



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 23 June 2010

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ECONOMY, ENERGY AND TOURISM COMMITTEE

21st Meeting 2010, Session 3

CONVENER

*Iain Smith (North East Fife) (LD)

DEPUTY CONVENER

*Rob Gibson (Highlands and Islands) (SNP)

COMMITTEE MEMBERS

*Ms Wendy Alexander (Paisley North) (Lab)

*Gavin Brown (Lothians) (Con)

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

*Marilyn Livingstone (Kirkcaldy) (Lab)

*Lewis Macdonald (Aberdeen Central) (Lab)

*Stuart McMillan (West of Scotland) (SNP)

COMMITTEE SUBSTITUTES

Nigel Don (North East Scotland) (SNP)

Alex Johnstone (North East Scotland) (Con)

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)

David Whitton (Strathkelvin and Bearsden) (Lab)

*attended

THE FOLLOWING ALSO ATTENDED:

Johann Lamont (Glasgow Pollok) (Lab)

THE FOLLOWING GAVE EVIDENCE:

Jackie Killeen (Big Lottery Fund Scotland)

Jim Mather (Minister for Enterprise, Energy and Tourism)

Geoff Pearson (Scottish Government Public Service Reform Directorate)

Laura Sexton (Scottish Government Public Service Reform Directorate)

CLERK TO THE COMMITTEE

Stephen Imrie

LOCATION

Committee Room 3

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 23 June 2010

[The Convener opened the meeting at 09:31]

Subordinate Legislation

Dormant Bank and Building Society Accounts (Scotland) Order 2010 (Draft)

The Convener (Iain Smith): I welcome colleagues to the 21st meeting of the Economy, Energy and Tourism Committee in 2010. I remind members that we have previously agreed that agenda item 4 will be taken in private. I welcome Johann Lamont to the meeting as a special guest; I hope that you enjoy your visit to the committee.

The first two items on the agenda relate to an affirmative instrument—the draft Dormant Bank and Building Society Accounts (Scotland) Order 2010. As is normal practice, we will first take evidence on the order from the minister and his team, then move on to consider the motion on the order.

I start by welcoming the Minister for Enterprise, Energy and Tourism and ask him to introduce his team and make some opening remarks.

The Minister for Enterprise, Energy and Tourism (Jim Mather): I have with me Jackie Killeen, who is head of policy and development at the Big Lottery Fund, and Geoff Pearson and Laura Sexton from the third sector division of the Scottish Government.

I am pleased to have the opportunity to assist the committee's consideration of the draft order and will highlight four key points. First, perhaps as a result of a successful reconnect campaign, the Treasury expects lower sums of money to be available for distribution than was previously predicted. In addition, the reclaim fund plans to release moneys more slowly than was previously expected. We now estimate that Scotland may receive about £12 million in each of the first two years and perhaps £1.5 million each year thereafter.

Secondly, over the past two years, we have consulted widely in a variety of ways throughout Scotland. The conclusion is that there is no clear consensus about how the resources should be used, but there is a clear desire that funding should not be restricted to one interest group or one section of Scottish society.

Thirdly, the draft order reflects the outcome of that consultation; it reflects the widespread view that the order should be as inclusive and wide ranging as possible. The order, which I will ask the committee to approve today, provides for the distribution of dormant account money to be restricted to third sector organisations to support activities that promote strong, resilient and supportive communities. That is a direct link to national outcome 11 of the Scottish Government's national performance framework.

Fourthly, if Parliament approves the order today, it will pave the way for a further public debate and further consultation on the formulation of BIG's strategic plan for dormant accounts moneys. That recognises the length of time that the United Kingdom process has taken and the way in which circumstances have changed over the past two years.

Although the order is the primary concern for the committee today, several processes are going on in parallel. The UK Government still has to consult the devolved Administrations on sharing out the funds to each country, and has then to make affirmative orders in both Houses of Parliament. Once the reclaim fund company is established and under way, it must decide how much to release and when to release it.

Meanwhile, in Scotland, we continue to move as quickly as we can in order to distribute the money as soon as it is released. To support that objective, the draft order has two purposes. The first is to restrict the distribution of dormant account moneys to third sector organisations, which recognises the important contribution that the third sector makes and its ability to connect and support individuals and communities that face complex and multiple needs.

The second purpose is to restrict the disbursement to supporting community-level activities that are directed towards national outcome 11, which is to create strong, resilient and supportive communities. A strong, resilient and supportive community allows a greater proportion of people to contribute to a growing economy, to lead healthier, more independent lives and to live in a more sustainable way that is better for the environment. In addition, there is plenty evidence that effective, vibrant, resilient communities minimise crime and antisocial behaviour and their social and economic costs. They also provide a host of tangible and intangible benefits to society, such as helping to create the climate that is needed to guide and motivate even more young people to be successful learners, confident individuals, effective contributors and responsible citizens. By using the dormant accounts money to build strong, resilient and

supportive communities, we will help to improve the quality of life of all Scotland's citizens.

If parliamentary approval is given, we intend to use the powers in the act to direct BIG to draw up a strategic plan that will be focused on four thematic priorities. Based on community and parliamentary input and one-to-one conversations with leading MSPs, we believe that the themes should focus on opportunities for children and young people, addressing health inequalities through increased activity, strengthening intergenerational connections, and creating community-based employment opportunities.

We will also seek advice from BIG on setting up an endowed trust. The trust could be tasked with using some or, indeed, all of the dormant accounts funding to create long-term benefits for communities throughout Scotland.

The input to date has made it clear that people see two distinct opportunities emanating from dormant bank accounts funding: to invest immediately in projects that directly benefit communities and to embrace a sustained effort to build capacity and resilience for future generations. In recognising that reality, we also acknowledge that providing support, funding and empowerment to community groups is crucial to achieving material and lasting local change.

