 December 2009—

after

2.30 pm Time for Reflection – Rev Maureen Leitch, Bourrock Parish Church, Barrhead

followed by Parliamentary Bureau Motions

insert

followed by Ministerial Statement: Education—
[Bruce Crawford.]

Motion agreed to.

Education

The Presiding Officer (Alex Fergusson): The next item of business is a statement by Michael Russell on education. As the cabinet secretary will take questions at the end of his statement, there should be no interventions or interruptions.

14:34

The Cabinet Secretary for Education and Lifelong Learning (Michael Russell): I welcome the opportunity to report on the significant progress that the Government has made with its educational agenda, to pay tribute to the tremendous success of my predecessor Fiona Hyslop and to talk about the work that I and my colleagues intend to move forward.

When I came into office, I pledged to reset the relationship with the Convention of Scottish Local Authorities to achieve real progress on key priorities including class sizes. As the Chancellor of the Exchequer's pre-budget report shows, the recession has put substantial and growing pressure on public finances. I have no doubt that we will hear a lot about manifestos this afternoon; however, I also know that there was no Labour manifesto commitment to a rise in national insurance or a rise in United Kingdom borrowing to an expected £178 billion.

The Scottish Government and councils are facing an unprecedented budget squeeze and we now know that Westminster has cut the Scottish Government's budget by more than £800 million. *[Interruption.]* The truth is the truth, and facts are chieftains that winna ding. The truth is that the Scottish Government's budget has been cut by more than £800 million. *[Interruption.]*

The Presiding Officer: Order. I have already asked that there be no interruptions or interventions. There will be plenty of opportunity to question the cabinet secretary, and I ask members to stick to that.

Michael Russell: We know that Westminster has cut the Scottish Government's budget by more than £800 million. The recession is hitting homes and high streets across the UK but, as we saw with today's fall in unemployment, action taken by this SNP Government to deal with the economic reality has lessened the impact in Scotland.

Dealing with reality is the mark of a responsible Government. *[Laughter.]* Presiding Officer, that laughter comes from those who will never be in responsible government. It is not good enough for any politician who aspires to government to ignore stark financial realities, and the refusal of Labour members—and now the Liberals—to acknowledge those realities and their party's culpability in them

shows that they have given up being a party of government.

The concordat's strength lies in enshrining a realistic, flexible and sustainable approach to the important issues that face local and national Government. The Scottish Government in partnership with COSLA is firmly committed to the reduction in primary 1 to primary 3 class sizes. We firmly believe that delivering smaller class sizes in P1 to P3 is a necessary step towards improved attainment; indeed, evidence and common sense tell us that more quality time with teachers pays dividends, particularly for the most vulnerable children.

I accept that Labour, for example, does not agree with that. On 11 September 2007, Wendy Alexander said in *The Scotsman*:

"Class sizes are not a good measure of what matters."

I believe that she is wrong, but I accept that there is another opinion on the matter. Then the UK Minister of State for Schools and Learners, Jim Knight MP, advocated teaching classes of up to 38. Speaking at a teaching conference in March 2008, he said that

"class sizes of 38 are manageable"

and that it was "perfectly acceptable" to have maths classes of 70. However, Scotland does not agree. No teacher agrees. Labour may want classes of 70—Scotland does not.

Much progress has already been made. Average class sizes in primary school are at an all-time low of just 23.1, and whether it is improved support for kinship carers, the extension of free school meals or the expansion of nursery place numbers, there can be no doubt that real change for the better has been delivered. Over the past week, intensive discussions between COSLA representatives and the Scottish Government have produced a framework for further sustained progress between now and 2011 on the key concordat education commitments.

No one should doubt the strength of my resolve to take forward the class size issue. Over the next few months, I will discuss with a range of bodies, including COSLA and Her Majesty's Inspectorate of Education, what we might need to do beyond January 2011 for continued, progressive implementation of this vital priority.

The framework that we have discussed with COSLA has been submitted to the leaders of Scotland's local authorities, and COSLA will feed back its views with the aim of securing a renewed and strengthened agreement that focuses on delivery at a time of increasing financial pressure on the Scottish Government and local authorities. I am determined to demonstrate the strength of our

relationship by the way in which we take forward the issue.

Given the current economic and financial challenges, it becomes even more important to keep our focus on providing effective early support and intervention for vulnerable children and families in Scotland. We have made good—indeed, unprecedented—progress in improving support to kinship carers, but we now need reform of the benefits system if we are to avoid the help that councils give to carers being taken away immediately by Westminster through the reduction in carers' benefits. I hope that members across the chamber will back the Scottish Government's campaign for the benefit changes that are needed to ensure that kinship carers get the help they need.

Pre-school entitlement has gone from 412.5 hours per annum to 475 hours, and there is increased access to teachers in pre-school settings, such that, in comparison with the previous year, more than 3,600 more children had access to a teacher in 2009.

Our manifesto committed us to piloting free school meals, which we did in 2008. Extending free school meals to the poorest families was implemented from the start of the 2009-10 school year. As a result, we have extended entitlement to an additional 44,000 pupils from hard-pressed families, and increased the number of pupils who are entitled to free school meals by 42 per cent. That is a real achievement.

The concordat took us beyond our manifesto pledge. It committed us to free school meals for every pupil in P1 to P3 from next summer. The reality of the recession and Labour's cuts mean that we cannot now achieve that as quickly as we had hoped. Our proposed next step will be to target pupils in the 20 per cent most disadvantaged areas, and we will continue to give priority to intensifying support for the early years for very young children and their families through the effective implementation of the early years framework and the getting it right for every child programme. Those are also real achievements.

The curriculum for excellence will raise standards for every child, and will enable every child to become a successful learner, a confident individual, an effective contributor and a responsible citizen. Pupil performance in exams is consistently strong, demonstrating the strength of our broad-based system; I have figures aplenty to quote on that.

I am strongly committed to putting in place foundations for improving the long-term health of the nation. That is why, with my colleagues in health, we have already made sure that two hours of quality physical education are embedded in the

curriculum for excellence for every child, every week.

We have also gone further than expected with technology. We have invested £37.5 million in glow, which is the only example in the world of an intranet that connects every school in the country.

Of course, we inherited problems. We have to address the legacy of crumbling school buildings. Where the school estate is a problem, it is one that we inherited from Labour and the Liberal Democrats. Buildings do not decline overnight; they were allowed to decline by our predecessors, although to be scrupulously fair, they also inherited a poor legacy after 18 years of Tory misrule. Around 260,000 pupils were in poor or bad schools when Labour and the Liberal Democrats left office. We set ourselves the target of lifting 100,000 pupils out of poor or bad schools. Well, we met our target in just two and a half years. In our first year, we lifted approximately 59,000 of those pupils out of poor or bad schools.

Members: Aw.

Michael Russell: I am sorry that Liberal Democrat members do not wish to see improved schools in Scotland. That is a mark of their shame in opposition and their failure in government.

In our second year, we lifted another 41,140 pupils out of poor or bad schools. That means that 100,000 pupils are now in decent school buildings that were delivered by this Government.

Members: Shameless.

The Presiding Officer: Order. I ask members not to interrupt, and I ask the minister to stick to his statement.

Michael Russell: I am just so excited by our successes, Presiding Officer; I apologise.

In its 2007 manifesto, Labour pledged to rebuild 250 more Scottish schools during this session of the Scottish Parliament. The SNP promised to match that pledge, brick by brick. Already 236 school projects have been completed since May 2007. No school that was committed to by the previous Administration has been delayed, and we expect to complete in excess of 250 during this parliamentary session. We are meeting the challenge, brick by brick.

On my first full day in office, I visited Inverkeithing primary school, which shares a building with the newly established Carnegie primary school while the council builds Carnegie a building. Why do those schools have to share a building? Because under the old Labour administration in Fife, the new school was cancelled. Under the new SNP administration, the new school is being built; it will open in 2011. We

will not stop there. We are ambitious for the school estate and committed to investing in it.

We are also making progress in higher and further education. We have restored the principle of free education by abolishing the graduate endowment fee, and we have just announced £30 million of additional measures to increase student income in 2010-11. Those measures will increase the income of more than 75,000 students next year.

We have made tremendous progress on our manifesto commitments, but we are not complacent. We know what we still have to do. Where problems exist, we will work with imagination and dedication to solve them. We will work in partnership with parents and teachers to solve them. I would like also to work in partnership with members from across the chamber to solve them. We are determined to continue to make progress despite the hard times, which were created and have been exacerbated by Labour. I look forward to working across Scotland with everyone to make progress on what is a vital agenda.

I wish all my colleagues a merry Christmas and a happy new year.

Des McNulty (Clydebank and Milngavie) (Lab): What a lot of delusion that was—full of sound and fury, signifying nothing. However, facts are chieftains that winna ding, and probationary teachers have been abandoned; teacher numbers are 2,000 lower than in 2007; the pipeline of new school buildings has been emptied; teacher training is to be decimated; the free school meal pledge has been watered down; the extension of care for pre-fives has been withdrawn; and kinship carers have been let down. The minister is left trying to do a deal with COSLA to take back 20 per cent of his party's pledge on class sizes. The minister says that he wants to "reset the relationship" with COSLA, but "resetting" is the term for selling on stolen goods, which is an apt analogy for the minister.

How will the minister reverse the trend in teacher numbers and post-probationary teacher unemployment? What will he do to support the efforts of Glasgow City Council and other authorities to tackle the barriers for pupils from disadvantaged backgrounds in acquiring basic skills? Those are serious priorities that should be every member's priorities. What is the price of the deal that he wants to do with COSLA for kinship carers, pre-fives, school pupils and those misguided people who actually believed Alex Salmond when he said that he would introduce free school meals?

Michael Russell: When the Rev Maureen Leitch spoke earlier, she said:

“by giving a little kindness you can be the star”.

I advise Mr McNulty to bring a little kindness to the matter, but let us start with him being kind about the facts. I am pleased to say that we are making good progress on the difficult problem of teacher numbers. Today's claimant count figures show that the number of unemployed teachers in Scotland has halved in the past two months. He asked me what progress I am making—I am glad that so much progress has been made so quickly. We will go on making that progress week after week. *[Interruption.]* I am trying to answer each part of the question in turn, Presiding Officer. It would be easier to do so if there were not noises off.

Mr McNulty asked what we will do with Glasgow. I intend to meet Councillor Steven Purcell this week. If, like me, he is a reasonable person—*[Laughter.]* I know that it is unusual to think of Steven Purcell as a reasonable person, but I do. If he and Glasgow City Council can discuss reasonably what is necessary for young people in Glasgow and how we can make progress on the basis of the concordat agreement and the flexibilities that we have shown, the young people of Glasgow will benefit. Similarly, the young people of Scotland would benefit if the Parliament supported the measures that we are talking about, if it was enthusiastic about change and if it recognised the difficulties that we have got into through no fault of our own—it is the fault of the Labour Government south of the border—in making progress on the issues.

Kinship carers strikes me as an issue. The work that my good friend Mr Ingram has done on that is unprecedented. The previous Administration did nothing. That is the reality of the situation. Labour members could still redeem themselves by ensuring that their Westminster colleagues take the necessary actions on the benefits package. I hope that they will do so.

We should not be distracted by nonsense from the Holyrood bubble. The reality out there is that there are many good schools, teachers and pupils. I will encourage them for every hour that I am in my present office.

Murdo Fraser (Mid Scotland and Fife) (Con): It might be the pantomime season, but if the statement that we have just heard sets the tone for the new cabinet secretary's stewardship of Scottish education, heaven help us all. It consisted of little more than pathetic attempts to pass the buck for SNP failures to previous Governments of different political hues. Today is a double humiliation for the SNP Government, as not one, but two manifesto pledges have been broken—on

the delivery of smaller class sizes and universal free school meals.

I hold no candle for the Labour Government, but it is laughable for the cabinet secretary to blame Labour's recession for the SNP's failure on its class size policy because we know that senior civil servants were admitting as far back as summer 2007 that the policy was unachievable, long before the start of the economic downturn.

Will the cabinet secretary tell us when he was made aware of the advice given to his predecessor by the civil service that the policy on smaller class sizes could not be delivered?

Michael Russell: It might be the pantomime season, but I do not treat education as a pantomime.

Members: Oh yes he does!

Michael Russell: I advise Mr Fraser and any other member in the chamber to do exactly as I do and to treat the matter with the seriousness that it deserves. I outlined in my statement all our achievements—and there are many of them; I could have spoken for another 10 minutes and still not finished the list. At the end of my statement, I made a commitment to work across the chamber to see what we could do.

Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Answer the question.

Michael Russell: If Mr Rumbles will stop shouting, I will be able to answer questions. I will work as hard as I can across the chamber to ensure that the class size pledge continues to be rolled out in a way that benefits children.

The information that I have as cabinet secretary came to me when I became cabinet secretary; I did not receive any briefings on education until that time.

Given all the circumstances, we all know that we have a big opportunity. The Liberals, Labour and the Tories might wish to live in the Holyrood bubble, but most people in Scotland do not live in the Holyrood bubble; they live in the real world where there are real difficulties. The prizes go to the children and others who work hard to solve problems, rather than trying to make them.

Margaret Smith (Edinburgh West) (LD): The cabinet secretary says that dealing with reality is the mark of a responsible Government—it is a pity, then, that this Government was ever elected on a wholly unrealistic education programme that was enshrined in an unworkable and unenforceable concordat.

We are disappointed that the cabinet secretary had to be dragged to the chamber today by Opposition parties to confirm that his Government is doing a U-turn on class sizes, free school meals

as a universal benefit, allowance support to all kinship carers from next year and increased nursery hours. Unfortunately, the statement was long on blame and spin and short on clarification of how the Government will deliver what it promised.

We could ask when the Scottish Futures Trust will deliver a single school or when those 2,000 teachers—the newly trained and the lost—will be in classrooms, but I will focus on class sizes. Given that, between 2007 and 2008, classes of 18 or fewer went up by just 1 per cent, from 12 per cent to 13 per cent, how does the cabinet secretary plan to deliver a 7 per cent jump in less than a year? Delivery remains the key issue. What will happen if councils have not delivered on the SNP's new scaled-down class size promise by autumn 2010? Will the SNP again threaten to take away from local authorities the control of our schools?

Michael Russell: I wish that Margaret Smith would just focus on what she and I agree on. We both want smaller class sizes—I have had that conversation with her—and I want to make sure that we continue to deliver smaller class sizes.

The document makes it absolutely clear that the framework creates the opportunity for councils to achieve the target that we have set them in a verifiable way. That is the discussion that we are now having. The door is open; I hope that local authorities will come through it. We will get an agreement that can be verified and we will make progress on that target. I want those lower class sizes; Margaret Smith wants those lower class sizes. Let us get rid of her rhetoric and get some results. The Liberals could be around for a long time and not match the list of achievements over two and a half years that I gave for Fiona Hyslop and her team.

The Presiding Officer: We come to open questions. Time is at a premium so please keep them brief—and the same applies to the answers.

Christina McKelvie (Central Scotland) (SNP): When suffering a bout of insomnia, the cabinet secretary might have read Labour's 2007 manifesto, which referred to the commitment to build or refurbish 250 schools over the four years to 2011 as an acceleration. Will he confirm that we have now exceeded that total in two and a half years? Will he say whether that acceleration is above and beyond anything that Labour could ever think of?

Michael Russell: That is the best question that I have had so far. It is also the only question so far that is based on fact, not prejudice.

The reality is that yes, of course, we are doing even better. We are doing far better and we will continue to do so. The important thing here is not

shouting from Andy Kerr—that is never important—but that better schools are being provided for young people, and that the people responsible for providing the worst schools were those in the previous Administrations. That is the truth.