The draft order that I ask the committee to approve today is a culmination of deep and wide-ranging public consultation and discussions with interested parties. Meetings have also been held recently with all the political parties in Parliament to explain our approach. I thank Lewis Macdonald, Gavin Brown, Jeremy Purvis and Patrick Harvie for their time, our conversations and their suggestions, which were uniformly thoughtful and helpful.

In keeping with work that has been done to date, we want to ensure that the order is as inclusive and wide ranging as possible. Consequently, BIG will consult further on its strategic plan. It is in all our interests to have an order that will not constrain the ideas that might emerge in that consultation.

If Parliament approves the order, we intend to instruct BIG to undertake a consultation on the four broad policy themes that are aimed at striking a balance in achieving social and environmental outcomes. That is specifically in line with the input that we have drawn from MSPs. It provides a constructive basis upon which priorities can be agreed through the planned further consultation, and will result in the desired support and strengthening of communities the length and breadth of Scotland.

The Convener: Thank you for your opening remarks, minister. You indicated the four broad

policy areas that you intend to include in your guidance to BIG. Why did you not include them in the policy notes for the order?

Jim Mather: That is because they are in the order and are relatively self-explanatory.

The Convener: They are not in the order. It mentions only strong, resilient and supportive communities. The four policy objectives to which you referred are not mentioned specifically.

Jim Mather: I am told that they are in the policy directions.

The Convener: If somebody points out to me which paragraph in the explanatory notes refers to them, I will be happy.

Geoff Pearson (Scottish Government Public Service Reform Directorate): The next stage will be policy directions from the minister to BIG. Normally, we would expose such policy directions to the committee at this stage. However, the act with which we are working requires us to consult BIG before we issue the directions. We therefore have the slight conundrum of whether to consult BIG first and then come to Parliament or consult Parliament first and then go to BIG.

We have tried to say what we will put in the policy directions, which will be moderately technical. We have described the themes that we are pursuing and which ministers support. We have said why the themes are not in the order. As the minister said, we have tried to keep a wide landscape for the policy directions, but also to be explicit on what the directions will be about.

The Convener: That leaves the committee in the slightly difficult position of being asked to recommend approval of an order whose scope is wide. The minister has a series of policy objectives on the back of the order on which we are not allowed to comment. That strikes me as being not entirely satisfactory.

Geoff Pearson: I am sure that members' comments would help with framing the directions that we will give to BIG.

Lewis Macdonald (Aberdeen Central) (Lab): I will query that point. It helps that we had a preliminary discussion some weeks ago, minister. Although the policy directions could not be issued before consulting BIG formally, I had hoped that you might bring draft policy directions with you today. How much does what you have put on the record constitute what will be in the policy directions? Do you want to add more to make clear what you expect the policy directions to contain, subject to your consultation of BIG?

Jim Mather: As you know, we consulted widely by doing early work with the Scottish Council for Voluntary Organisations, by taking the process

round the country, by opening up the consultation website and by having one-on-one conversations with members. We are keen to ensure that, as we formalise the system within the constraints of the formula with which we must work, it will pass audit by the committee, and that members will see the audit trail of the inputs being reflected in what is finally put in place. I acknowledge your concerns. I ask Geoff Pearson to say more that might give you comfort about how we can keep the process as tight as you and I would like.

Geoff Pearson: When the policy directions have been sent to and agreed with BIG, we intend to show them to Parliament, so that members have a clearer picture. In his introduction, the minister set out the four themes, which are intended to be kept wide, in particular because the money will not become available at least until next June—we expect to wait another 12 months for the money from the UK Government.

Given that the budget was announced yesterday, priorities will change in the next few months. We are trying to keep the scene open so that, when BIG does its major consultation in the late summer and early autumn, we can develop a shape to the plan that acknowledges the committee's concerns and the priorities that the Government is keen to push forward, which the minister mentioned.

The themes are: opportunities for children and young people, which we took to be a clear demand from MSPs; addressing health inequalities through increased activity, because health inequalities are important for the Government's national outcomes; strengthening intergenerational connections—the discussion is technical, but that is a powerful piece of work that involves young people and older people working together, on which we have heard from MSPs; and creating community-based employment opportunities, which I am sure no member opposes. The landscape involves starting work on how the initiative will pan out.

It is unlikely that the themes will be focused tightly in the early days, although BIG might want to bring focus to the themes as needs are assessed. The Dormant Bank and Building Society Accounts Act 2008 requires BIG to produce a needs-based assessment in developing its strategic plan. The act is complicated—it has many nooks and crannies that bring out issues in which the committee will be interested. The plan will come back to Parliament at the end—it will be presented to the committee.

Jim Mather: It might help if BIG explained how it will fulfil its remit.

09:45

Jackie Killeen (Big Lottery Fund Scotland): For us the process is pretty much as Geoff Pearson has outlined it. Once we receive policy directions from Government, we will be able to begin to put together a strategic plan that takes accounts of needs and each of the policy areas. We will then consult on that plan to ensure that we come up with the best funding mechanism to support those aims and, before we finalise it, will come back to ministers with it and convert it into whatever funding process will ultimately be designed.

Lewis Macdonald: Will the broad indications that we have heard today be adequate to define the strategic plan? In that respect, I certainly understand the minister's point with regard to the scope of the areas. It might also be interesting to hear Jackie Killeen's thoughts on the type of grant or award that might be appropriate. For example, nothing in the minister's opening comments indicated whether there would be a few large awards or a lot of small awards, which clearly makes a difference to the sustainability of projects. On the basis of what we have heard today, do you expect the policy directions to be enough, or will you need more information or detail to clarify the minister's intentions?

Jackie Killeen: Those are important questions. We need to know various priorities, such as the kind of impact the funding should have and whether we are looking for a longer-term legacy. We must also strike a balance between all that and making money quickly and easily accessible.