Ken Macintosh (Eastwood) (Lab): The minister promised to reset the relationship with COSLA; I hate to think what he would have said if he had been adversarial in his approach. Is it still the Government's policy to maintain teacher numbers at 53,000, as promised in the SNP manifesto? If so, exactly what action is the minister taking that his predecessor was unable to take?

Michael Russell: It is my policy to ensure that we have the right number of teachers in Scotland for the circumstances in which we find ourselves. If every Labour local authority were to sign on with me to maintain every single teacher, we might be able to do that. If they are not prepared to do so, I will face the reality of the situation in which I will find myself, particularly because of the Labour-exacerbated recession, and I will ensure that a number of things happen. The first is that we will try to ensure that the teachers who are trained get into jobs as quickly as possible. I am very pleased to be the inheritor of the good progress on that that I have reported to the Parliament this afternoon. From an unacceptable start, we are going in the right direction.

The second thing that I will guarantee is that teachers who are in classrooms are supported to the ultimate degree by this Government, the new developments in curriculum for excellence and, I hope, throughout the chamber. That is what we should be doing.

The third guarantee that I will give is that those who go into training as teachers will get the most modern and the best training that they could possibly get.

If Mr Macintosh wants to tie himself to anything else, he may tie himself to what he wants.

Elizabeth Smith (Mid Scotland and Fife) (Con): The SNP said in its manifesto that it would deliver two hours of quality PE per child per week. Will that be delivered by 2011?

Michael Russell: I cannot know everything in two weeks—I am sure that the member would accept that. However, I am told that the curriculum for excellence is making very good progress on that ambition and I am happy to ensure that we keep up to speed on it.

Hugh O'Donnell (Central Scotland) (LD): The statement was strong on bombast and disingenuousness, so I will cut to the chase. Will the cabinet secretary clarify how many extra nursery teachers our nursery schools now have as

a result of this Administration? Are they actually present in the classrooms, rather than just being passed through the classrooms on an ad-hoc basis?

Michael Russell: Mr O'Donnell will know, because he has been involved in the sector longer than I have, that the big fall in nursery teachers came under the previous Administration. Admittedly, he was not a member of the previous Administration, so he can walk away from that. I am happy to provide the full statistics on numbers of nursery teachers—

Margaret Smith: There are 53 fewer nursery teachers in Scotland.

Michael Russell: Presiding Officer, would it be possible for me to finish without interruption from Margaret Smith? She keeps waving her hands.

Margaret Smith: I was answering the question for you.

The Presiding Officer: Order. Let us see whether we can get an answer.

Michael Russell: I will be happy to provide the information to Mr O'Donnell. I am not avoiding the issue. He will be provided with the information. However, the fact is that the big fall in nursery teachers came under the previous Administration. My statement was not long on anything other than facts, but if there are some facts that I have not covered, he is welcome to them.

Hugh Henry (Paisley South) (Lab): Presiding Officer, you wrote to me to say that Parliament can hold ministers to account through oral questions. With your assistance, Presiding Officer, can I ask the cabinet secretary which ministers were copied into advice about class sizes in primary 1 to primary 3 between 9 May and 2 July 2007?

Michael Russell: I know that this is the subject of a number of inquiries by Mr Henry. I am not avoiding the issue by saying that I know that it is now also the subject of a referral of an accusation that was made about the First Minister. In those circumstances, it would be wisest—because I do not have the information in front of me—to provide the answer in writing and within the context of those inquiries.

Bob Doris (Glasgow) (SNP): I am disappointed that a combination of savage UK cuts and, in some cases, local authority non-co-operation on class sizes has led to a phased delivery on free school meals. However, can I get an assurance that the SNP Government is fully committed to universal and nutritious free school meals at lunchtime for P1, P2 and P3 schoolchildren and that the principle remains intact—only the pace of delivery has changed?

Michael Russell: Of course. I am happy to confirm to Mr Doris that the commitment in the concordat—which went further than our manifesto—remains intact, but the pace of delivery has had to be altered. That is inevitable, because of the savage cuts from south of the border, about which the only people who are in complete denial are the Labour group and its denier-in-chief, Mr Andy Kerr.

Malcolm Chisholm (Edinburgh North and Leith) (Lab): Is the cabinet secretary aware that in the real world of Edinburgh, where his SNP colleagues are part of the council administration, there are proposals not to increase nursery hours, not to extend free school meals, not to reduce class sizes and—most of all—to cut school budgets for each of the next three years by 2.5 per cent per annum? If, with the same financial challenges, Labour in England can ensure that every school receives a real-terms funding increase of 0.7 per cent for each of the next three years, will the cabinet secretary find a Scottish way of achieving the same objective?

Michael Russell: I sympathise greatly with Malcolm Chisholm's point about protecting education and I will do everything that I can do to achieve that, but the explanation of Labour's policy that followed the pre-budget report was less than convincing. On the radio the next morning, the chancellor ruled out sixth-form colleges as part of the educational establishment. What Alistair Darling and Ed Balls have said about schools allows such wriggle room that the commitment has not been made in the terms that Malcolm Chisholm described.

I want to protect education, which is our investment in the future. However, Malcolm Chisholm will accept—although he might not agree—that the concordat created parity of esteem between levels of government. Local authorities must make their decisions. They do so on the basis of proposals that they issue for discussion and consultation. I understand that no final decision has been made in almost any Scottish local authority area. Decisions will be taken locally in consultation with local voters.

My responsibility is to continue to protect and defend the best in Scottish education, which is very good indeed. The standards in Scottish education are very good. Members who seek to make political points by running down those standards damage Scottish education and themselves.

Kenneth Gibson (Cunninghame North) (SNP): During Labour's recession, further education has played a major part in delivering Scotland's recovery programme. Will the cabinet secretary build on commitments such as the £28 million for extra courses and the 16,000 new apprentice

places and continue to ensure that Scotland's colleges have the support that they deserve?

Michael Russell: Yes, of course. Scotland's colleges richly need the support that they have. I have had interesting discussions with representatives of Scotland's colleges in the past fortnight and I will continue to have those discussions. I draw several conclusions from my experiences in the past fortnight, the strongest of which is that Scottish education has such strengths that if problems exist—as they do—they can be solved by the strengths in Scottish education. I intend to encourage those strengths.

Sarah Boyack (Edinburgh Central) (Lab): Is the cabinet secretary aware of the alarm of parents throughout Edinburgh at the council's proposed 2.5 per cent cuts in school budgets in the next three years? Will he respond to the concern that those budget cuts will make implementing curriculum for excellence impossible? What support will he make available to the council to prevent those cuts and enable the educational success that he claims will be achieved in Edinburgh?

Michael Russell: I discussed with the curriculum for excellence management board yesterday a range of issues. Nobody around that table said that delivering the curriculum for excellence was impossible. Concern was and always is felt about the situation in which some local authorities find themselves—I had a large-scale education stakeholders meeting yesterday about that. We know—and all members should admit that the Parliament knows—that the overwhelming reason for that situation is Labour's cuts. We need to work together to find a way through that. I am sure that each and every local authority—no matter what its political control is—will act to achieve the best outcomes. The Government will encourage that.

Pre-budget Report (Scottish Government Response)

The Presiding Officer (Alex Fergusson): The next item of business is a debate on the Scottish Government's response to the pre-budget report.

15:04

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): I welcome the opportunity to debate the United Kingdom Government's pre-budget report and its impact in Scotland.

The Chancellor of the Exchequer delivered his statement at a time of contraction in the UK economy, but with tentative signs of an improving outlook. We were promised a PBR that would support growth. Unfortunately, we received a package of measures that neither supports recovery nor sets out clear fiscal plans.

The chancellor now expects the economy in the UK as a whole to contract by 4.75 per cent in 2009—a significant downward revision on his budget forecast of a fall of 3.5 per cent this year. Growth in 2010 is likely to be constrained and significantly below trend.

Against that backdrop, the Scottish Government, in partnership with our colleagues across the public sector, has taken action to protect jobs in the short run and to ensure that the economy is well placed for economic growth in the future. In the recent update to our economic recovery plan, which we published on 29 October, we set out how we are assisting the Scottish economy through three broad themes: supporting jobs and our communities; strengthening education and skills; and investing in innovation and the industries of the future.

Our recent draft budget puts economic growth at the heart of everything that we are doing over the next year. For example, provisions have been made for the small business bonus scheme to continue in 2010-11. The scheme has helped the owners of more than 64,000 business properties; during 2008-09, it benefited small businesses across Scotland by some £73 million. Since the United Kingdom entered recession, output in Scotland has fallen by approximately 5.8 per cent. That is in line with the rest of the UK, but better than that of many other countries such as Japan, where output has fallen by 7.7 per cent over the same period.

To date, the decline in employment in Scotland of 1.5 per cent is considerably smaller than the fall in total output. Scotland continues to outperform the rest of the United Kingdom in rates of employment, unemployment and economic

activity. In addition, today's labour market statistics show a rise in working-age employment over the three-month period to October while unemployment has fallen by 2,000—the first fall in unemployment since July 2008. That is welcome news, particularly for the 15,000 people who have secured employment over the period. Unemployment in Scotland is now at 6.9 per cent, which is a full percentage point lower than that for the United Kingdom economy.

Scotland's position on employment rates, economic activity and unemployment rates has been better than the United Kingdom in each of the 30 months since May 2007. Between May 2003 and April 2007, Scotland was better placed on all three measures in just 10 out of 48 months.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): Why is Scotland the only part of the United Kingdom where the claimant count rate for people claiming jobseekers allowance has gone up in the last quarter? Why is that?

John Swinney: It is intriguing that Mr Purvis always has to concentrate on the negative in the analysis. We have had a 30-month period in which employment rates, economic activity and unemployment rates were better in Scotland than in the rest of the United Kingdom. Today, for the first time since July 2008, we have seen a fall in unemployment and a rise in employment and yet Mr Purvis can take no encouragement from these signs.

Jeremy Purvis: Will the minister give way?

John Swinney: I have already given way, Mr Purvis.

It is clear that there is evidence of growing optimism in the Scottish economy, albeit that that is not echoed on the Liberal Democrat benches today. For example, this week's Markit PMI survey for the UK reported that private sector output in Scotland rose at its fastest rate in over two years, driven by a sharp rise in new orders.

At this critical stage, we are doing all that we can to support the Scottish economy within our limited powers. However, at a time when every other country in the G7 is maintaining the fiscal stimulus to support their economies, the Treasury has not accepted our further programme of accelerated capital investment. That decision puts in jeopardy much of the progress that we have made and threatens to undermine the first fragile signs of recovery that we are beginning to see across the country.

Before I address in greater detail the decision not to accelerate capital expenditure, I have a number of comments to make on other points in the pre-budget report. The Scottish Government will receive consequentials of approximately £23

million. That must be viewed in the context of an overall cut in the proposed budget. We will reflect on how best to allocate the consequentials and will advise Parliament accordingly.

We welcome elements of the PBR. The changes to the North Sea tax regime, although long overdue, are especially welcome. The measures that have been announced to support businesses, such as extension of the enterprise finance guarantee scheme and the time-to-pay scheme, are sensible. However, let me be clear—in its totality, the PBR is damaging for Scotland, and elements of it undermine the action that we are taking to support the Scottish economy.

At a time of weak private sector demand, it is vital that the public sector takes steps to support the economy. That is why we chose to bring forward £347 million in capital expenditure. We estimate that, through that programme, we have supported more than 5,000 jobs, with approximately 2,500 direct jobs in the construction sector. We have also been able to speed up vital infrastructure programmes such as the Edinburgh BioQuarter, the Fife energy park and the Scottish Exhibition and Conference Centre project in Glasgow.

Malcolm Chisholm (Edinburgh North and Leith) (Lab): I accept that the Government disagrees on the issue of capital acceleration; no doubt that point will dominate debate. However, does the cabinet secretary disagree with any other element of the pre-budget report?

John Swinney: We are dealing with a fundamental point—fiscal stimulus and the support that the economy requires at a particular time. We must concentrate on the measures that we can take to support economic recovery.

It is clear that our capital spending—a key part of our economic recovery plan—has provided vital support for the Scottish economy. We urged the chancellor to allow us to continue our capital acceleration programme for a further year. Each additional £100 million of capital investment is estimated to support 1,500 jobs in the Scottish economy. That case was widely supported in Parliament.

In his statement on the pre-budget report last week, the chancellor acknowledged that we must continue to support the economy until the recovery is secured, despite the fact that page 36 of his report shows that the fiscal stance will be negative in 2010-11. The UK is the only country in the G7 to remain in recession, yet it is the only member that will not provide a further fiscal stimulus next year. In countries such as the USA, Canada, Germany and Japan, vital investment will continue to flow into the economy; in Scotland, that process will be halted by the chancellor's actions.

I turn to the outlook for the public finances and the PBR's potential implications for future Scottish Government budgets. Annual borrowing is now expected to reach £178 billion this year, or almost 12.6 per cent of gross domestic product—a peacetime record. That will be followed by borrowing totalling more than £600 billion over the next five years. It should be noted that those projections are predicated on the basis of the Treasury's forecasts of future growth being accurate, but forecasts of private sector growth of more than 4 per cent in 2011 and 2012 are significantly more optimistic than most independent forecasts. Should the chancellor have to revise those economic forecasts, the deterioration in the public finances will be even more marked and the resulting cuts even more severe.

Although there has been a dramatic deterioration in the UK public finances, the UK Exchequer continues to be propped up by tax revenues from Scotland. Among the only bits of good news for the chancellor on the public finances is the fact that North Sea oil and gas revenues over the next six years are forecast to be £10 billion higher than the figure that he gave in the budget, just six months ago. We see the Scottish economy contributing to the UK public finances but getting none of the returns.

As challenging as next year's cuts will be, they are only a prelude to what we can expect in future years. Based on the detailed projections for 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. By comparison, in the early years of this decade, TME grew, on average, by 4.3 per cent per annum in real terms. Using the figures that I have cited, the Institute for Fiscal Studies has forecast that total departmental expenditure limit expenditure will fall by an average of 3.2 per cent per annum in real terms. That is significantly more than the reduction with which we are faced in the 2010-11 budget and will be sustained over a three-year period.

The PBR has given us further information on the likely profile of some of those restrictions on expenditure. UK 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 about 12 per cent per year, in real terms, in UK investment spending, which will have a huge impact on capital expenditure throughout the United Kingdom.

We can expect a significant squeeze on public spending in Scotland in the years ahead, which is likely to be unprecedented in severity and duration. It is unclear from the PBR how the

efficiencies that were announced by the chancellor last Wednesday will be delivered or how they will impact on the Scottish budget. A considered estimate has been published today in the Scottish Parliament information centre, and it suggests that the Scottish budget might be subject to a potential reduction of £457 million in relation to specific efficiency measures as announced in the PBR, and potentially an additional £800 million reduction by 2012-13 through a general operational efficiency programme.

The pre-budget report was heralded as an opportunity to invest in the economy and to support growth and recovery. It did not do that as, at a vital stage in our economic recovery, the chancellor has interrupted the programme of capital expenditure that has given us the foundation on which to build the steps towards that recovery in Scotland.

The Scottish Government will continue to take every action that we can, within our powers, responsibilities and resources, to support jobs and economic recovery. The difficulty for Scotland and the Scottish Government lies in the chancellor's failure to act on accelerated capital expenditure. That is a major blow to our economy, to jobs and to communities across Scotland. This Government is determined to be on the side of jobs and communities in Scotland, supporting people as they face the difficult times that lie ahead.

15:17

Andy Kerr (East Kilbride) (Lab): I welcome the opportunity to debate the pre-budget report. The actions of the Labour Chancellor of the Exchequer offer a competing vision of the future of our economy and our nation. Labour seeks to secure economic recovery and growth, to rebuild our public finances in a fair way and to protect front-line services. That is in contrast to the Tories' vision of austerity, low growth, unfunded and unfair tax cuts and deeply damaging measures on public services. Then there is the Scottish National Party. Independence is the SNP's only policy, and the models of aspiration are Ireland and Iceland.