The relative cost also needs to be considered. For example, one concern is to ensure that as much of this funding as possible should go directly to beneficiaries—in other words, the communities, organisations and people who will ultimately benefit from it. Any mechanism that we develop should not tie up too much money in operating costs. We want to establish what impact we want the funding to have so that the mechanism that we develop gets the maximum amount of money out to the communities that will benefit from it.

We could, for example, have a lot of small grants that cover a wider geographical base, but such an approach would be more expensive to administer than would simply giving a few grants to larger organisations. You would need to consider whether it is more important for the money to have as wide a reach as possible or whether it should have a strategic impact on a few key issues or areas. We need to balance such matters as we develop the plan.

Lewis Macdonald: Will all that be addressed in the policy directions that the minister intends to

bring forward? When do you expect to make those directions available to us in draft—or final—form?

Jim Mather: Geoff Pearson will clarify the timings.

Geoff Pearson: We would want to give you the policy directions before recess. We still have to go through a small legal process, depending on the advice that you give us and the progress that we make today, but we would certainly hope to give them to you soon.

With regard to the balance between the priorities, it is not simply a matter of saying, "We'll tell you where the money should go." We depend on advice from BIG based on the needs analysis that is required by the 2008 act, and that analysis will take a little while to develop. That is what consultation would reveal.

Lewis Macdonald: How is that exchange influenced by the endowed trust proposal?

Geoff Pearson: It has been decided in the English part of the act the priorities should be set out. There is also reference to a social investment bank which, when we first saw the provision, we thought would account for only a minor part of the money. However, it is beginning to look as if it will account for a major part of the money in England. If BIG advises us that an endowed trust mechanism would be beneficial, that will strongly tip the balance. On the other hand, if the advice is that such a mechanism is awkward, we might well suggest to ministers that we probably should not take that approach. In either case, we will depend on advice.

In many ways, the order is coming at the wrong end of the process, but we have to do what the act requires rather than what common sense would suggest—which is that we do the big work first and then lay the order. Unfortunately, the act requires things to happen this way round.

Rob Gibson (Highlands and Islands) (SNP): The development of a new fund such as this one is refreshing in respect of social and environmental development for communities in Scotland, because there have been constraints in the way in which BIG has operated in that respect in the recent past. First, while a needs assessment is being undertaken, will there be a wider definition of the kinds of social and environmental projects that can be supported than has been the case within the current constraints under which BIG operates?

Jim Mather: That issue has been registered: I hope that we covered it in my opening notes. We also got input on it from Lewis Macdonald, which we have reflected on and have referred through to BIG. I will pass the parcel to Jackie Killeen, given that she has now had that steer direct from Rob

Gibson, from Lewis Macdonald historically and from the Government in our exchanges.

Jackie Killeen: It is very important for us to treat the two as separate sources of funding. Dormant bank accounts funding will be delivered and reported on separately from lottery funding, as it comes from a different legislative source and has its own legislative framework here. Although there are many advantages for us in being able to draw on our experience and our infrastructure in developing funding programmes, we are clear that this is a separate source of funding with discrete purposes. We will set up the right kind of funding programmes so that it achieves those purposes. It is different from lottery funding in that respect.

Rob Gibson: I welcome that remark. I will give an example of a project that hit the buffers recently but which is quite an exciting project that would boost self-esteem and self-reliance in communities and be an example to others. It came in the form of an approach by the football team from the village of Embo to set up forest crofts in its area. It ran into problems in BIG, including issues about buying Government land. Such projects in many parts of Scotland might get a new lease of life from the thinking that you have outlined.

Do you agree that you would have enough room, in dispersing small amounts of money to people, also to think about slightly larger amounts? We are not talking about the very large amount of money that it cost to buy out South Uist or anything like that, but about small communities benefiting and creating an example for others to go down that route.

Jim Mather: We are all quite keen to see the dormant bank accounts funding, alongside the likes of the post office diversification fund, having a direct impact in its own right. We want to identify novel ideas and approaches that can be emulated elsewhere and perhaps supported along more traditional lines. Rob Gibson was talking about a solid asset-based project that might be able, having been proven through something such as the dormant bank accounts activity, to be mainstreamed through other support—even through the private sector. We want the funding to be as catalytic as possible. I invite Jackie Killeen to comment on the practicalities that she has to deal with.

Jackie Killeen: That is the sort of issue that we expect will emerge in consultation. What should the balance be? Should small amounts of money be given to lots of communities or is it also important to fund larger and more expensive projects? For us, it is important to ensure that we deliver an efficient fund that does not tie up too much of the money in operating costs. It is about understanding what it is important to achieve with the funding.

Rob Gibson: I hope that the instructions that are given about the objectives include a rethink of how BIG has been operating, in order to open up the possibilities. I can see that the needs base has to be carefully defined to be more adventurous.

Jim Mather: One of the interesting dynamics of a consultation process is that one's own mindset is confronted by other people's opinions and views. The hallmark of our handling of the dormant bank accounts process to date, and how we will continue with BIG, is our being very open. For what are relatively small sums of money in governmental terms, it is gathering a huge amount of attention, which guarantees the integrity of the process. We are determined to ensure that the integrity of the process stands up to audit.

Gavin Brown (Lothians) (Con): Two consultations were carried out previously side by side. To what extent do the four thematic priorities reflect the results of those consultations?

Jim Mather: The priorities very much reflect the consultations, albeit that at some of the consultation events there was a slight skewing of attendees towards young people and organisations that represent younger people. That was a natural phenomenon, but there was the self-correcting feedback loop of getting people from other interest groups making their views known. The process has gone through an interesting iteration, in that in arriving at the four themes we have seen movement from others in the process. For example, those who focused heavily on young people began to change their position to back more intergenerational activity and more activity that enables young people to deliver services for older people, or in a way that ensures that young people have the benefit of interacting with older people. Out of the consultation process came the balance that is reflected in the four thematic points.