The measures that have been taken are working, as was reflected in the cabinet secretary's speech. Unemployment indicators are heading in the right direction. There is no room for complacency, however, and we must maintain our action—but without choking off recovery, as the Tories would do. I welcome some of the cabinet secretary's statistics, but he has a brass neck of gargantuan proportions to claim credit for them here in Scotland. Just recently, the big six business organisations in Scotland and the subject committees of the Scottish Parliament have largely condemned the cabinet secretary's budget for

lacking a strategic vision, and the matching resources, for growing the economy in Scotland.

Gavin Brown (Lothians) (Con): How will increasing national insurance help recovery?

Andy Kerr: That is about rebalancing our public finances. People understand that the interventions that were made in the teeth of the global recession were made because action was required. Others offer the possibility of increasing VAT. That is not much of an idea, as it would be a regressive form of taxation. There is an understanding out in the real world that we must rebalance our public finances. This has been the worst recession in many years and it has required bold and decisive action. The UK Government took that bold and decisive action, with £2 billion injected into the Scottish economy through tax cuts, an investment of £500 million to get people back to work and an acceleration of capital here in Scotland—and I will come to that subject later. There was also the securing and rescuing of our banking system in the interests of people who hold mortgages, of savers and of the banks' employees. All those measures were taken, and the public finances require to be rebalanced.

Linda Fabiani (Central Scotland) (SNP): Will the member give way?

Andy Kerr: The SNP Government was caught in the headlights of the recession. In the onslaught, it was incapable of taking any action, bar declaring that independence is the only solution. The UK Government's actions could only be dreamed of by the Government in Scotland or by the Governments of the arc of prosperity, which is no longer so frequently mentioned. I will give way to Ms Fabiani.

I thought that someone wanted to intervene, but perhaps they were just talking loudly.

Linda Fabiani: I left it too late.

Andy Kerr: The actions that my party took in government in the UK were about ensuring that we respond to the recession in a way that protects people and public services. When the Tories were in power during the previous recession, there was a value-free zone in the context of economic stimulus or intervention, and insolvencies, repossession and unemployment were higher. That is the response that we would expect from the Tories in the current recession.

The PBR contained positive measures for Scotland in the context of oil and gas, the enterprise guarantee scheme, the strategic investment fund, support for mortgage interest, increases in the basic state pension, the young person's guarantee, which will be available after six months, child tax credit, an additional payment with the winter fuel payment, pension credit,

individual savings account limits, which will be raised, and social price support. We must acknowledge that what is being done in an attempt to balance our budgets and return to stability is being done in a way that seeks to ensure that the least advantaged in our communities are given the most support.

We should also acknowledge, as the cabinet secretary has done, that in relation to unemployment we are in better shape than are many parts of the world and that the contraction in the UK economy is less steep than the contraction in many other nations—

Gavin Brown: What? Name one.

Andy Kerr: Germany, Italy and Japan, for instance.

Public sector debt is projected to be 65 per cent of GDP in 2010-11, but it is 88 per cent in the euro zone and 96 per cent in Ireland—that model of best practice that the cabinet secretary and his colleagues so often mention.

I am happy to debate the issue of accelerated capital. I am also happy to quote Gordon Brewer, who said recently on "Newsnight Scotland":

"The SNP don't play with a straight bat. The Treasury agreed to your request to bring forward capital spending, you then put it into this economic strategy you announced with a big fanfare and claimed this extra money was for saving jobs and creating jobs in Scotland, yet when it comes to paying for it, which clearly if you bring forward money that means there is less money the following year, you try to claim that the very Treasury which allowed and encouraged you to do that is somehow responsible for slashing your budget."

Joe FitzPatrick (Dundee West) (SNP): I do not think that anyone has argued that the money need not be paid back. However, does the member agree that it would be better if it were paid back next year rather than this year?

Andy Kerr: The member had better put that point to Mr Mike Russell, who told members in the chamber no more than half an hour ago that somehow the Scottish budget—which is growing by £943 million—is being cut by £880 million. That is a fiction and it is irresponsible to make such comments.

Our continued support for the acceleration of capital, for which the SNP has such a fascination, is in the context of our demand that the SNP Government ensures that its budget addresses the real challenges and tackles the real issues for the Scottish economy, which it does not do. The SNP has spent £1.5 billion that was held in reserve at UK level—that money has gone. It has spent millions of pounds in increased budgets. There is also the continuing disaster of the Scottish Futures Trust and the SNP's inability to consider other forms of finance. The Government's only focus

appears to be accelerated capital. There are many other tools and resources that are available to it, but it chooses not to use them. Instead, it has cut the budget for housing and regeneration, the Glasgow airport rail link and many other areas.

The Government cannot even spend accelerated capital appropriately, which is hardly a useful approach to negotiations with the rest of the UK. The Deputy First Minister was forced to admit in committee that for every £1 that was accelerated, only 20p went into job creation; the rest was spent on, for example, acquisition of land and built properties, which does not contribute to economic growth or create jobs.

The SNP's laughable single transferable excuse on the Scottish budget must be exposed. The Scottish Government's budget for 2010-11 is going up in cash terms and in real terms. Like SNP members, I can quote SPICe reports. SPICe figures that were issued on 11 December set out the £943 million increase to the budget. Every minister in the Scottish Government uses budget cuts as the single transferable excuse for their lack of delivery, although we all know that they overpromised and are unable to deliver.

John Swinney: I do not know whether Mr Kerr plans to come on to the projections for the future public finances that were contained in the pre-budget report but, before he leaves the point, will he comment on his assessment of the impact of the future spending rounds that the chancellor set out on projected public spending?

Andy Kerr: I now have 50 seconds in which to attempt to do that and I want to say one more thing about the choice of future that we have by way of reflection on the arc of prosperity. I contrast what happened in the PBR in the UK with the budget in Ireland, where child benefit was cut by €16, jobseekers allowance was cut, teachers' and police pay was cut, hospital doctors' pay was cut by 15 per cent and there was a £1 billion cut in capital expenditure. The economic model that the cabinet secretary, the First Minister and many of their colleagues support is now proven to be unsustainable. Being part of the UK has ensured Scotland's ability to come through the recession in the manner in which we seek to do.

I look at the projections and at what the Institute for Fiscal Studies and the Centre for Public Policy for Regions say, but I also understand that longer-term projections have been proven over the years to be grossly inaccurate. I distrust politicians when they use such projections and when those projections become the founding principle of their argument, so let us go back to the facts.

Labour seeks to rebuild the economy, come through the recession and invest in skills. I suggest that that was done through the PBR and

was not done by the cabinet secretary through the Scottish budget.

15:26

Derek Brownlee (South of Scotland) (Con):

No one would pretend that the Irish economy is in a good place just now, but the difference between the Irish Government and the UK Government is that the former is at least trying to tackle the problems rather than simply burying its head in the sand.

We need to consider the pre-budget report in two contexts: the economic context that we are in, and what the report means for the size of the Scottish budget.

First, I will consider the economic context. Labour's recession is already the longest and deepest since the war. The expansion of the G7 to the G8 and now the G20 has not changed the fact that Britain is the only member country still in recession. Far from Britain leading the world out of recession—as Gordon Brown told us it would do, and as Andy Kerr told us it would do in the PBR debate last year—it will be the last major economy to come out of recession.

Bleak as the pre-budget report is, it does not tell half the story. The National Audit Office audits the assumptions that are used in the budget documents. The NAO assessment of likely unemployment is 700,000 higher than that used by the Treasury. If the NAO is correct, the Treasury will have to find an additional £3.5 billion of tax rises or spending cuts just to stand still.

On unemployment, the Secretary of State for Work and Pensions today said:

"we still expect unemployment to increase again in the New Year",

so to suggest that we are out of the woods is complacent, particularly given that the Labour Government wants to increase the tax on jobs even more. It plans further rises in national insurance, which will hit not just everyone who earns more than £20,000 a year but every business, charity, school and hospital in the country.

The pre-budget report assumptions work if we assume not only that the Labour Government's growth figures are correct but that wages will increase by 5.5 per cent per annum in the medium term. That is an heroic assumption, which few people would think credible. The PBR shows that Labour plans to increase taxes in every year from this financial year to 2014-15 but, over that time, will still pay back not a penny of debt. Faced with the largest deficit in British history, the Labour Government's answer is its default one: to spend more money that it does not have.

Astonishingly, Labour plans more debt in the PBR than it did at the time of the budget. It also plans more spending, but not the spending that was demanded by Iain Gray, whose call for accelerated capital was rebuffed by the chancellor. Iain Gray told us last week that that was because the Treasury could not trust the Scottish Government to spend it wisely. Gordon Brown must be glad that the Treasury has never applied such criteria to his spending.

Labour's spending priority is not capital, it is interest. According to the IFS, between 2011-12 and 2013-14, Labour plans to spend 11.1 per cent more each year on debt interest.

The IFS has helpfully highlighted what is and is not in the PBR. We know that Labour plans to cut capital spending by £13 billion a year and revenue spending by £18 billion a year. We also know that Labour plans to increase taxes by £16 billion a year. However, a further £30 billion a year will have to be found from higher taxes or lower spending on top of what we already know about. Labour has refused to provide details of spending beyond 2010-11. The chancellor said that that is because the situation is uncertain, but it is anything but. Labour's debt mountain means quite simply that billions of pounds will be cut from the Scottish Government's budget for many years to come.

The Scottish Government rather helpfully highlighted today the £1.2 billion of potential spending reductions that can be discerned from the PBR. With 3.2 per cent annual real-terms reductions in the Scottish Government budget by the end of the next parliamentary term, spending would be £3.6 billion lower in real terms.

I want to touch on what another commentator makes of the PBR. He says:

"it is not enough simply to blame the 'world economic crisis', or evil bankers."

He says that the Government needs to

"acknowledge that Labour in office has made serious misjudgements,"

and that it is

"guilty of damaging complacency in proclaiming 'No more boom and bust.'"

He also says:

"It is insufficient to rely upon the vacuous and irrelevant proposed Financial Deficit Bill. Substance is what is needed and this is no time for deliberate vagueness."

Jeremy Purvis: Will the member give way?

Derek Brownlee: I want to expand this point.

That commentator is the former Home Secretary, Charles Clarke, who tells us that

"the reason why this Pre-Budget Report has been so disappointing is that the Prime Minister used his ... authority"

over the chancellor

"to ensure that no full account of our economic predicament was provided, no systematic reform of banking was promoted and no clear account of Labour's approach to closing the fiscal deficit was made ... This weakness can only come from fear of discussion of our past failures and fear that it is too dangerous to set out our future plans."

Jeremy Purvis: Will the member give way?

Derek Brownlee: I want to conclude.

That is why, if we consider what Charles Clarke says and what the IFS says, and if we look at what is in the PBR but unsaid, we in this Parliament need to face up to reality. We need to prioritise those parts of the budget that we consider more important. We are going to spend less, and we have to face up to that. We are sleepwalking into a financial crisis if we do not do that. At least the Government in Ireland is facing up to the challenges. Both Scotland's Governments need to face up to those challenges. We will not get a spending review from the current UK Government, but that does not mean that the Scottish Government cannot prepare for one. In addition to the internal work that the Scottish Government is doing, we ought to have an independent external budget review to provide added rigour to the process of finding savings. The UK Government may be content to leave a mess for its successors. I simply hope that the Scottish Government will not be.

15:32

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): I concur with much of Mr Brownlee's analysis. I wanted to ask in my intervention—I understand that Mr Brownlee did not have sufficient time to take it—whether I understood his party's position correctly. His party wishes to reduce the deficit much more quickly than the UK Government does. If that happened, the Scottish Government's estimates would become considerably worse than those in the cabinet secretary's letter to the chancellor.

It is correct that we need to look at realities—our constituents expect us to do so—but the cabinet secretary began his speech by seeking to give the impression that all the positive news relating to the Scottish economy was a direct result of the Scottish Government's actions, whereas all the ills were a result of the UK Government's actions. People are not daft; they know that both Governments have considerable levers at their disposal. Many if not all constituents expect the Governments to work together in a recession and not to find every opportunity to highlight differences between the two. It is increasingly the

case, anyway, that they have no differences on the big macroeconomic issues.

The cabinet secretary had the cheek to suggest that I should not even ask why Scotland was the only part of the UK where the jobseekers allowance claimant count increased in the past quarter. More than 1,000 people in the past year in the Borders—part of which I represent in my constituency—many of them in the textile sector, have lost their jobs. Many of those will be part of the jobseekers allowance figures. I will not stop asking the question, nor should the Government stop working to support sectors that still have difficulty in Scotland—manufacturing and textiles are a key part of that.

I was amused to read Brian Taylor's recent analysis, on his blog, of the Scottish Government's response to the pre-budget report. He wrote:

"The Scottish Government is less than impressed."

The Scottish Government might indeed be less than impressed, but would it ever have been anything else? No UK budget from a UK Government would be welcomed by a Scottish National Party Government as a good deal for Scotland. We know that the SNP would never do that, as it does not suit its narrative.

Interestingly, in last week's debate on the powers of the Parliament, the Minister for Culture and External Affairs refused to say whether she would have preferred to deal with Alistair Darling's announcement or the announcement by Ireland's Minister for Finance. We know that the Irish finance minister, having cut this year's budget by €4 billion, announced a €3 billion cut in next year's budget, a 4 per cent reduction in social welfare payments, a 9 per cent reduction in child benefit and a 6 per cent across-the board cut to the public sector pay bill that includes a 5 per cent cut for people who earn up to €30,000. Even on the worst estimates of the impact of the figures in the pre-budget report on the Scottish budget—and even looking at the appendix to today's letter from the cabinet secretary—it does not look like the devolved Scottish budget will suffer the type of impact that the Irish finance minister announced to the Dáil last week. However, the Minister for Culture and External Affairs would not say that, because it does not fit her narrative to admit that Ireland's situation is worse than that of Scotland within the UK.

The Liberal Democrats have agreed with parts of the Scottish Government's approach. On accelerated capital expenditure, we understood the need for a stimulus to inject demand, primarily into the construction industry because the housing market had collapsed, and we supported that. However, the Scottish Government's rhetoric has increasingly outpaced the reality. That does not

suit the arguments and it does not suit the Cabinet Secretary for Finance and Sustainable Growth. During his statement on the local government settlement, the cabinet secretary told me:

"It is clear that capital acceleration has an impact on the capital budgets; we cannot accelerate capital expenditure and then have to claw it back without seeing a difference in the numbers—that is rather elementary arithmetic."—
[*Official Report*, 26 November 2009; c 21566.]

Such elementary arithmetic was missing from the First Minister when, during last week's First Minister's question time, he said that the pre-budget report resulted in

"a reduction of £814.4 million. That is the exact figure caused by Labour's spending squeeze in Scotland".—
[*Official Report*, 10 December 2009; c 22097.]

However, we know that half of that figure is the result of the Scottish Government accelerating money that it knew would need to be taken from another year's budget. Joe FitzPatrick indicated as much. If we are to have a debate about when the accelerated moneys are to be paid back, let us have an honest debate about whether this is the right time to do that.

Joe FitzPatrick: Will the member give way?

Jeremy Purvis: I would ordinarily, but I am afraid that I do not have time.

Instead, literally one hour ago, the Cabinet Secretary for Education and Lifelong Learning talked about an £800 million cut to the Scottish Government's budget. He did not mention the fact that the accelerated capital requires to be paid back.

Maureen Watt (North East Scotland) (SNP): Will the member give way?

Jeremy Purvis: I would ordinarily, but I am afraid that I do not have time.

The issue is not just that the Scottish Government is picking unnecessary or inaccurate fights and presenting information that is not the case, but that the Scottish Government is required to act on behalf of the economy and jobs in Scotland. It is not the right approach for the Scottish Government to misrepresent the facts when people are still losing their jobs and businesses still require support. People still expect the UK Government and the Scottish Government to work together. That is the reality that we require. Otherwise, for year after year in the coming years, we will just have the same type of response from the SNP Government that will not deliver any improvement on the ground.

The Deputy Presiding Officer (Trish Godman): We now move to the open debate.

15:39

Joe FitzPatrick (Dundee West) (SNP): The fact that we do not have the full powers of a normal Parliament and are therefore reduced to responding to the Chancellor of the Exchequer's pre-budget report is a regrettable state of affairs. The people of Scotland are growing increasingly unhappy with that as it becomes ever more evident that, no matter how good the intentions of the UK chancellor, Scotland will always be an afterthought in any UK budget and, as a result, will suffer.

Andy Kerr: Will the member give way?

Joe FitzPatrick: I want to make some progress.

This year's pre-budget report was worse than usual, because the UK economy is the only G20 economy that is still in recession. With record levels of Government debt, the only good news for the chancellor was the increase in expected North Sea revenues for 2010-11. I guess that there is a union dividend.

Historically, UK budgets have caused traditional industries in Scotland to suffer, but it is now industries that use emerging technologies, such as our successful computer games industry, that are being affected. The absence from the PBR of a vital research and development tax break for the computer games industry will stunt growth and put jobs at risk in a sector that is particularly important to my constituency in Dundee.

Over the past 12 months, virtually every industry expert has championed tax relief on research and development for computer games, but the Labour chancellor refused to take the necessary action to safeguard jobs and allow that important sector to compete on a level playing field with countries such as France and Canada. The recent report by the Independent Games Developers Association—TIGA—showed that such tax relief would create jobs and boost revenue, so its omission from the PBR is hard to fathom. TIGA's report clearly set out the benefits that would be gained by the industry from the proposed tax break, which in the case of Dundee could create 350 graduate-level jobs over the next five years and generate £45 million of extra investment. The report also laid out what would happen in what we thought would be the unlikely event that no action was taken on tax breaks for the computer games industry. It indicated a potential loss of 200 jobs in Dundee over the next five years. That is a worrying possibility.

As well as protecting existing jobs and creating new opportunities, the tax measure in question was estimated to be self-funding. TIGA's figures show that, over five years, the measure would cost about £192 million but would deliver £415 million in extra tax receipts. Those arguments have never

been challenged by the chancellor or other UK ministers. At a time when the largest games employer in Dundee, which last year continued to employ new graduates, is considering relocating to a more favourable tax regime to ensure that it can continue to be profitable, the omission from the PBR of tax relief on research and development for computer games is extremely disappointing to the industry.

Dundee is home to some of the world's best-selling games, from Lemmings to Grand Theft Auto, and, proportionately, the industry is worth twice as much to the Scottish economy as it is to the UK economy. I am not suggesting that the chancellor is a malicious man; I am simply suggesting that the measure was not important enough at a UK level for it to be included in the PBR. There may have been another reason for not implementing such commonsense tax relief, but we have yet to hear it. I have not heard it articulated in this chamber or at Westminster.

It is not just our computer games industry that is suffering as a result of the UK PBR. The chancellor's refusal to accelerate the £350 million of capital funding that the Scottish Parliament asked for—on a cross-party basis—is further proof, if it were needed, that Scotland's economic stability is hampered by the current constitutional set-up.

Andy Kerr: On the constitutional issue, will the member do what his colleagues have failed to do and tell us his preference: would he have preferred the Irish budget or the PBR?

Joe FitzPatrick: Mr Kerr should probably look at the recent International Monetary Fund estimates on gross domestic product based on purchasing power parity per capita before he goes slagging our closest neighbours, as those figures show that Iceland, Ireland and Norway are all well ahead of the UK this year, next year, the year after and into the future.

Last year, members of the Scottish contingent of the Labour Party made a big song and dance about how the bringing forward of accelerated capital was down to them, so they must take the blame for this year's snub, whereby a further £350 million has been removed from Scotland's budget. The UK set-up means that Scottish taxpayer money and the billions that are generated from the North Sea are good enough to fund the new generation of weapons of mass destruction but are not to be used to help the Scottish economy through the recession. *[Interruption.]* Mr Kerr mentions the banks, but it should be noted that next to the new, increased estimates for North Sea oil revenues, the bank bail-out pales into insignificance.

By refusing to bring forward capital spend, the UK Government has prevented several shovel-ready projects that could have started early from proceeding. That reckless decision, which goes against MSPs' and economic experts' views, places jobs in our communities at risk.

The pre-budget report has come from a chancellor who is out of touch with reality and is looking to the forthcoming general election. It fails to address any of the real issues for the people of Scotland.

15:45

Ms Wendy Alexander (Paisley North) (Lab):

This debate is about a PBR that adds £23 million extra to and removes nothing from the Scottish Government's budget of more than £30 billion for next year. We are having a debate on a pre-budget report that changes by less than 0.01 per cent what the Scottish National Party has known for nine months it would have to spend next year.

It is predictable that the SNP sees the PBR as a chance to have a good gurn; it sees it as another chance to have a go at Westminster. It has offered little serious economic analysis. It has a main gurn, which we now hear in almost every debate: it blames its own policy failures on the alleged tight-fistedness of London Labour. I simply ask the SNP whether it made any one of its manifesto promises contingent on a particular budget settlement. My recollection is that it certainly did not do so.

The truth is that the SNP did not have an inkling about how much cash would be available until the comprehensive spending review at the end of 2007. Every single one of the eye-catching promises that it is now dumping—on cancelling student debt, introducing first-time buyer grants, class sizes of 18 and free school meals, and maintaining the Glasgow airport rail link—was made without any idea of the resources that would be available to it. The truth is that there will be cash growth in every single year of its four-year term of office, in which it promised to deliver those things. Even in its own terms, we are talking about real-terms growth in three of the four years and the highest budget ever next year. Either the SNP had no intention of keeping its promises or it simply lacked the political will to prioritise them.

The SNP has another gurn. It uses the Scottish Government's departmental expenditure limit budget to assess whether a fiscal stimulus is under way in Scotland as a whole. We know that DEL accounts for a little over half of the total public spending that is attributable to Scotland. In response to the recession, Governments across the globe are changing the balance of spending. Here, unemployment benefit is going up, pensions will rise above inflation next year and child benefit

is growing in real terms. That is all money that will go into the pockets of Scots. Most important, Government debt interest payments are rapidly growing to help to finance the £850 billion that the National Audit Office tells us has been offered in guarantees to support British banks. A majority of that sum is going to Scotland-based banks.

Let us think about what is the best way to support the Scottish economy through the current economic crisis. I recall that the SNP simply wanted depositor protection. It did not call for bank recapitalisation, emergency liquidity funds, the underwriting of participation in the wholesale markets, an asset protection scheme and the myriad of techniques that have contributed to that £850 billion and kept those institutions open.

In October last year, Scotland's banks—the Royal Bank of Scotland, HBOS and Lloyds—received £37 billion of support, which is more than the Scottish Government's entire budget, and £60 billion in emergency loans were received last winter. Last month, the UK Government promised to buy another £37 billion of RBS and Lloyds shares if required—again, that sum is larger than the Scottish Government's entire budget—simply to ensure that those institutions could continue their operations. That is not a minor depositor protection scheme, which, of course, the Scottish Government prescribed.

I simply ask members, whatever side of the debate they stand on, why we are having a debate about £23 million extra, having never once had a debate about an £850 billion safety net. The answer, of course, is that it is about the gurn potential, not about the importance or relevance of that safety net to the Scottish economy. Back in the real world, that £850 billion guarantee is the stimulus that has saved the Scottish economy from the fate of Iceland and Ireland.

Before the SNP starts bleating about Norway, as the First Minister did at question time last week, perhaps the cabinet secretary will acknowledge that in Norway, VAT is not 17.5 per cent, but 25 per cent. Food is not exempt as it is in this country: VAT is levied on it at 14 per cent. Transport is subject to VAT at 8 per cent, and basic rate income tax stands at 28 per cent. That is in a country where the value of oil tax revenues significantly exceeds what it would amount to in any potential Scottish scenario.

I suggest that we explain to the shoppers on Princes Street just now, who are trying to make ends meet and who are simply relieved that their cash machines are still operating, why we are having a debate about 0.01 per cent of the Scottish budget. The answer is that the big picture does not suit the SNP, so it simply tries to ignore it. I challenge the SNP to commission its own chief economic adviser to examine the economic impact

of that stimulus of £850 billion of guarantees in supporting the Scottish economy in the past year. It is simply not credible of the SNP to hope that if it ignores that figure, it will go away.

To have carried out no analysis of any type whatsoever does a disservice to this Parliament. It also does the Parliament a disservice that more than two years after the SNP published its own Government economic strategy, it has not, in two years of economic crisis, had the courage to come back to the chamber and debate the strategy again. Yes, it would be embarrassing that the arc of prosperity that is eulogised therein has fallen to bits, but there is a case for dealing with the real world and bringing the strategy to the chamber to be debated some time in the new year. We look forward to that.

15:52

Linda Fabiani (Central Scotland) (SNP): As others did, I looked forward to publication of the pre-budget report on 9 December, because I hoped that the joint campaign by the Cabinet Secretary for Finance and Sustainable Growth and the Labour leader Iain Gray would result in an acceleration of further capital funding, which is required fiscal stimulus that would complement the Scottish Government's economic recovery plan. Sadly that did not happen, but I hope that the campaign continues by both the Scottish Government and the Labour group.

I will address a couple of points that members have raised. Wendy Alexander talked about the Scotland-based banks. Scotland is, unfortunately, currently part of the UK, so international banks are based in Scotland in that context. We keep hearing the accusation that Scotland could not have afforded to bail out the banks on its own, but the straight truth is that the UK could not afford to do so, either. We should include Northern Rock among those banks—it is not just the Scotland-based banks that were bailed out. That massive increase in Government indebtedness will hang around the necks of future generations like a millstone—it is the fault of the UK Government and its regulatory failure.

I return to the topic of Scotland and the pre-budget report. The Scottish Government's economic recovery plan is good and it is useful; those points have been proven. There is much in the plan that supports business, and we had hoped that the pre-budget report would complement some of the plan because the small business bonus scheme in Scotland has been highly successful.

One thing that I welcome in the chancellor's pre-budget report is that the corporation tax issue has been deferred until 2011. That is good news in a

way, because it means that there will be another year before the drivers of Scotland's economy are hit by it. However, the fact that it is happening at all is cause for concern, as is the rise in national insurance and its effect on business, which members have also mentioned today.

It is interesting to hear how eager the Labour group in the Scottish Parliament is to quote the Confederation of British Industry; these are changed days. However, I will quote the CBI back at Labour members. Richard Lambert, the CBI director general, said that

"The Government had made a serious mistake imposing an extra jobs tax at a time when the economic recovery will still be fragile."

I have no idea why, if the chancellor is really interested in using business to stimulate the economy, he thinks that that is a good idea.

I have to admit that the following points suffer from a lack of detail from the chancellor, but I am also concerned about the extra £500 million of credit that will be made available under the enterprise finance guarantee. As commentators throughout the country keep telling us, the banks are still not lending or operating the existing enterprise finance guarantee, even with the UK Government's assurances that the lending is covered. Indeed, I am sure that all MSPs have had evidence from small businesses in their areas that the system is simply not working properly. Perhaps the banks do not think that the Government is good for the money these days, but even the banks that are to all intents and purposes publicly owned are not following the Government's line and extending credit facilities to business. Perhaps the UK Government should use its position as majority shareholder in those banks to ensure that such credit, which will be used to stimulate the economy, is forthcoming.

I also note the announcement of a growth capital fund for businesses that cannot get credit. As a result, not only is the public purse standing guarantor for credit under the enterprise finance guarantee, but the Government is going to provide funds to businesses that the banks are refusing to give money to under the very guarantee that is about to receive an extra £500 million of credit. All that smacks of chaos at the heart of the Treasury's attempts to address the economic turmoil, which I suggest again was partly caused by the lack of proper regulatory control of the financial markets.

I do not have time to say much more, but I certainly think that we need a lot more detail on the measures to control bankers' bonuses. The one-off tax on bonuses of more than £25,000, which will be paid by the banks and not the individuals concerned, sounds a bit populist; it seems like a good idea that should raise some

money. However, Roy Maugham, tax partner at UHY Hacker Young, has said:

"This is one of the most easily dodged taxes in years. Almost all banks will be able to put off formal agreements on bonuses until after April. The ease with which this tax can be ducked raises the question of whether this is a political move to appease voters rather than a genuine attempt to raise money for the Treasury."

I share his concerns. The promises that we have been given lack a lot of detail, and I am sure that Parliament will agree that we need the same fiscal stimulus that the other G8 countries introduced. We are the only country that did not put in place such measures, and we are the only country that has yet to come out of recession. We must get together and keep making the argument to the Chancellor of the Exchequer—whoever he or she might be in a year or so—that the Scottish economy must be provided with the stimulus that it needs. After all, our hands are tied by the lack of the independent status that so many small nations across the world take for granted.

15:58

Malcolm Chisholm (Edinburgh North and Leith) (Lab): Economically and financially, we are where we are, first because of the worldwide recession of 2008-09 and secondly, as Wendy Alexander has emphasised, because of the Government's correct action in borrowing during those two years to stimulate the economy and support the banks. The Conservatives have criticised Labour for borrowing too much both before and during the recession and are wrong on both counts. In 2007, before the recession, the level of debt was 36 per cent of gross domestic product, which was down 7 percentage points from the 43 per cent that we inherited from the Conservatives in 1997. As I said, the Conservatives also criticised Labour's borrowing during the recession; however, if it had not done so, we would have had a 1930s-style depression with, it has been estimated, the economy contracting this year by more than 6 per cent, or two percentage points beyond the actual figure.

So the Conservatives have been wrong in the past about borrowing, and they are wrong when it comes to the future, which is why the forthcoming general election is so important. They want to cut the deficit too quickly, which runs the risk of causing a double-dip recession, and they want to make savage cuts to the current budget, which would put what the cabinet secretary described in his speech into the shade.

Unlike the Tories, the SNP supported the UK Labour Government's borrowing during the recession, so it has to support paying it back. To be fair, it does support that in principle, and its main disagreement is about accelerated capital

expenditure, which I shall come to in a moment. I intervened on the cabinet secretary precisely to find out what other critique he had of the UK PBR, and he did not give us anything in reply to that question. My sense is that the SNP Government supports in principle what Labour is saying for the years 2011 to 2014. There have to be some tax increases but, of course, the rich have to pay the most and the neediest have to be protected, which is what Labour is proposing.

Equally, the deficit has to come down, but only when the economy is fully functioning once again, so it will start to come down from 2011 onwards. If the SNP accepts that general budget stance, it has to accept that Parliament will face some budgetary challenges in the years 2011 to 2014, and so should not just use those difficulties as further ammunition against the UK Government.

I note that the cabinet secretary quoted the Institute of Fiscal Studies, but we must exercise caution about that. We do not really know what the level of annually managed expenditure is calculated to be during those years. Unemployment is not going up by as much as people expected it would, so we cannot have absolute confidence in the kind of expenditure reductions that the cabinet secretary described.

John Swinney: If Mr Chisholm had been listening carefully to Wendy Alexander's speech, he would have heard her make a point that I agree with, which is that the proportion of expenditure that is going to go to annually managed expenditure is likely to increase because of the current economic circumstances, which rather undermines the analysis that Mr Chisholm has just come out with.