Gavin Brown: You mentioned the four thematic priorities. The first two seem to be straightforward, as does the last one. However, can you expand on the priority of intergenerational activity, explain in simple terms what that means, and give us some examples of what you envisage by that?

Jim Mather: It is essentially about young people, through organisations such as Fairbridge, doing more for older people and gaining in the process. I can see young people and older people represented throughout the four priorities. That is a given with the opportunities for children and young people priority. Addressing health inequalities through increased activity has a fairly material skew towards younger people, and the intergenerational connection priority is what it says on the tin. In the priority on community-based employment opportunities, the word "employment" suggests how we can get more young people into

the world of work. Some of that work will be community based or social-enterprise oriented, perhaps skewed towards delivering services for older people. Again, it will give younger people the chance to interact with older people and perhaps learn from them in the process.

The Convener: I call Johann Lamont.

Johann Lamont (Glasgow Pollok) (Lab): I appreciate being allowed to ask questions, convener, given that I am not a committee member.

I want to flag up a couple of issues and remind ourselves that this was a controversial issue when it came to the Parliament in early 2008. There was a strong feeling across the Parliament—which would have been confirmed if there had been a vote—that the money should go to youth activities. The Government committed to coming back no later than September 2008, but that did not happen.

Since then, the money has reduced, but it seems to me that the Government's direction of travel has widened. Although you say, minister, that there may be some consensus around the broader description, it is so wide that, in a sense, that is hardly surprising. I suppose that the issue for me is whether the Parliament is still interested in seeing a maximum impact for what is a smaller fund.

Minister, I wonder why you have moved from the strongly held view in the Parliament in 2008 to the generalised position under which anything could be captured. I would welcome your comments on that. If the money is reducing and we have a one-off opportunity, would you not want to maximise the impact in a particular policy area? My concerns on that have been reinforced by how general your description of projects has been.

10:00

You seem to suggest that you cannot tell us what the policy directions are until you consult BIG, but Jackie Killeen just said that BIG would develop the strategic plan once you gave it the directions. The directions are your property. I presume that you have them in draft and you say that the process has now been delayed, so it should be possible for the committee to have sight of and discuss the draft directions before the order is agreed without the timetable being harmed at all. Would you consider that? If they are your property and are already done, it must be possible for the committee to see them, because there is no constraint on that.

Jim Mather: Things have changed dramatically in the past year. There is less money, we have a different political landscape, time has passed and

we have taken the consultation responses on board. The wider third sector voiced its desire to be in on this together. I can foresee a situation in which young people get the benefit that would have accrued through skewing the money 100 per cent to them, but with some extra advantages—the hearts and minds of other organisations and the chance to interact better. We keep the cohesion so that the whole system works to get the best results for itself and for all the communities that we are talking about. That is a better dynamic to our proposal than one that might create division. I have thought long and hard about how to optimise things, and I have come to the conclusion that optimisation means collaboration, trust and respect. If you want sub-optimisation, division and blame are a good way to go about getting it. It is sensible to hold the totality together, while acknowledging that a generation is coming through in tough times and that we need to do everything that we can for those young people.

I invite Geoff Pearson to talk about the practicality of your preferred option and how that might be forthcoming.

Geoff Pearson: The normal process for policy directions is that we prepare a draft on the basis of what ministers want. We show that informally to BIG and there is an iterative process while we hone how BIG wishes to be directed and how we wish to direct it. Then we come to the point of saying, “This is the direction that we will give you,” and the minister sends it.

That is our normal process. Last year, for example, we gave new policy directions to BIG to make its lottery programme—not the programme that we are discussing—conform to the Government’s national outcomes. That was a new direction. We did not bring it to a parliamentary committee because the powers existed to deal with it direct.

In the case that we are discussing, the Dormant Bank and Building Society Accounts Act 2008—which is UK legislation—requires us to consult BIG. We then have the little conundrum that I mentioned earlier about whether to consult BIG first. That is what the act requires us to do; it does not require us to consult the Scottish Parliament about the directions.

We have to consider how we weave in the Parliament’s views, how we pursue the iterative, informal process with BIG and then how we implement the final statutory process that the act requires. The easiest way to do that is to understand today what the committee would like the directions to say, take that information into the informal, iterative process with BIG, and be explicit about what the final proposed directions would be.

That might mean that the committee would wish not to deal with the order today. However, until we have the order, we cannot start the next part of the process, which is another conundrum for us. We would very much like to have the order to provide the foundation on which we build the formal process for direction.

I am sorry to sound civil servancy and technical about the matter, but the act is interesting—it deals with a relatively small amount of money in quite a complicated way. The process that we have is the one that we have and we will have to follow it. The committee is well used to dealing with statutory processes.

Johann Lamont: To be honest, those answers have not clarified matters. I am not sure how far you have gone in producing the draft directions and I do not see why sharing them with people would be difficult, if that would help to inform our decision on the order, as the convener said.

It is clear that anyone who might have an interest in accessing the money would want the definition to be as broad as possible. The minister will remember that the original legislative consent motion had to be withdrawn before it was voted on and that the Parliament’s instinct was that the amount of money was relatively small and was in effect a windfall, so the question was how to maximise its impact. Now, the amount is smaller and the economic situation is more difficult—it could be argued that it is even more difficult for young people than it is for others. We certainly do not want to set competing interests against each other, but everybody in the third sector understands that money is sometimes directed in a particular way—otherwise, we would have just a general pot of money that was available to the sector and we would never prioritise groups to promote financial inclusion or whatever.

I am concerned that you have drawn the themes so widely that anybody could apply for funding. The view in the Parliament was that, as the money was a windfall, was not normal money and was not expected, it could have a disproportionate impact if it were focused. That is not divisive. You can consult, but the decision on whether to narrow the criteria is ultimately for the Parliament. Do you see a way of tightening the priorities so that they are not as widely drawn?

Jim Mather: I understand the concerns and the logic that is behind them. We have followed the consultative process, in which many people have suggested bright ideas and shown much energy. Many ideas from the sector have filtered through to us, from MSPs and indirectly. Much thought has gone into the matter. I am concerned that your proposal might constrain the innovative processes that are out there. If we are too constricting, we

might kill radical ideas that could have a dramatic effect.

I return to the analogy with the post office diversification fund. Somebody might draw down £10,000 or £15,000 from that fund for an idea that transforms completely the concept and role of a post office, or a combination of ideas in post offices might have that effect. Letting ideas run under the order's scheme and maximising the innovative climate could be interesting. We have the safeguard of the consultation process to give us all comfort.

Johann Lamont: That argument would have force if the money were all that was available to the third sector for the next three years, but it is not—it is a small amount of unexpected money. As we said, it is a windfall. The other side of the argument is that we could end up with all these fantastic ideas and a small amount of money, so the impact would be dissipated. We have discussed whether the effect will be short term, long term or whatever.

Your approach to funding for the third sector is logical, but you are applying a broad definition to a small amount of money on the basis that you do not want to kill good ideas, which I do not think will happen, given that funding from elsewhere is available.

Jim Mather: I respect your view, but the third sector knows by and large where the money from its revenue sources will be spent. The funds that we are discussing are additional money, which could trigger many innovative ideas. Constraining the themes might inhibit such ideas, which we might regret in the long term.

Christopher Harvie (Mid Scotland and Fife) (SNP): I simply want to make an observation. As Johann Lamont said, the money is unexpected, but we have a crisis that, two years ago, was also unexpected. One of my concerns was that there might be a sudden halt to funding by what looked like rock solid individuals and corporations. The availability of the windfall may make it possible to intervene in inexpensive but effective ways to maintain continuity in organisations. I do not mean failing organisations; I am talking about the consequences of Lloyds TSB and the Hunter Foundation, for example, having to contract drastically. The cash could possibly be deployed in ways that would bring other funds into play. It seems to me that an adventitious windfall has coincided with a real collapse elsewhere, and it could be of great use.

Jim Mather: That is a perfectly valid scenario. Essentially, the consultation and MSPs' views have skewed us less towards organisations and more towards communities and the idea that a new generation of much more resilient and

proactive communities is coming forward. When we came into office, I was impressed by civil servants who talked to me about work that they had done, and by the likes of Professor Mark Moore, who is the guy who has done all the work on public value outcomes. The other side of the coin is his great desire to see active citizens. Essentially, the strong, resilient community is a function of more active and self-sufficient individuals—active citizens. That is where the consultation is nudging us.

Lewis Macdonald: I have listened to the exchanges around the table with interest, and it seems to me that things partly depend on how the themes are related. This week, I had a meeting with Aberdeen Children's University, which supports children in primary 6 and 7 in disadvantaged areas to proceed with extra learning at the point of transition to secondary school. It struck me that that project could perhaps benefit from wider support and wider application in Scotland.

Opportunities for children and young people and addressing inequality are among the four themes that you have described. Are the themes more useful if there is an expectation that the things that are supported tick more than one box? Is that the assumption behind the themes? Perhaps that is also a question for BIG. If, for example, you are talking about addressing inequality and creating employment-based opportunities, but it is assumed that children and young people will be at the centre of that, it is clear that that is different from saying that projects should meet any of the different criteria. What are your thoughts on that, minister?

I am interested in hearing about what lies behind the approach. We do not have the draft policy directions in front of us today. Mr Pearson indicated that we may get them before the order is considered in the Parliament next week—I think that it was said that the objective was for us to have them before the recess. It would be helpful to know whether the draft policy directions will narrow things down a little bit from the four very broad themes that have been mentioned by making a connection between them.

Jim Mather: The obvious point that you make is that it is important for projects to tick several boxes. It is equally important to come up with imaginative, genuinely purposeful solutions and end up with outcomes that we all want—with overall resilience at the individual and community levels and the cohesion that comes with that. We will leave that to BIG to a large extent and to the draft policy directions process. I understand that the timing of that is critical. I look to Mr Pearson to give an indication of what we can do and what is possible.

10:15

Geoff Pearson: I will say two things, if I may. One is that the balance between the priorities will depend largely on the advice that we get from BIG—from the consultation and its knowledge on how best to deploy funds. The minister spoke about an endowed trust. If the BIG advice is that an endowed trust is the best place to put the money, the amount that we spend on the individual themes could be less. We could put all the money into the long-term plan, but that would depend on the advice from BIG.

The themes are there and will be consulted on. The policy directions will say, "Please produce a strategic plan on these four themes." They will not unpack the themes very far, which is why we have not brought the policy directions to the committee. They would not advance very far your knowledge of what can be done, because we await advice from BIG. I would guess that, before the recess, we could let you see what we call in civil-service language an early draft of the policy directions. You would need to bear it in mind that the 2008 act requires us to consult BIG, so you could not regard what we showed you as a final draft of the policy directions. That will take a little longer. I expect that it will be July before BIG can tell us that the consultation is complete and that we can issue the directions. I fully understand that this is not the normal process for the Parliament, but it is required under the 2008 act. With BIG's acquiescence, we would like to show the committee a version of the policy directions as soon as we can—probably next week—but whether that is the final version will depend on the statutory consultation that we have to undertake.

Lewis Macdonald: Although it is only 48 hours in chronological terms, there is a significant difference between seeing the draft directions before the recess and seeing them before the order is considered in the chamber. I am sure that the minister understands that. Is it possible for the directions to be made public in draft form before the Parliament considers the order next week?

Jim Mather: I understand the critical path. The answer is yes.

The Convener: I have a follow-up question on Lewis Macdonald's other point, which Johann Lamont also raised. As well as the four themes, is it also possible to give an overarching direction that the emphasis should be on projects that are youth development related? For example, a health related project might have a youth development aspect. I am thinking also of intergenerational projects. The idea would be to have youth development as the key link between the four policy themes.