Malcolm Chisholm: I am not saying that AME will not increase, but that we do not know what the precise level will be because we do not know what the level of unemployment will be, and that it will not go up by as much as was expected.

As we would expect, the cabinet secretary emphasised the bad news in the pre-budget report, but forgot the good. I hope that he welcomes the protection that has been given by the chancellor for health, schools and police in England, which will feed through into our budget. I hope that he and his cabinet colleagues will find a similar way to protect schools, as I said during Michael Russell's statement.

Gavin Brown: Will the member give way?

Malcolm Chisholm: I do not think that I have time: four minutes has gone already. I will give way if I have time, but I must get on to talk about accelerated capital expenditure.

The cabinet secretary also omitted to mention many other good measures, such as the job

guarantee for all 18 to 24-year-olds who have been out of work for six months, the new low 10 per cent tax on the profits from new patents—which is very good news for many hi-tech industries in Scotland—and the investment from the strategic investment fund to support life science companies in Edinburgh and a video games centre of excellence in Dundee.

I must get on to the capital acceleration issue because it is the heart of the SNP's argument in the debate. I have four points to make. First, the issue has to be seen in the context of a budget that is still growing. The SNP has forgotten to mention that. Secondly, if there was to be accelerated borrowing, there would have to be 10 times as much in England, which would mean £3 billion at least going on to next year's budget deficit. The cabinet secretary flagged up £178 billion as a problem, so he must recognise that it would not have been very easy to increase that further in the way in which he suggested.

Thirdly, we should observe the way in which the supposed £300 million of capital expenditure is being used by the Scottish Government. When the Finance Committee was meeting in Glasgow, I asked the cabinet secretary what he was going to spend it on, and he said social housing. What did we hear from the First Minister? I do not have time in my final minute to read out the list of projects that the First Minister gave for that £300 million, but it included transport, health, conference centres, the Scottish exhibition and conference centre, the Dundee waterfront. We should note that.

If the cabinet secretary really believes, as he said to me in the Finance Committee yesterday, that the £300 million is the difference between the Scottish economy growing and remaining in recession, why on earth does he not do something with his budget to address the economic issues? I am trespassing on tomorrow's debate, but it is clear that he has let his economic growth budgets decline and that he has the power to address some of the issues. There will be more of that tomorrow, but my time is up for today.

16:05

Ross Finnie (West of Scotland) (LD): If the disappointment with the pre-budget report was that it did not set out a coherent economic plan but was the first shot at a Labour Party manifesto, I suppose that we cannot be surprised that the debate on the subject turns out to be a bit of a party-political exercise. It is a curate's egg and we are all picking the bits that we want, but we do that all the time.

I agreed with much of what Wendy Alexander said about the structural deficit. We should not

forget the scale and size of the support that has been given to banks. Even last week, the Royal Bank of Scotland met to agree a further injection of £25 billion into its finances just to ensure that it can operate. That sum, which is a small element of what has been provided, is about 25 per cent of Scottish GDP. That gives an idea of the scale of the support.

Ms Alexander: I am mindful of the risk of being party political in such debates. Does Ross Finnie agree that it would be helpful for the office of the chief economic adviser or the Scottish Parliament information centre to consider the totality of the impact on Scotland of the £850 billion of guarantees to the banks? That would inform debate by giving us a clearer analytical picture of what is happening on stimulus or otherwise in Scotland.

Ross Finnie: That might be helpful, but it would perhaps be more helpful if the cabinet secretary were to address the contribution that Scotland has received. I do not wish to misquote the cabinet secretary, but in his opening remarks he almost gave the impression that there has been no payback to Scotland. That is not helpful in a difficult situation, nor is it helpful for Labour members to talk about an international crisis as an amorphous economic occasion that was caused by no one and which simply descended upon the globe. It did not. People contributed to it, and the Labour Government in Westminster was one of those parties. We should remember that.

The pre-budget report does not address the issue of maintaining capital spending although, curiously, the plan is to increase revenue spending in the next three fiscal years. Liberal Democrats regard that as being fiscally irresponsible, given the scale of the deficit. It is just not sensible for the Government to try to do that.

John Swinney: Will Mr Finnie extend his analysis to the future projections of capital expenditure, which my analysis suggests will decline on average by 12 per cent over the three years beyond 2010-11? Will he consider what impact that might have on the sustainability of economic recovery?

Ross Finnie: There are two elements in that. I think that the Liberal Democrats share with the SNP the view that this year is not the year in which to cut back on that expenditure. We certainly take that view but, looking forward, we have to get our finances and public expenditure into line. That is why the PBR was unhelpful, because the previous model, based on the idea that we would have an unending boom, has burst. The PBR was the opportunity for the chancellor to set out a clear structure and a plan on where we are going and what the structural deficit would be.

Simply squeezing budgets results only in salami slicing; it does not result in a strategic overview of how to address the structural deficit. We might be honest about the issue. We can all accept that although there have been exacerbating factors internationally, we have contributed. We need to know what we have to address, rather than pretend that the issue can be put off until tomorrow.

There also seemed to be an opportunity to re-establish and rebalance the fairness. I take slight issue with Andy Kerr—I am sorry that he is not here—who said in response to a question that national insurance tax is a progressive tax. That is simply not the case. The change to national insurance contributions means that anyone who earns £7,000 and over will pay 32 per cent tax—20 per cent income tax and 12 per cent NIC. That will not contribute to fairness. In raising taxes, the Government has slapped a 1 per cent increase on people's incomes and therefore everybody who earns £20,000 or more will be worse off. That is a singular failure.

There is also the question of bankers' bonuses, as others have mentioned. Frankly, as long as banks are controlled by the Government, having a levy on their profits and restricting how much they can pay out is a more sensible approach.

We have to tackle the question of what we in Scotland do and what is our response. Not only is it about taxes, but it is about pay restraint, about which I will speak about in my speech's last moments. For the Government in Westminster to impose a 1 per cent pay cap is not fair: to do so is to treat everyone as if they earn the same. That is why, as the cabinet secretary knows, we are in discussions with him about whether he will consider a 5 per cent restriction on the whole pay bill for the highest paid people in the Scottish Executive. That is a fair way to tackle the problem at that end of the scale. For employees in the public sector in general, we have to recognise that different levels of pay require different approaches, so we cannot take a one-size-fits-all approach.

16:11

Jamie Hepburn (Central Scotland) (SNP): The pre-budget report is a relatively recent innovation in UK politics. It was introduced by Gordon Brown when he was chancellor as, in his words, a way to

"help build the foundations of a shared understanding and sense of national economic purpose between Government, business and individuals."

It is clear that we all share the understanding that we find ourselves in difficult economic times. What has been announced in the pre-budget report will have a clear impact on the decisions that will be

made here in Scotland. Whether the report creates the desire for

"a shared ... sense of ... purpose"

about the way forward for the economy is another question.

The pre-budget report that was delivered by Alistair Darling last week suggests that the boom and bust that had allegedly been banished from the economy has at the very least been transferred to Government finances. The Institute for Fiscal Studies suggests that the effect of the pre-budget report will be to reverse

"All the increase in central government spending on public services over Labour's second and third terms by 2013/14."

I do not say that to make a party-political point; I say it merely to illustrate the severity of the decisions that have been announced by the chancellor and the scale of the consequent challenges that will face the Scottish Government, and the public sector throughout Scotland and the UK.

As we know, the Scottish Government is faced with a budget cut of some £800 million in real terms—the first real-terms cut in Scotland's budget since the beginning of devolution. We can argue about the cause, but it is the case that this coming year the Scottish Government will have £800 million less in real terms than was previously forecast. That will be felt throughout the country. In the cabinet secretary's preparatory budget announcement earlier this year, he outlined some of the consequences of those cuts.

As Linda Fabiani set out, it is particularly disappointing that calls to bring forward capital spending in Scotland have not been heeded. Last year's decision to do so protected some 5,000 jobs throughout the country. It kept people off the dole, saved social security costs and provided stability to employers that could help them to emerge from the downturn less damaged than they might otherwise have been. That stability has been put at risk by the failure to introduce further capital expenditure, and an important opportunity has been missed. I hope that when the budget is presented in the new year, that decision will be revisited.

Other decisions in the pre-budget report will be felt less directly, including the decision to increase national insurance. It will, for example, take £44 million out of Scotland's national health service as it pays the employer's contribution—the equivalent of more than 2,000 nursing posts. It is interesting to consider the case of NHS staff, given the report that was published by the New Economics Foundation earlier this week, which found that for every £1 that is earned by hospital cleaners, society benefits by the equivalent of £10. Can the same be said of the city bankers who

continue to enjoy such largesse through extravagant wages and excessive bonuses? Derek Brownlee is absolutely right that the blame cannot be laid entirely at the door of bankers—I agree with that. However, the New Economics Foundation found that city bankers are reckoned to destroy £7 of value for every £1 they create by encouraging people to go into debt and through the environmental effects of the overconsumption that they encourage.

Derek Brownlee: I clarify that I was quoting Charles Clarke on that point—I was not using my own phrase.

Jamie Hepburn: I am, of course, grateful for that clarification as, I am sure, are other members.

The pre-budget report will perhaps claw back some of the bankers' continued largesse through the tax on bonuses, although I note that Linda Fabiani said that the tax is easily evadable. There was a chance to go substantially further. Given the unprecedented nature of the current global economic circumstances, the decisions that were taken to bring banks into public ownership to the tune of £850 billion, as Wendy Alexander was so explicit in setting out, presented the chancellor with the opportunity to make some bold choices. However, instead, the choice was taken to tinker at the edges and the opportunity for a wholesale change in banking culture has been missed.

The pre-budget report gives no hint at a change to the planned £100 billion that the UK Government continues to commit to the Trident replacement programme. That is an opportunity missed. In an age in which we should commit to nuclear arms reduction, the Prime Minister and the chancellor remain wedded to that massive and unnecessary drain on public finances. In fact, a recent report by the Scottish Campaign for Nuclear Disarmament found that, far from creating employment and economic benefit, the Trident replacement programme could cost 3,000 jobs in Scotland's public sector, because finances are being diverted to it, rather than going to front-line public services.

Other decisions will have serious impacts on the Parliament and the Government. The UK Government is discussing the devolution of fiscal powers to this Parliament. Of course, I favour independence for Scotland. No country is immune from the effects of global recession; indeed, many of Scotland's small independent neighbours have felt the chill of economic downturn, as has been set out quite clearly by some of our colleagues.

Andy Kerr suggested that we in the SNP do not want to talk about our neighbours. Let us talk about one of our neighbours—Norway. Perhaps I want to bleat about Norway, as Wendy Alexander said. What Wendy Alexander failed to mention

was that Norway has the highest standard of living in the world. Its oil fund remains in surplus to what might be called an embarrassing degree. Independence would, of course, give Scotland the opportunity to establish its own oil fund, and to benefit from that natural resource in the same way that Norway has.

I am probably running out of time. Until Scotland has the powers that it needs to make all our resources work for the benefit of its people, we have a duty to scrutinise the impact of UK Government decisions on the Scottish Government's budget and to call for choices and alternatives that contribute to a fairer and more equitable society.

16:17

Helen Eadie (Dunfermline East) (Lab): Yes, the PBR was highly political and it will hit the rich. The dividing lines were on every page: bankers would be stung by a new tax on their bonuses and inheritance tax thresholds would be frozen, meaning that more people who inherit sizeable estates would be dragged into paying death duties, while the Tories have promised to exempt all but millionaires. This is really about Labour investment versus Tory cuts. We in Scotland know that the SNP is really the Tories masquerading as nationalists.

If we followed the example of Westminster, core services would be protected for two years, spending on schools would rise and the budgets for health and the police would be protected. Last week, the Prime Minister, Gordon Brown, said:

"We will always protect those services—the services of the mainstream majority."

Will Alex Salmond give the same guarantee? Will the SNP back public services?

We should remember the critical state that the global economy was in. Gordon Brown worked with world leaders and, together with Obama, Merkel, Sarkozy and others, he rescued people all over the world from potential financial Armageddon.

Despite the Labour Government saving the financial sector from meltdown in this country, parties in the UK have never given recognition to either Gordon Brown or his colleagues for the incredibly important part that they played in shaping the blueprint for the way forward on global financial regulation and recovery.

All his political life, Gordon Brown has argued for strong regulation of financial institutions. The Tories never get to their feet but to speak of Gordon Brown's or Labour's recession. I am surprised that Ross Finnie for the Liberal Democrats now says the same thing, because his

colleague Vince Cable, whom I respect a lot, acknowledges that there has been a world recession and collapse.

We know that we can lay the blame for the situation fairly and squarely on the Tories' right-wing Republican friend, George Bush. On his watch, the sub-prime mortgage lending world developed that started the financial collapse and brought the world economy to its knees. Let us not forget that it was bankers in the US and our own bankers in the UK who wrecked the economy. Let us not forget that, despite the bail-out of the banks, banks planned—before the PBR—bumper bonuses whose total was forecast to rise by 50 per cent to £6 billion. The Government deserves support in imposing the windfall levy on bonuses. I also welcome the Government's efforts to advocate a financial transactions tax. Those measures are important to make the financial sector as a whole more socially responsible.

I say to Joe FitzPatrick, who is not here—*[Interruption.]* I am sorry; he is here. I say to him and his SNP colleagues that, most of all, I do not believe that public sector workers should be forced to pay for bankers' mistakes through a real-terms pay cut. As for the wider issue of excessive pay, a windfall tax on bonuses is good for the short term but, for the long term, I support the call for the Government to establish a high pay commission.

Joe FitzPatrick looks puzzled, but he just needs to think about what he said about Alex Salmond and the arc of prosperity, which is better known now as Salmond's arc of delusion. In 2008, Alex Salmond said:

"Scotland looks out to an Arc of Prosperity around us. Ireland, Iceland, Norway, Finland and Denmark. All small independent nations. All stable, secure and prosperous."

The arc of prosperity has now been dropped from the SNP's vocabulary after its spectacular collapse. Instead, the ambition of the SNP's Treasury spokesman, Stewart Hosie, is to join an arc of recovery.

I will consider what Ireland has done. At one time, Alex Salmond would have given at least one limb to have Scotland in Ireland's shoes. Less than two years ago, he said:

"I am sure that most of Europe's Finance Ministers would give at least one limb ... to have Ireland's policy problems, rather than their own!"

On Wednesday 9 December, the UK Government's clear priority was to help families through the recession, to tax bankers' bonuses and to invest in getting people back to work. On the same day, the Irish Government's budget cut €4 billion—£3.6 billion—from public spending. That is on top of €8 billion of cuts that have been made in the past 18 months. Those cuts hit the

very people in the public sector whom we should help.

In Ireland, jobseekers allowance will be reduced for under-25s and for people who have refused job offers. Unemployment benefit for 20 and 21-year-olds will be reduced from €204 to €100 a week; those who are aged 22 to 24 will receive €150 per week; and the reduction for the remainder of the unemployed will be €17 a week. Tiered pay cuts will apply to public servants—the reductions will be 5 per cent on the first €30,000 of salary, 7.5 per cent on the next €40,000 and so on. Given that, let us hear no more about Ireland or comparisons with that country.

Let us think about what is good for Scotland and about the investment that we should make in our economy. Let us think about how we can move forward to help Scotland's economy to construct its way forward through the construction industry and invest in its people.

16:24

Bob Doris (Glasgow) (SNP): Throughout the UK, the effects of 12 years of economic incompetence, reckless borrowing, fantasy growth that was based on that lending and mindless largesse with public funds to no great benefit—the devastation that the Labour years have caused—are starting to bite. Those who are culpable for that disaster are being forced from office but will be rewarded with good pensions and handsome pay-offs. They will be comfortable; our children and our children's children will have to pick up the tab. This pre-budget report sums up perfectly the death of the new Labour project—no admission of fault anywhere and no idea of how to get the economy moving.