Jim Mather: The idea of strong, resilient communities carries that connotation. In our on-going conversation, we found that those who were particularly vigorous on the youth issue in the first iteration softened their position to one where youth play a more proactive part in the wider community—in effect, wrapping the community around them. The issue is one of trying to get this optimisation through collaboration across the generations and across the various organisations so that we do not create division.

The Convener: The point that I was trying to make is that this is not about providing services to young people but about young people working in the wider community to meet the policy objectives. Can that be included in the directions as an aim?

Jim Mather: We will certainly give that further consideration. I am hearing clearly your voice on that. I heard that from Johann Lamont, too.

Marilyn Livingstone (Kirkcaldy) (Lab): I support what Lewis Macdonald said on the matter. I understand the technical nature of the legislation but, at the end of the day, it will be difficult for us as parliamentarians to make a decision if we have not seen the draft directions. That is the position in which we find ourselves. We need to see the draft directions before the Parliament makes a decision.

Jim Mather: We have accepted the point. You heard the caveats that Geoff Pearson gave the committee on that.

Marilyn Livingstone: Someone said that we cannot unpack all the issues, but we need as much information as possible. It would be helpful to have that.

In your briefing notes, you mention outcome-focused funding. Can somebody explain how that will work?

Jim Mather: Outcomes have been a hallmark of the current Administration. I mentioned Professor Mark Moore and the idea of public value. We are looking for tangible results at every outcome, whether that is more young people in community-based employment or whatever.

Jackie Killeen: We are very much an outcome-focused funder, which means that, when we are considering where to invest lottery funding, we are concerned about the outcome and the result rather than the activity primarily. When we decide which projects to fund, we consider the need and what the outcome will be—that is the basis. Our primary concern is the outcome and the longer-term impact.

Marilyn Livingstone: Okay. I am asking because, particularly with young people, it is often about the journey travelled. Previously, there has been criticism that the outcomes have been stark and in black and white. For some young people—

particularly those with learning difficulties—it is about the journey travelled, rather than black-and-white outcomes. I would like you to take that point on board.

Jim Mather: We very much accept that.

Stuart McMillan (West of Scotland) (SNP): How will you ensure that there is a fairly equitable spread of moneys throughout the country—especially throughout the parliamentary regions—rather than the money being focused on half a dozen main locations?

Jackie Killeen: That goes back to my earlier comments about the need to tease out what is most important. We must ensure that the funding is accessible throughout Scotland and must find the best mechanism for doing that. For example, the Big Lottery Fund currently runs something called awards for all—you are probably familiar with it—which is one of the most popular grant programmes. That is a very effective way of getting funding to all parts of the country and every community. It makes small grants of up to £10,000, which, although of a low value, have a very high impact.

It must be borne in mind, however, that such schemes can be relatively expensive to deliver. We must weigh up all such considerations in framing and developing the funding mechanism. If it is considered important that all parts of the country are able to access the funding so that communities everywhere can benefit, we will consider that a priority and ensure that the funding mechanism supports that. We have experience of delivering schemes that do that, of which awards for all and our 2014 communities programme are good examples.

The Convener: Members have no further questions, so I will ask one. Can you elaborate on your thinking on the options that you have talked about for possibly establishing an endowed trust with some of the funding? It is a slightly odd pot of money in that there are two reasonably sizeable lump sums followed by a relatively small continuing revenue stream. I can see the arguments in favour of having an endowed trust to ensure a better longer-term revenue stream, but the lump sums would have an immediate impact. Do you have any thoughts on the directions that you will give to the Big Lottery Fund in considering those issues?

Jim Mather: We are watching what is happening down south with the big society bank. We are also going through the consultation process, in which many other people will be consulted who have been watching what has been happening elsewhere. It would be wrong of us to load the dice on that; I would prefer to hear the voices of the communities and other organisations

through the consultation process, helping us and the Big Lottery Fund to come to a proper conclusion.

Jackie Killeen: We have experience of setting up a number of trusts in different parts of the UK for different purposes—it is a matter of what is most important. We must also take account of return on investment and value for money.

There is a practical issue to consider. If all the funding is to be put into an endowed trust, with the two £12 million sums in each of the first two years followed by whatever comes thereafter, it will probably be possible to generate a significant return on that investment that would substantially contribute to, if not entirely meet, the running costs of distributing the funding over the years afterwards.

If a smaller amount of money is put into a trust fund, it generates less of a return, and it might be necessary to think about dipping into the main sum in order to meet the running costs. Those things must be considered, particularly in the current environment, where interest rates are not what they were two years ago, when the fund was first introduced. It is a matter of balancing impact, cost, return on investment and value for money.

The Convener: That concludes item 1, and we move on to agenda item 2, which is formal consideration of the order. I ask the minister to move motion S3M-6478.

Motion moved,

That the Economy, Energy and Tourism Committee recommends that the Dormant Bank and Building Society Accounts (Scotland) Order 2010 be approved.—[*Jim Mather.*]

Lewis Macdonald: We had a useful engagement on the draft order under item 1. Judging from how the minister and his officials have described the situation, it seems that the order of events that must be followed is not optimal when it comes to the process and to getting a proper outcome. However, in order to proceed when the money becomes available—which, it has been indicated, will be June 2011—we should seek to make progress.

I have heard from the minister that the draft directions will be made available to the Parliament before the Parliament considers the order, which I expect to be on Wednesday or Thursday next week. The directions should be drafted in such a way as to indicate the interdependence of the themes—in other words, they should not stand alone, and the projects that address more than one theme will get priority.

It would be helpful if the minister could indicate that, once the process with BIG has gone a bit further, he can come back to the committee in the

autumn to let us know where we stand before the final stage of decisions. The minister seems to be indicating assent, on which basis I am content to support the order.