After a series of wildly false projections from the Treasury, it now looks as if the UK economy will have contracted by a staggering 4.7 per cent in 2009.

Andy Kerr: If it is only a Brown recession, why is the level of contraction here somewhat less than that in many other nations in the world? Is Gordon Brown responsible for that, too?

Bob Doris: Gordon Brown is responsible for a lot. The 4.7 per cent contraction in the British economy is his fault. It is time for him to shoulder some of that responsibility. Mr Kerr said in his speech that building houses does not create jobs, so we will not take any lessons from him.

Andy Kerr: No, I did not.

Bob Doris: Mr Kerr should check the *Official Report*.

In Scotland, the action that is needed to pull the nation out of Labour's recession is purposely

denied by the chancellor. Labour and Darling are strangling the Scottish recovery at birth while Scottish revenues prop up Labour's real priorities.

The failure of the UK Government to agree to capital acceleration for Scotland in the coming year has thrown a major stumbling block into our path to recovery. Instead, in 2010-11, the Scottish budget will be slashed by an eye-watering £814 million.

Jeremy Purvis: The member will have read the briefing from the Parliament's financial scrutiny unit, which demonstrates that half the figure is a direct result of Scottish Government decisions. I am sure that he wishes to be accurate

Bob Doris: I do wish to be accurate. Jeremy Purvis acknowledges that the figures are correct. The decisions were taken by the whole Scottish Parliament; we all agreed on the need for capital acceleration. If Mr Purvis now disagrees with that, perhaps he should say so.

In stark contrast to Labour's decade of recklessness, the past two years of SNP Government policy and responsible spending decisions have helped to steer the Scottish economy through these difficult times. We are not there, but we are getting there. Since May 2007—month in, month out—unemployment has been lower in Scotland than in the rest of the UK. The success of the Scottish Government in curtailing the worst effects of the recession has been undermined by drastic cuts in the Scottish budget. The chancellor's forecasts are now something of a running joke—if only this were a laughing matter. Labour has not got a clue on the economy. Without the return of Scottish revenues to Scotland, the nation is being bled dry. Capital acceleration is needed now for housing, infrastructure projects and job creation—all the essential components of economic recovery.

History tells us that Labour in Scotland will sit back and let Labour and Tory Governments in London act without regard to the Scottish interest. Labour members are today arguing the same old line. Without the powers that the Scottish Parliament needs, no Scottish Government—regardless of the party that forms the Administration—can protect the nation from Westminster cuts. The £350 million capital shortfall for 2010-11 will result in the loss of affordable housing, the loss of an estimated 5,000 jobs and the loss of essential projects.

When the Glasgow airport rail link was cancelled, Labour was first to point out the potential for associated job losses for the city. That infrastructure project was lost as a result of Labour cuts in London. The Scottish Government had to bring the Scottish finances back under control.

In Glasgow, the Labour council has managed to run the mainland Scottish council with the highest level of funding into financial turmoil. It has made cuts across the board—it is closing schools and slashing budgets for community projects and support services for the most vulnerable. Not only has it put organisations that support the vulnerable under threat, we have now heard that almost 4,000 jobs will be lost.

I have this to say to the Labour Party in the Scottish Parliament and Glasgow City Council. When the Scottish Government axed GARL, Margaret Curran approached me to ask what we should do about it, I told her that I was with her. I said, "Let's start a campaign to reinstate GARL. Let's go and see Alistair Darling and Gordon Brown and demand that these cuts don't happen." Margaret Curran walked away. I now say to Steven Purcell in relation to the 4,000 potential job losses in Glasgow and the slashing of voluntary sector budgets, "I will stand should to shoulder with you to protect vulnerable people and jobs in Glasgow, but we must take the campaign to Downing Street—to the people who hold the financial purse strings and are making the cuts." The offer is there.

Andy Kerr did not call for capital acceleration today; neither did Wendy Alexander. However, before the pre-budget report, everyone was calling for it. Willie Bain called for it during the Glasgow North East by-election. The only issue was how the accelerated spending would be decelerated at a later date—when we would pay it back. Now Alistair Darling and Gordon Brown have said no. There has been not a chirp or a bleat from Labour, although there have been a lot of girns from Wendy Alexander. That is hypocrisy of the highest order.

This Parliament does not have all the powers to tackle recession and an economy that is in turmoil, but we have some and need more. Capital acceleration would save 5,000 Scottish jobs that the Labour Party is putting at risk.

16:30

Jeremy Purvis: The debate has had two main themes: the macroeconomic position and its consequences for the banking sector in Scotland; and accelerated capital spending, which the Government sees as the centrepiece of its economy recovery plan.

Joe FitzPatrick rehearsed the wider argument that the Scottish economy is being harmed because the Scottish Government does not have the powers to support it; his comments were echoed by other SNP members. Mr FitzPatrick, Ms Fabiani and others referred to the turmoil of the past year in the banking sector. They said that

a separate Scotland could have done the same thing and borrowed the same amount as the UK Government—their argument was as basic as that. As they indicated in their speeches, we share a debt burden over the coming years as a result of UK borrowing. However, they missed the point, which is about scale. The public do not miss that point—they are fully aware of it. Yesterday, at an extraordinary general meeting in Edinburgh, the shareholders of the Royal Bank of Scotland agreed to participate in the UK Government's asset protection scheme, with an injection of £25 billion and UK Government protection of £282 billion of RBS assets. That is 300 per cent of Scottish GDP. It is inconceivable that a separate Scotland could have borrowed sufficiently to have covered that sum.

Jamie Hepburn: Is it not the case that the major domestic market of both RBS and HBOS is south of the border and that the UK Government would have had a role to play even if Scotland had been independent?

Jeremy Purvis: Is the SNP's economic model that Scottish businesses should be supported only if they have Scottish customers? That is an extraordinary suggestion—it is Walter Mitty-type economics.

Ms Alexander rose—

Jeremy Purvis: I will give way to the member if I have time to do so.

Jamie Hepburn has given the clearest example that we have heard over the past year of the extraordinary position that the SNP has adopted. Ross Finnie made the point that, following the provision of UK Government support, we expect the Treasury to reform the banking sector in Scotland. We cannot simply go back to the position a decade ago, before the crisis.

The second major theme of the debate was accelerated capital spending. The Scottish Government permitted bodies in Scotland to bring forward capital expenditure only from agreed planned programmes—it was not new money and could be brought forward only for projects that were in agreed programmes. That point was clear, and the Government has been strict about it.

At First Minister's question time last week, the First Minister stated clearly:

"The accelerated capital spending was part of the recovery programme that generated 5,000 jobs across Scotland."—[*Official Report*, 10 December 2009; c 22094.]

I am curious about that figure. On the same day, the Government made the welcome announcement of the tender for the Borders railway, funding for which amounts to between £235 million and £295 million. A Transport Scotland press release stated that 200 to 400 jobs

would be created during the period of construction. If a £295 million construction programme will create between 200 and 400 jobs, we need more information on how a £340 million capital programme can generate 5,000 jobs in Scotland.

It is not just me asking for that, even though I was at the Finance Committee yesterday, and the cabinet secretary refused to give any more information in this regard. The financial scrutiny unit—[*Laughter.*] The cabinet secretary is laughing.

John Swinney: It is no wonder that I am laughing.

Jeremy Purvis: I am sure that, in his winding-up speech, the cabinet secretary will respond to the Parliament's financial scrutiny unit. In its briefing, it says:

"Without full details on the profile of capital spending, it is difficult to examine whether the Government's estimates relating to the impact on employment are reasonable. It is also unclear why the latest figure of 5,000 jobs is lower than the figure that appeared in the June 2009 ERP Update, which stated that accelerated capital spending would support 6,350 jobs".

The financial scrutiny unit also addresses the wider aspect of what the cabinet secretary was saying in his opening remarks regarding the 15,000 jobs that are supported through the economic recovery programme. It says:

"It is unclear how the remaining 10,000 is accounted for, or whether these are 'new' or 'safeguarded' jobs. No further breakdown of this figure has been provided by the Scottish Government."

We need an honest debate about the impact of the PBR on Scotland; we need an honest debate about the banking situation; and we need an honest debate about the constitutional position, and about the benefit of being part of the much larger United Kingdom. Last week, the *Financial Times* reported clearly on the comparison between the UK and Ireland. Ireland would have defaulted if it had not taken stringent measures in the form of cuts. Its credit rating has already been downgraded. The *FT* reported that there is little doubt about the ability of the much larger UK to repay. We need an honest debate about the future of banking, including the type of banking that is carried out.

With regards to our economy in Scotland and the devolved basis of the Scottish Government, we need honesty about the jobs that it is claimed are to be created. If the financial scrutiny unit is not given the information on that, we will not know about the real consequences, and we will not get the honesty that we deserve from the Scottish Government.

16:37

Gavin Brown (Lothians) (Con): I confess to taking Labour's projections for the economy with a large dose of salt. Labour has got it badly wrong many times now. It constantly changes its predictions for debt; it constantly changes its predictions for borrowing; and it constantly changes its predictions for growth.

I start with growth. In the PBR last year, Labour predicted that the contraction to the economy would be 0.75 per cent. By the time we got to the budget in April, the growth figure was -3.5 per cent; on 9 December, we heard that it is -4.75 per cent. What a difference over the course of 12 months.

Labour said in the PBR last year that we would borrow £118 billion this year. That was an eye-watering figure at the time. Now, we are told that it will be £178 billion this year, which is 12.6 per cent of our GDP—the largest percentage for any country in the Organisation for Economic Co-operation and Development.

The pre-budget report on 9 December should have been about three things: putting country before party, measures to aid the recovery and a credible plan to restore the state of our public finances. I believe that the Chancellor of the Exchequer failed on all three of those measures. On the first, it is fairly apparent to most commentators that the pre-budget report was about the forthcoming election. It put party before country, with Labour desperately attempting to appeal to its core vote. One commentator described the PBR, generously, as a pre-election “publicity stunt”. In its leader column last week, *The Economist* stated:

“the pre-budget report ... was always likely to be more political than sensible. Even so it disappointed.”

The PBR should also have been about measures to aid recovery. We are the last of the big G20 countries still to be mired in recession, yet what did we get? We got something that Labour members have not been terribly keen to talk about today: another national insurance increase, to go with the national insurance increase that was announced in last year's pre-budget report—a tax on employees, and a tax on jobs. The Government said that it will be a tax on employees who earn more than £20,000 per year, but the Institute for Fiscal Studies says that it will be a tax on people who earn more than £14,000 per year. I leave members to decide whose analysis they prefer: that of the chancellor, who has got it wrong so many times, or that of the IFS. I ask Labour members, what is fair about increasing tax for people who earn a mere £14,000 a year?

Of course, national insurance contributions are a tax on not just employees but employers. The

increase is a disincentive on employers to create new jobs and takes money away from public services. The biggest employer in many regions is the national health service, which will have to make those employers' contributions. That is why the Confederation of British Industry Scotland was disappointed with the decision and the Scottish Chambers of Commerce said that the increase

“could lead to damage to Scotland's skills base and competitiveness.”

It is also why the Institute of Directors said:

“A further tax on jobs at a time like this is madness.”

A number of Labour members talked about how Labour would protect core public services—health, education and policing. However, they all neglected to say for how long they were making that commitment—that is what I wanted to ask when I tried to intervene. If we look away from the press releases and the bluster and consider the small print, we learn that the commitment is to protect those core services for two years. It is a commitment that will last not too long after the general election.

The PBR should have offered a credible plan to restore the public finances. It failed pretty miserably to do that. An opportunity has been missed and lost. It is clear from the small print in the PBR that there will have to be cuts of about £36 billion in departmental spending, but the chancellor and the Government failed to give us any indication of which departments will face cuts. That is bad news, for several reasons. First, it plays the people for fools. It tries to suggest to us, by delaying the pain that we must inevitably face, that the pain will not happen. It will happen, and the sooner the Government faces up to that and is honest with people about the choices that we face, the better it will be for everybody.

More important, we are clinging on to our AAA rating by our fingernails. If we lose that rating, the cost of the interest payments on our enormous debt will skyrocket upwards and our problems will be magnified significantly. The Labour Government should not have put the party first. It should have helped the recovery and it should have come up with a credible plan. An opportunity was missed.

16:43

David Whitton (Strathkelvin and Bearsden) (Lab): As we enter the season of good will, it is important to remember that the past 12 months have been one of the most challenging periods in the history of the UK Government and of this Parliament. We have been celebrating a decade of devolution—at least, Labour members have been celebrating; members of other parties can speak for themselves. During that 10-year period, the

financial settlement that has been enjoyed by the Parliament has seen steady and sustained growth, such that next year's budget, the budget for 2010-11, will be at a record level of £35,514 million, which represents an increase of £943 million on last year's budget and a 2.7 per cent rise. Those figures are from SPICe, which is apparently the First Minister's information source of choice.

Linda Fabiani: Does the member accept that since devolution at least 14 orders under the Scotland Act 1998 have transferred significant powers to the Parliament, including powers on major issues such as rail infrastructure, and that therefore a comparison with the devolution settlement under Donald Dewar 10 years ago is not at all valid? Indeed, that is proof of the maxim that devolution is a process, not an event.

David Whitton: If Linda Fabiani checks, she will find that consequential increases came with those orders. She might want to do a bit more research.

The point is that the Cabinet Secretary for Finance and Sustainable Growth has more money at his disposal than any of his predecessors have had, as he acknowledged yesterday. In fact, my colleagues Tom McCabe and Andy Kerr—both previous holders of the finance portfolio—were even more generous: they ensured that £1.5 billion was left at the Treasury. The cabinet secretary has spent that accumulation of end-year flexibility moneys, so no one in the SNP, especially not those in charge of the purse strings, can complain that the Government has been starved of cash. The question is, what has it done with it all? That is the true test of the SNP's Government.

After the chancellor's pre-budget report, I can tell SNP members what Labour's priorities are: to promote economic growth, protect public services and give more money to pensioners and young families. I say to Mr Hepburn that it does not matter where in the UK somebody lives for them to benefit from those priorities. However, there is no doubt that those who are fortunate enough to live in Scotland will benefit from the actions that Alistair Darling has taken.

As we have heard, the basic state pension has increased by £2.40 to £97.65 per week for a single person and by £3.85 to £156.15 for a couple. That is a 2.5 per cent increase even though the retail prices index was negative, and 1 million pensioners who live in Scotland will benefit from it. The child element of child tax credit will go up by £65 from April next year; around 320,000 families and more than 500,000 children who live in Scotland will benefit from that. On these cold winter days, the additional £100 winter fuel payment for those over 80 and £50 for those over 60 will be welcome. In Scotland, 160,000 households contain someone aged 80 or over.

That includes my mum and dad, so I suppose that I should declare an interest in that.

The PBR supports not only pensioners and families. The extension of the enterprise guarantee scheme will benefit almost 600 Scots firms; and the strategic investment fund is investing £12 million in facilities for new life sciences in Edinburgh and £2.5 million for a video games centre of excellence in Dundee by 2013, as Malcolm Chisholm mentioned. I am sure that Joe FitzPatrick will support that investment in Dundee, and I hear what he said about tax breaks for that important industry. Young people who are out of work will also benefit from the young person's guarantee, which means that, from April, all 18 to 24-year-olds who have been claiming jobseekers allowance will have guaranteed access to a job, work experience or training. As the cabinet secretary mentioned, the changes to the high-pressure, high-temperature field allowance will benefit the North Sea oil and gas industry and, in turn, help to protect key jobs in that sector.

All in all, in Barnett consequentials, Scotland gains an extra £23 million. The pre-budget report represents a package of measures that are aimed at securing the recovery alongside new measures that are aimed at stimulating economic growth, but what have we heard from the Opposition today?

Derek Brownlee gave us his usual forensic analysis of the figures and a call to face up to reality. He even praised the Irish Government for its draconian budget measures. Perhaps he and the Tories are suggesting that we do something similar. If that is so, I hope that he listened to my colleague Helen Eadie, who spelled out exactly what it means for the Irish.

Derek Brownlee: I think that everyone was listening to Helen Eadie.

The basic problem is that the amount that David Whitton's Government is spending in paying the debt—not paying back any debt, but paying only interest—will not only increase by half between 2009-10 and 2010-11 but increase further. If we do not address the deficit, that problem will be compounded. At what point does the Labour Party think we should start to address the problem and pay back some of the debt that it has run up?

David Whitton: We do not agree with the Tory party, which would simply cut off any fiscal stimulus altogether and make the situation even worse.

Joe FitzPatrick made a plea about accelerated capital. For the record, Iain Gray said when he wrote to the chancellor that he would consider supporting accelerated capital if, and only if, the SNP got its budget sorted. We wait to see whether that happens. We heard what happened last year: only 20 per cent of the money that was brought

forward was used directly to support jobs in construction.

Linda Fabiani talked of regulatory failure, adding that the UK could not bail out the banks. Perhaps she should talk to her First Minister, who said in August last year that an independent Scotland would pledge light-touch regulation in the financial sector.

The chancellor's pre-budget report is built on the economic recovery packages that have already been put in place. The UK, like the rest of the OECD countries, has faced unprecedented economic difficulties but, faced with those, the Labour Government has taken bold and decisive steps. The fiscal approach is broadly sound, given the exceptional level of economic and financial uncertainty.

The PBR continues high-level fiscal support for the economy at 5 per cent of GDP, maintaining spending through borrowing and taxation. Total managed expenditure will increase by £11 billion in real terms over 2009-10 and by almost £5 billion more than was planned in the 2009 budget, according to Treasury figures. Our two major banks were saved from collapse, protecting the savings and mortgages of hundreds of thousands of people. We heard from Wendy Alexander of the sums involved in that financial rescue plan. In addition, a further £2 billion was pumped into the Scottish economy through tax cuts. Economic forecasters predict that the UK economy is beginning to recover. Today's welcome drop in the unemployment figures for Scotland lends support to that view.

All that support comes at a price, so it is important that all parts of the UK make a contribution in that regard. It clearly does not help when the First Minister, members of his Cabinet and even SNP back benchers run around complaining about £800 million of cuts to their budget—which is a complete distortion of the real situation—then try to blame Westminster for the SNP's mismanagement of the record level of funds at its disposal. As Malcolm Chisholm said, we will have more to say on that subject tomorrow when we debate the Finance Committee's report on the SNP's budget proposals.

Today, we can say that the Labour Government saved Scotland's banks and protected Scots from the worst effects of the recession, and is now getting Scotland back to work. Indeed, Labour's approach is progressive, while the Tory tax plans and the SNP council tax freeze are regressive and benefit only the wealthy. The PBR has fairness at its heart and is part of a UK-wide recovery plan. I commend it to members.

16:51

John Swinney: Mr Whitton commenced his speech by saying that it was getting near to Christmas and the season of good will. I was treated to some customary ill will by Mr Whitton under the guise of humour, so perhaps he is saving the good will for tomorrow. I will come in tomorrow morning with a spring in my step, looking forward to that.

I am not sure that Mr Kerr took a bold step forward in career enhancement when he said that he did not trust politicians who make economic projections. Those rather lie at the heart of the substance of our debate.

Andy Kerr: My comment was based on the IFS and other organisations being notably absent from accuracy in their past projections.

John Swinney: I am sure that, if I delved deep enough into the annals of history, I would find that the current Prime Minister dwelt once or twice in his career on IFS estimates about the previous United Kingdom Administration in order to say all sorts of hideous things about it. Perhaps I will just leave Mr Kerr to explain his point to Downing Street.

Mr Kerr also criticised the Government's proposed budget for its levels of support for social housing—we will obviously discuss these issues tomorrow morning when we debate the Finance Committee's report. He then criticised the Government for arguing for accelerated capital expenditure and not accepting that it had to be paid back at some stage. Of course, the reason why our social housing budget is the shape that it is in the proposed budget document is because we have previously accelerated social housing expenditure and are now making the arrangements to pay it back. That was part of the rationale behind why we thought it would be advantageous for the Scottish economy to benefit from further capital acceleration in the forthcoming financial year—an argument which has been a central part of the debate today.

Mr Finnie contributed to the debate in his familiar thoughtful fashion and made a point that he has advanced with me in questions before, which is that this is perhaps not the ideal time to repay capital expenditure. I agree with him on that point because, although there are encouraging economic indicators just now and although we are encouraged by the positions on unemployment and economic activity that were reported today, we still have an anxiety about the level of private sector investment that is projected in the PBR. We are not confident that that investment will recover to the extent that is needed to support some of the growth forecasts that are implicit in the PBR. Of course, if the growth that is forecast in the PBR is

not sustained, even some of the very tough messages in the PBR about the future of public spending will not be able to be honoured, because there will be such pressure on the public finances.

In that respect, Mr Brownlee made a fair point—although I might not agree with all his conclusions—about the need for us to face up to the reality of the forthcoming spending environment, which should also inform tomorrow's debate on the Finance Committee's report on the draft budget. On the basis of the pre-budget report, nobody can marshal an argument that suggests that we face anything other than a major challenge on both revenue and capital expenditure not only for a couple of years—as was the case under the Thatcher Administration in the early 1980s—but for four to five years under whichever party forms the United Kingdom Government. Given the reality that Mr Brownlee referred to, I hope that the information that Labour Party colleagues have been happy to marshal in today's debate will also underpin the judgments that are made about the Scottish budget, which we all know must operate within a fixed financial envelope. I regret the fact that we will not have further capital acceleration to support economic recovery next year, but we will continue to argue for that with the UK Government.

The other major argument in today's debate has been about the bail-out of the banks. We have heard all the significant numbers, and the stability of the banking sector is of course fundamental to the health of our economy. However, today's debate placed less emphasis on what the chancellor said will be the likely cost to the UK Government of the bank bail-out. In the pre-budget report, the chancellor did not reassert the position that he took in his April budget statement, in which he suggested that the cost to the UK Government of the bank bail-out would be between £20 billion and £50 billion. Instead, he said that the cost is much more likely to be £10 billion—depending on which way one wants to look at it, he has reduced his estimate by either £40 billion or £10 billion.

Of course, that estimate from the chancellor assumes that the UK Government will be unable to make any profit from selling its stake in the banking sector. In most other examples in which a Government has taken a stake in the banking sector in circumstances similar to those in which the UK Government acted last year, that Government has ended up making a profit. Where will that profit go? It will go to the UK Government that made the investment, from which it will get a financial return. As well as receiving that financial return, the UK Government will also get the extra £10 billion—which was never projected in the budget this April—that will be realised from increased North Sea oil revenues. We cannot deny those realities.

Mr Finnie also made a point about public sector pay, which is a significant issue. We will need to take enormous care to ensure that we have an appropriate, effective and fair but stringent approach to pay policy in the years to come. That will be a fundamental undertaking of this Government. We have already taken steps to restrict pay at the very senior levels within the public sector, and we will of course examine the proposals that have been put by the Liberal Democrats.

Let me close with the example that my colleague Joe FitzPatrick highlighted as a missed opportunity in the pre-budget report and which rather illustrates the weakness of this Parliament's current powers. Mr FitzPatrick marshalled an argument about why, over five years, a tax break for the computer games industry would produce an economic benefit of £415 million compared with a cost of £192 million. That compelling argument has been put to me by the industry, but I cannot act on it because we do not have the responsibilities for that. If ever there was an illustration of what measures a Scottish Government with the full range of financial powers could take to support one of our emerging innovative industries, the computer games industry is it. That demonstrates what lesson we should take about the future economic powers of this Parliament.

Business Motions

16:59

The Presiding Officer (Alex Fergusson): The next item of business is consideration of business motion S3M-5421, in the name of Bruce Crawford, on behalf of the Parliamentary Bureau, setting out a business programme.

Motion moved,

That the Parliament agrees the following programme of business—

Wednesday 6 January 2010

2.30 pm Time for Reflection

followed by Parliamentary Bureau Motions

followed by Health and Sport Committee Debate:
Inquiry into Child and Adolescent
Mental Health and Well-being

followed by Public Petitions Committee Debate:
Petition PE1150 on Community
Prisons

followed by Business Motion

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business

Thursday 7 January 2010

9.15 am Parliamentary Bureau Motions

followed by Stage 1 Debate: Public Services
Reform (Scotland) Bill

11.40 am General Question Time

12 noon First Minister's Question Time

2.15 pm Themed Question Time
Education and Lifelong Learning;
Europe, External Affairs and Culture

2.55 pm Continuation of Stage 1 Debate:
Public Services Reform (Scotland)
Bill

followed by Financial Resolution: Public Services
Reform (Scotland) Bill

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business

Wednesday 13 January 2010

2.30 pm Time for Reflection

followed by Parliamentary Bureau Motions

followed by Scottish Government Business

followed by Business Motion

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business

Thursday 14 January 2010

9.15 am Parliamentary Bureau Motions

followed by Scottish Government Business

11.40 am General Question Time

12 noon First Minister's Question Time

2.15 pm Themed Question Time
Health and Wellbeing

2.55 pm Scottish Government Business

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business—[Bruce
Crawford.]

Motion agreed to.

The Presiding Officer: The next item of business is consideration of business motion S3M-5422, in the name of Bruce Crawford, on behalf of the Parliamentary Bureau, setting out a timetable for stage 1 of the Crofting Reform (Scotland) Bill.

Motion moved,

That the Parliament agrees that consideration of the Crofting Reform (Scotland) Bill at Stage 1 be completed by 30 April 2010.—[Bruce Crawford.]

Motion agreed to.

Parliamentary Bureau Motion

17:00

The Presiding Officer (Alex Fergusson): The next item of business is consideration of a Parliamentary Bureau motion. I ask Bruce Crawford to move motion S3M-5423, on the approval of a Scottish statutory instrument.

Motion moved,

That the Parliament agrees that the draft Pharmacy Order 2010 be approved.—[*Bruce Crawford.*]

The Presiding Officer: The question on the motion will be put at decision time.

Decision Time

17:00

The Presiding Officer (Alex Fergusson): There is just one question to be put as a result of today's business.

The question is, that motion S3M-5423, in the name of Bruce Crawford, on the approval of a statutory instrument, be agreed to.

Motion agreed to,

That the Parliament agrees that the draft Pharmacy Order 2010 be approved.

Open University

The Deputy Presiding Officer (Trish Godman): The final item of business is a members' business debate on motion S3M-5328, in the name of Claire Baker, on 40 years of the Open University. The debate will be concluded without any question being put.

Motion debated,

That the Parliament congratulates the Open University on its 40th year; recognises the key role that Harold Wilson and Jennie Lee played in developing the Open University; supports the positive work that the university does in Scotland as an accessible and innovative way for people to fulfil their ambitions for lifelong learning and social mobility, providing learning opportunities to the widest possible range of people and contributing to Scotland's economic development; notes that it is now the United Kingdom's largest university, teaching almost 200,000 students a year and, since opening in 1969, it has helped over two million people realise their potential; notes the central role that part-time higher education, such as that delivered by the Open University, has to play in supporting upskilling and reskilling in Scotland's workforce, and considers that appropriately resourced part-time flexible learning has the potential to make an even more significant contribution to supporting Scotland's skills agenda and to promoting educational opportunity and social justice.

17:01

Claire Baker (Mid Scotland and Fife) (Lab): I am pleased to have secured a debate that will enable all of us to acknowledge the huge role that the Open University plays in Scotland's education system, and I am pleased to welcome to the gallery Peter Syme and Lorraine Hunter of the Open University in Scotland.

It is 40 years since the Open University was established. During those years, it has helped more than 2 million people to expand their knowledge and skills and to realise their potential more fully. The Open University is the largest academic institution in the United Kingdom by student number, and it qualifies as one of the world's largest universities. We can take some pride in the fact that the UK has created and nurtured a model that has benefited so many people.

I am pleased that although we are at the end of the Open University's 40th year, we have managed to find the time to celebrate the institution's history and, more important, to recognise the significant contribution that it does, and can, make to the modern economy.

In 1963, Harold Wilson, as leader of the Opposition Labour Party, sketched out his plan for a "university of the air". We live in a digital age, in which communication and information now flow freely, so we can see how innovative and ambitious Wilson's plan was for the early 1960s.

However, that was also a time of new broadcasting technology, which Wilson believed could be harnessed to meet the education needs of learners.

Once in government, Labour moved forward with those ideas. It is often said that if Harold Wilson was the father of the Open University, Jennie Lee was the midwife. She brought determination, and was described as

"a politician of steely will, coupled with both tenacity and charm, who was no respecter of protocol and who would refuse to be defeated or frustrated by the scepticism about the university, which persisted not only in the Department of Education and Science (DES), but also in the universities, among MPs and among the community of adult educators."

Jennie Lee ensured that the Open University overcame educational reluctance in some quarters and civil service resistance in others, and that it was established with a reputation that has only grown over the years. Once in the House of Lords, Jennie Lee retained a passionate commitment to the OU. She said:

"the very essence of the OU is that it should not be for the rich or the poor, for black or white, for men or for women, but it should be judged on its academic standards and be available to all."—[*Official Report, House of Lords*, 18 June 1975; Vol 361, c 969]

That understanding is at the heart of the OU. As we progress through the 21st century, the OU has as great a role to play in the modern economy as it had 40 years ago. It remains at the forefront of the widening-access agenda of increasing social mobility and delivering flexible learning around which people can fit their lives and work.

Increasingly, the OU plays a key role in articulation paths. More than one in four OU students in Scotland comes from the college sector and builds on his or her higher national qualifications to gain a degree. The Open University signs agreements with colleges. As part of the 40 years celebrations, it signed the Jennie Lee partnership agreement with Adam Smith College in the redeveloped miners institute in the village of Lochgelly, which was at the heart of Jennie Lee's childhood.

When the OU first came into existence, stay-at-home mothers who were looking for a diversion rather than career advancement were among the key groups that were identified as potential students. The world is now a very different place, of course. People use the Open University for many different reasons and have many different expectations and aspirations. It now meets the needs of returning learners, learners who are in employment and are looking to upskill, students who balance other responsibilities with their studies, people who are looking for affordable

higher education, and students in more remote and rural areas of Scotland.

The Open University plays an important part in promoting education opportunities and social justice in Scotland. In 2008-09, more than one in four Open University students was on benefits or a very low income and was able to study because he or she received a fee waiver. Since 1989, the OU has been the main provider of university-level study in Scotland's offender institutions. The number of people who use individual learning accounts for Open University courses is 69 per cent higher than it was last year. Last year, 14 per cent of students who joined the university came from 20 per cent of the most deprived areas of Scotland. That rivals the record of many other universities.

The idea of the Open University was partly sparked by the new technologies of the 1960s, which influenced its delivery and the range of courses that it offered. In the 21st century, it fully utilises modern communication methods—for example, it launched the OU YouTube channel last year. That innovation led to a letter being sent to the OU magazine, *Sesame*, that said:

"Bearing in mind that I started studying with the OU 'way back' in 1978 and I have just turned a 'young' 60 years old, I feel behind the times—what are blogs, podcasts and fun areas? Oh, and iPods!?"

Perhaps it is the letter writer's willingness to ask questions and take on new ideas that marks them out as an OU student.