The Convener: I support what Lewis Macdonald said. I recommend that the committee recommends approval of the order, subject to the proviso that the minister returns to the Parliament with the preliminary draft directions—whatever he wishes to call them—prior to the Parliament's consideration of the order next week. That is my recommendation, although it is obviously up to the committee to consider the matter.

Jim Mather: I welcome Lewis Macdonald's contribution and your own comments, convener, and we will accede to that request to the letter. Returning to the committee to progress the matter would be absolutely consistent with the approach that we have taken to date, in which we have sought to be as open as possible, from the wider public consultation to the one-to-one consultations with yourselves. The issue for us is to proceed in that spirit to get the best possible result, covering the length and breadth of Scotland, as Stuart McMillan suggested, and involving everyone of good will at the community level in Scotland.

The Convener: I seek the committee's agreement to the motion that the order be approved, subject to the proviso that the draft directions are published before the Parliament considers the order next week.

Motion agreed to,

That the Economy, Energy and Tourism Committee recommends that the Dormant Bank and Building Society Accounts (Scotland) Order 2010 be approved.

The Convener: Does the committee agree that the clerks and I will prepare a short factual report setting out our discussion and our decision?

Members indicated agreement.

The Convener: I thank the officials and the minister for their attendance.

10:30

Meeting suspended.

10:32

On resuming—

Financial Services Inquiry

The Convener: We move from dormant bank and building society accounts to dormant banks, perhaps. Item 3 is consideration of any follow-up actions that we might wish to take in relation to our inquiry into the banking and financial services sector following the responses that we have received and the parliamentary debate.

Members will have heard yesterday's news about the Aegon situation. I place it on record that I have written on behalf of the committee to John Swinney to ask what steps the Scottish Government and the finance sector jobs task force will take in relation to that slightly worrying situation.

Paper 3 contains information about some of the correspondence that we have received on the future of banking commission. The Government has written formally to the Office of Fair Trading, as the committee requested, about the inquiry into competition in the banking sector in Scotland. I think that all committee members will welcome the fact that the Government agreed to our request. I invite comments from members.

Rob Gibson: The discussion that the Which? commission started is a good template for looking at the issue from the consumer point of view. However, amid all the views of commentators on the subject, I am still baffled by how the restructuring of the banks can be achieved. The nub of the argument seems to be about making commercial banks more competitive, but that fails to answer the question about where they will get their assets from in order to be able to lend. If we look back to models from the 1990s and earlier, we can see that the balance between debt and deposits was much more equal. However, in this day and age, how are we going to get from where we are to where might be a good place to be? I would like us to develop that issue.

The second point that I would like us to consider is how UK Financial Investments is operating. It was clear that the future of banking commission was unhappy with it, as we were, and we need to keep a watching brief on ways in which we can encourage it to be more proactive, because its hands-off approach has not worked from the point of view of the consumer in Scotland.

Numerous proposals have been made about remuneration. I do not know whether we will see anything of that sort from the wider banking commission that the UK Government is creating, but I would like us to have an input and to think about the matter in more detail. Given the ideas

that we heard from Angus Tulloch and others about ethics and banking, and the suggestion in the Which? report about having a code of conduct in the banking industry, we should look to make an input to the UK commission about the Scottish experience.

Lewis Macdonald: I agree with much of what Rob Gibson said. Competition and divestment are critical issues. It is helpful and welcome that the minister has now taken on board the committee's view on the OFT.

There are issues with the management of the public stake in the banks that are partly publicly owned, the divestment process and the direction from UKFI that is given to the banks that are in public ownership. I agree with Rob Gibson that we ought to maintain close scrutiny of how that process develops in the next few months, in so far as far as our programme allows.

Since we completed our report, I have had constituency experience of companies in the offshore sector finding that a long-established Scotland-based bank now regards offshore assets as no longer being security against which to raise a loan. As you can imagine, that has profound implications for a large part of Scottish industry. We will want to keep a close collective eye on such issues. The committee has written directly to the OFT on that matter. It would be worth while, perhaps not immediately but in the next couple of months, to follow up our letter and the representations in the minister's letter and obtain a detailed response on that from the OFT.

Gavin Brown: The Scottish Government's access to finance survey has been refreshed once, but it would be helpful to find out whether the intention is to refresh it again. The Government might well be planning to do so anyway, but it would be worth confirming that. That would start to show us a pattern that we could then compare against the previous two surveys. The committee should ask whether that is the Government's intention; if not, we should ask whether it would consider refreshing the survey.

I am not sure how to put this because I am not sure whether it is for the committee to take a view on divestment as it is clear that we have no powers in that regard. However, despite all the comments that the divestment of the TSB network in Scotland—comprising around 174 branches—might create a new Scottish bank or help a new local bank to emerge, from reading various analyses it seems obvious to me that nobody other than an already enormous bank will be anywhere near capable of taking on such a chunk unless it is somehow broken down into smaller parcels. I do not have a recommendation to make; I simply observe that, if that were to be done in a oner, it seems unlikely that there will be any

excitement about a new indigenous bank in Scotland.

Stuart McMillan: I agree with all the comments that have been made so far. We have no input into the activities of the Financial Services Authority and the Bank of England, but it would be good for us to keep a watching brief on the situation and how it plays out over the next year and beyond. We should keep an eye on what happens and its impact on the Scottish banking sector.

Ms Wendy Alexander (Paisley North) (Lab): There are a number of useful suggestions at the end of paper 3. I want to build on those and on other members' comments. We have quite a lot of unfinished business, some of which can be done in writing.

First, it is suggested that we express a view on the status of the divestment processes and the link to competition and new entrants. We should write to the Scottish Government to ask it to clarify the increase in competition, in terms of market share and new entrants, in the three key markets of personal accounts, business banking and mortgage that it has seen since the merger—there is no point in going further back than that—and what it anticipates will happen. Ministers are the only people who can provide that information, which would provide everyone with really useful context towards the end of next year. Information on market share in the three key markets would be particularly helpful, as that is where Scotland stands out from the rest of the UK.

Secondly, I agree that we should make a submission to the new independent commission, which could be based on the committee's report. It is important that we do that. Similarly, we should write to the OFT to say that we welcome the developments there, for which we called, and to ask it to clarify what it understands the baseline position in Scotland to be, 18 months on from the injunction by the then Secretary of State for Business, Enterprise and Regulatory Reform. A robust letter to the OFT will give us a sense of whether it is willing to engage with us.

I have two further points, one of which relates to the UK Government and one of which relates to the Scottish Government. We should send the UK Government a carefully worded letter saying that there are two critical issues on which we would like to engage with it. The first is how it intends to divest the Government shareholding in the banks, and whether its policy is different from that of the previous Administration. The second, linked issue is the question of how we secure lending to the renewables industry and whether preferential lending is appropriate when there are two state-owned banks. We explored the issue in our energy inquiry, but it has become much more significant since then. That raises the interesting question of

whether we should discuss the issue with Chris Huhne, the Secretary of State for Energy and Climate Change, who must be thinking about it, with Vince Cable, at the Department for Business, Innovation and Skills, or with Treasury ministers. It would be helpful for us to ask whether there is ongoing discussion of how the Government shareholding might be used to promote a more active industrial policy with regard to renewables; we would not call it that, but that is what we mean. After yesterday's budget, it is clear that there will be no public money, beyond our £182 million—or whatever it is—from the fossil fuel levy.

As members know, I have always had concerns about the fact that the Financial Services Advisory Board seems to change its mind about its role—whether it is a lobbying body or a marketing body—depending on circumstances. We should ask FiSAB whether it intends to make a submission to the banking commission and, if so, what that submission will say. It may be appropriate for us to write both to the Scottish Government—which, one anticipates, will make representations to the banking commission, as we will—and to the private sector chair of FiSAB, to ask whether FiSAB will make a submission. We should probe how the process will unfold, as that will crystallise the point that the interests of the Government and FiSAB are not necessarily at one. The convener and the clerks can get on with that work over the summer.

10:45

Given all that, we should perhaps schedule one or two sessions in our work programme before Christmas to allow us to follow up the issues with the OFT or with UK Government ministers. We would have some real meat for those sessions if we actioned that work now.

Having said nothing in the earlier session, I have had a lot to say about these matters; I will leave it there.

Christopher Harvie: I was summoned by Jeremy Peat to a conclave—which I cannot tell you much about—in the New Club last Thursday. A big presence—not in the room, but discussed all the time—was John Kay and the notion of narrow banking.

The caveat to narrow banking is the ability of larger banks to hedge. That has always been a function of banking, and it is one in which Edinburgh latterly overindulged, with disastrous results. Most of the people at the meeting were not bankers, which was interesting. The main question that we discussed was how we can keep the network of financial services together in the absence—the kidnap, or whatever we call it—of the Royal Bank of Scotland and HBOS.

Investment in analysis of funding for renewables—which Wendy Alexander raised—is one possible way forward, because that is the natural area to which people would look for expertise, given the conjunction of experiment, investment, the nearness of the great fields and that type of thing. The hedging function plus the narrow bank function could be combined in that way along with insurance, which must now be enormously important in that area given what has happened in the Gulf of Mexico, which was another outside presence in the room.

On balance, we are in quite a good position, in that those various activities could orientate around the imminence of peak oil and the importance of carbon capture and storage and renewables as investment-hungry areas. They are probably better disposed of in Scotland than elsewhere, because of our nearness to the experimental coal face, so to speak.

One has to remind people that deep-water drilling originated in Scotland. Unfortunately we did not come up with the antidote to deep-water drilling mistakes at the same time, which is why BP—we should not call it British Petroleum—is in such shtuck.

Marilyn Livingstone: I probably agree with everything that Wendy Alexander said; her suggestions are helpful. I would like us to consider the issue of access to finance and keep that under review during the coming months. Changes are happening, which we have discussed and which were evident in the budget yesterday. The budget was about cutting back the state and bringing about a greater reliance on the private sector, and if the new Government is going that way, we need to ensure that the private sector has access to finance. It is therefore even more important that we examine the issue. Like Lewis Macdonald, I have heard many examples of people in my constituency who are unable to get access to finance. That is crucial to the Scottish economy and we need to keep a close eye on it.

The Convener: I thank everyone for their contributions; a number of actions have been suggested. One of the key issues—which several members raised—that we need to address in the very near future is how we can open up competition in the banking sector. Following the RBS divestment of its branches south of the border—the Williams and Glyn's part of the operation—it has narrowed down to Santander, which does not suggest that competition is opening up, given that Santander already owns a large chunk of the market. There are serious concerns that divestment cannot sufficiently open up the system to new entrants, despite that being one of the conditions that is implied by the Commission's rules.

We need to write to Vince Cable to ask whether that issue will be addressed by the new banking commission. We should make a submission to the banking commission based on our report, and we might want to ask Vince Cable for his views on that process.

I have previously written to Vince Cable to suggest that he might wish to meet the committee at some point when he is in Scotland. I hope that such a meeting will take place; unfortunately, by chance, he was up in Scotland the day before I sent the letter.

We should also write to the Scottish Government to ask whether it intends to make a submission to the banking commission, and whether it has any views yet on the future shape of banking in Scotland; unfortunately it did not give us a clear indication on that in its response to our report.

We should also follow up a number of other points that were raised. Unless there are any points that members think that we should not follow up, I suggest that it is left to me and the clerks to pick up the points and ensure that they are followed up. Is that agreed?

Members *indicated agreement.*

The Convener: I say to the unfortunate people who have just come in that that concludes the public part of the meeting, so I am afraid that we have to ask them to depart.

10:51

Meeting continued in private until 11:48.

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