We must address a serious point about broadband access throughout the UK. The issue is not just access and connectivity in rural areas in particular; it is also to do with digital participation in deprived communities. Glasgow, for example, has one of the lowest levels of digital participation in the UK. We all need to work together to address the barriers to digital participation.

The motion mentions resources. It is important that the Open University's significance and potential are not overlooked in discussions about future resourcing of the college and university sector, and about the support that is provided to students.

The OU does not have only a social role. In the UK's latest research assessment exercise, it climbed 23 places to 43rd and secured a place in the UK's top 50 higher education institutions. Therefore, it is also a major research player.

The Open University can make an even more significant contribution to supporting Scotland's skills agenda and promoting education opportunities and social justice. It may be a model that was designed more than 40 years ago and which then looked like a vision of the future, but 40 years on, the Open University still offers a

relevant, exciting and innovative vision of the future of learning that we should all embrace and support.

17:08

Christopher Harvie (Mid Scotland and Fife) (SNP): I congratulate Claire Baker on lodging the motion, which takes me back to reading Jennie Lee's autobiography in about 1962—or, rather, one of the numerous versions of it. It was a sort of dance of the seven veils; in each new edition, one got to know more and more interesting things about her life. The later editions of it would certainly not have been published by Puffin Books, as the earliest edition was. She had a remarkably bohemian existence, which was concealed from the infants of the 1950s.

In 1969, Arthur Marwick recruited me to the Open University history department. I turned up with a bunch of people from the London office at Walton hall in what we used to call the Open University's welly-boot days—the campus was so covered in mud that people had to trample around in welly boots. People were issued with slippers when they went into the teaching rooms.

Walter Perry greeted us like Trevor Howard in a second world war movie. He said, "Some of you chaps might be wondering why you have been brought here." Of course, that brought back to us the fact that Walton hall had been one of the centres related to Bletchley, where the Enigma code was cracked and messages were decoded during the second world war.

We pioneered distance teaching in the humanities, and the organisation was brilliant. It ticked all the boxes that Antony Jay mentions in his book, "Corporation Man". The book discusses good organisation as having been set up by Jesus Christ, including federations of 12-men units in which consensual conclusions could be reached and then added together to drive a thing forward. The OU structure worked from the foundation committee all the way down, via the faculties, to the course teams and the working groups.

Getting the OU off the ground in 15 months before the first programmes went out was quite incredible. On a junior lecturer's salary, I directed the last quarter of the A100 course on industrialisation and culture, which was the first foundation course in the arts. I can even remember teaching for three weeks instead of the statutory two at the Stirling summer school, of which some tabloid—I think it was probably the *News of the World*—remarked, "Cool it, telly dons are told!"

The industrialisation part of the course was represented by Glasgow, just before an awful lot of it was knocked flat. I remember taking students

around the city, and looking up one road to see Jimmy Reid, Tony Benn and Willie Ross, and thousands more, bearing down on me. They were marching to the Broomielaw, because 1971 was the year of the upper Clyde work-in.

It did not take the OU long to get rooted in Scotland and in Scottish politics, with such people as John Mackintosh MP, Allan Macartney MEP and Gordon Brown MP—later PM—doing their bit. There is a contemporary connection, because the upper Clyde was a precedent as well as a confrontation. The sad deindustrialisation of the country that emerged is something that we need an Open University mark 2 to cope with.

An investigation of the way forward for economic reconstruction requires many of the techniques of the OU, which are now available in far more sophisticated forms. It is now possible to use high-definition television to create virtual laboratories in which technicians in Scotland can be trained with an eye on technical know-how from abroad. Conversely, as a *quid pro quo*, that technology also allows education institutions abroad to adopt innovations from Scotland and to train workers to use them.

The OU started off by being supercentralised; in fact, Walter Perry supposedly said that the regions were only “glorified post boxes”. That did not last long: the regions and nations—and the feedback—were soon influencing what we wrote and how we taught. Someone also said that Open University summer schools altered the whole demography of Britain. I acknowledge that, because I met my wife Virginia in 1977 while teaching the A100 course at Norwich, on the day—as she reminded me—that Elvis died. There followed 28 years together, and our daughter, Alison, who now works for the Young Foundation. Michael Young is another figure who should not be forgotten from the founding days of the OU. I remember what Virginia said at the end of her life: “I wouldn’t have missed it for the world.” I can think of thousands—millions, as Claire Baker said—who would say the same.

17:13

Murdo Fraser (Mid Scotland and Fife) (Con): I congratulate Claire Baker on bringing the debate to the chamber and commend her for her motion, which I was happy to sign. As we have already heard from Ms Baker, the Open University has for 40 years provided the opportunity for education for all through innovation and communication. The OU helps about 200,000 students a year to access and benefit from education, and it is committed to providing education for all, regardless of age, location, ability or previous qualifications.

Claire Baker rightly paid tribute to the vital work of Jennie Lee in the establishment of the OU 40 years ago. When Harold Wilson appointed Jennie Lee as minister for the arts, he asked her to develop the university of the air project. Through her tenacious work a white paper was published in 1966 and a commitment to the concept was included in Labour’s 1966 general election manifesto.

The efforts of Jennie Lee in establishing the Open University were recognised when her name was given to the Open University’s first library. In 2004, a new university library opened, which housed her political archive. That new library showed the continuing commitment of the OU to distance learning, as it is a centre of digitalisation—that is a big word to say at this time of the evening—that enables users to access and enjoy OU library resources wherever they are.

Of course, Jennie Lee was not the only female politician to play a vital role in the OU’s early days. In 1970, after the formation of the OU, a new Conservative Government was elected, led by Edward Heath. It was committed to cut public spending—some might say that times never change—and the Open University was perceived as a project on which savings could be made. Having found no negligible saving in reducing the OU’s intake, Mr Macmillan, the Chief Secretary to the Treasury, suggested that it could be closed, but the then Education and Science Secretary was attracted to the concept of the OU and won the argument for its continued existence. Her name was Margaret Thatcher. So now we know that Maggie saved not just Hampden park, as we learned this week, but the Open University.

The quality of teaching in the OU is remarkable. In 2004, the *Sunday Times* university guide wrote that only Cambridge, Loughborough, York and the London School of Economics had a better teaching record. According the national student survey that was published in November 2008, 94 per cent of the OU’s students mostly or definitely agreed that they were satisfied overall, ranking the university second among the 258 UK institutions that took part. That is a remarkable record.

The OU in Scotland has 98 staff and 523 part-time tutors who support 14,000 local students. More people in Scotland choose to study part-time with the OU than with any other institution and it has been the largest provider of part-time study in the Highlands and Islands for more than 30 years. Nowadays, through OpenLearn Scotland, the Open University provides free access to OU learning resources related to all aspects of Scotland’s history, politics, literature and technology, which means that everyone is able to access high-quality and valuable information about our country. The OU continues to collaborate with

the BBC through Open2.net, an on-line learning portal, and together they create fascinating, engaging and educational programmes such as “Life” and the much-debated “A History of Scotland”. Just last year, I was pleased to help launch a new OU course in Scots law here at Holyrood.

What Iain Macleod MP once described as “blithering nonsense” has far surpassed all expectations. The Open University is a brilliant, vibrant and, for many, invaluable institution that is dedicated to lifelong and distance learning for all. Its inclusive nature is what makes the institution such a success, and I congratulate it on its 40th birthday.

17:17

Bill Kidd (Glasgow) (SNP): I congratulate Claire Baker on securing a debate on what I believe to have been one of the most important innovations in education in the 20th and 21st centuries—the Open University is undoubtedly as important today as it was when it was founded in the 1960s.

To have taught more than 2 million students over the past 40 years is indeed remarkable, but of course it is not just about the numbers. As a result of the innovative ways in which students learn with the OU, opportunities have been presented and taken and lives have been changed. It provides a viable learning alternative for people who would find accessing more usual learning environments—for example buildings that are concentrated in specific areas and open at fairly specific times—a problem and its availability to disabled people, the elderly and single parents whose personal study time can be variable has turned it into an educational lifeline for thousands.

Through partnership working with the Scottish Trades Union Congress and employers in workplaces throughout Scotland, the OU has provided people with the flexibility not only to learn but to advance skills that would otherwise have been denied them if they had had to rely on conventional student routes. Moreover, a suite of short health courses developed by the OU and aimed at health care workers, patients and the general public has played a major role in diabetes care and the battle against obesity and, by supporting the Scottish Government’s objective of driving up productivity by using skills more effectively in the workplace, the OU benefits not only businesses and individual workers but the whole of Scottish society.

Over the years, relatives, friends and work colleagues of mine have embarked on OU courses for a variety of reasons. Some wanted to improve their qualifications to help their jobs or careers;

some wanted to gain the qualifications that they never had the chance to get because of a school record that was, for whatever reason, poor; others wanted to delve into a subject in which they had an abiding interest purely for the satisfaction of knowing as much as they could about it. The OU has been the only practical way to meet those important needs.

So yes, those of a certain vintage will remember that, many years ago, earnest mathematical chaps with bad beards and even worse Christmas jumpers filled in the Saturday morning television schedules and, for the uninitiated, the OU became the butt of puerile humour—not for me, though, because I tended to watch “Swap Shop”. Now, happily, the kudos of an Open University degree is in no doubt; OU graduates are among the most employable in the UK. So here is to the big five-oh of the OU.

17:20

Alasdair Morgan (South of Scotland) (SNP): I congratulate Claire Baker on securing the debate, and I would like to express my gratitude to the OU and to those who founded it. I was an OU student and graduated from it not exactly during the first tranche, but in the 1980s. Last night, I looked back at some of my courses, particularly A101, which was the first course that I did, and there in the list of lecturers and in a photograph was a much younger-looking Chris Harvie as the author of a couple of the units in that course.

I did my degree not out of necessity, but simply to broaden my mind and keep it active, and I make no apology for that, because that is one of the purposes of education. One of the attractions of the OU was the unrestricted range of topics that people could get involved in, because the only degree available was the open BA. In some ways, that harks back to the Scottish tradition of the old ordinary MA, which still has much to commend it in these days of specialisation. In my pursuit of diversity, and in my 12 courses to get my eight credits, I managed to include every faculty identifier that was available at the time, partly because of the attractive and innovative nature of many of the courses. That made me wonder why such courses were not available at traditional universities, or even at school when I was younger. For example, I took A101, the arts foundation course, because of its diversity, the materials it included and the way in which it drew them all together. SD286, on brain biology and behaviour, drew together the study of the brain from physiological and psychological perspectives.

The technology for delivering the course materials was interesting, and was always at the forefront of what was available at the time. Technology has moved on, but radio broadcasts

were still used for A101, and nothing was more soporific than listening to a lecture on the radio at about half past midnight. Bill Kidd referred to the fashions of the lecturers on the television programmes, which seem strange to us now. I believe that the final OU television programme went out at 5.30 one morning some years ago. There were also home experiment kits—HEKs—which for brain biology and behaviour consisted of a fish tank that I assembled myself, and then I had to buy a Siamese fighting fish for it. I am not sure what it was meant to prove, but the student was meant to hold up a mirror to the fish and it would react in a certain way. However, mine died through neglect before I could complete the experiment. All those technologies have been overtaken by new ones, and I sympathise with the person who wrote the letter to *Sesame* to which Claire Baker referred, but they all bring learning to people who would not otherwise have the opportunity.

Apart from paying tribute to Harold Wilson and Jennie Lee, we should not forget Michael Young, who proposed in *Where?* magazine in 1962 an open university. He was very much an out-of-the-box thinker. It is suggested that he was the founder of the Consumers Association. He wrote the 1945 Labour Party manifesto, and left his job as a Labour Party researcher in 1950 because the party had run out of ideas. Clearly, he still had plenty of them.

We have seen great changes in the OU. The curriculum has expanded into languages. There are postgraduate courses, and courses in law and accountancy, for example. There is a much wider range of degrees and a broader geographical spread into Europe and beyond. Although it has changed, the key elements of the OU remain—open access to high-quality education is available to all. As a nationalist, I look forward to the day when an independent Scottish Government will contribute to the OU as a cross-border institution working in Scotland.

17:24

The Minister for Schools and Skills (Keith Brown): As other members have done, I thank Claire Baker for giving us the opportunity to congratulate the Open University in Scotland in this its 40th year. Its success in growing innovative and accessible part-time education in the past 40 years has been remarkable. It is an excellent example of what can be achieved with imaginative thinking in meeting learning needs in Scotland and throughout the UK. Bill Kidd's comments about the environment in which learning takes place in the OU leads me to look with envy on its record on class sizes.

High-level learning and skills are integral to achieving our overall purpose of having a more successful country with opportunities for all of Scotland to flourish through increasing sustainable economic growth. However, that can be achieved only if we develop and use the skills of our people to best effect. For many people, part-time learning will be the best option to improve and develop their skills. Some choose part-time learning because they need to continue to work while they learn; others have caring responsibilities or issues with access or disability. As we have heard, part-time study also offers a second chance to people who previously were disaffected with education, and it can be the route to enhance or develop new career prospects or directions.

Alongside those varied individual motivations for engaging in part-time study, as Bill Kidd said, demographic drivers in our economy and society will increasingly focus attention on part-time study opportunities to improve skills utilisation. The Apprenticeships, Skills, Children and Learning Act 2009 gives employees the right to request time off to train. It is crucial that we achieve the right balance between full-time and part-time learning and that we extend the range of available part-time and flexible learning opportunities.

As we all know, part-time learning plays an increasingly important role in today's economic climate as Scotland faces the challenges of the economic downturn. We have developed an extensive economic recovery plan to help Scotland's people and businesses through the difficult period. A key plank in the plan is the provision of flexible help for vulnerable individuals. As Bill Kidd and others have said, the inclusive nature of the Open University—which is suggested by its very name—is crucial. The impact of the downturn on the need and demand for retraining and upskilling varies considerably in different groups.

We recognise the financial pressures that learners face, which Claire Baker mentioned. We also recognise the need to maintain Scotland's world-class education system. People need to be able to learn new skills to contribute to Scotland's future economic success. We must ensure that individuals can access relevant learning opportunities to support retraining and upskilling and that financial assistance for learners is flexible enough to support individuals now to help sustain and improve our skills base for future growth. Part-time and flexible adult learning will be vital, which is why the Government has taken action to provide assistance for part-time students.

Claire Baker mentioned some technological innovations that are relevant to the OU today. The one that I remember the best is video cassette recorders. I remember when people were

condemned to watch programmes at 2 o'clock or 3 o'clock in the morning. When VCRs came along and people worked out how to programme them, they could set them to tape through the night and watch the programmes at their leisure. We might find that most people who are good at VCR programming—not that we need to be any more—were OU students in the past.

In July 2008, we introduced a £500 part-time grant, which replaced the previous £500 part-time loan. That major new funding of £38 million will benefit up to 20,000 students a year. The grant complements a solid existing base of financial support for part-time learning through individual learning accounts. To better align ILAs with the aims of our skills strategy, we have extended funding to work-related learning and to adult literacy and numeracy provision. We have removed the minimum personal financial contribution that was required from learners and made ILAs fully grant based. We have also widened access to the scheme for learners and learning providers and extended course choice. We have launched a pilot part-time postgraduate initiative, which provides grant funding for tuition fees and can currently support up to 150 part-time students. We have extended ILA eligibility to 16 and 17-year-olds and increased the income threshold from £18,000 to £22,000, which extends ILA support to an extra 250,000 people, making nearly half of the adult workforce eligible.

We all understand the challenges that are ahead. I am confident that we can grasp the major opportunities that are before us. We must work together and continue to focus on building a single skills system, to benefit individual learners and employers and to achieve the vision of a smarter Scotland with a globally competitive economy that is based on high-value jobs.

Meeting closed at 17:30.

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