



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# MEETING OF THE PARLIAMENT

Thursday 20 December 2012

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# Scottish Parliament

Thursday 20 December 2012

[The Presiding Officer *opened the meeting at 11:40*]

## General Question Time

**The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney):** The Presiding Officer is looking very festive today.

**The Presiding Officer (Tricia Marwick):** Good morning, and yes, Mr Swinney, I am being festive today. [*Laughter.*]

### Highlands and Islands Superfast Broadband Pilot

**1. Rhoda Grant (Highlands and Islands) (Lab):** To ask the Scottish Government when it will announce its plans for the Highlands and Islands superfast broadband pilot. (S4O-01638)

**The Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities (Nicola Sturgeon):** I cannot match my colleague's chivalry, so I will stay on topic.

The Scottish Government's step change 2015 programme, which will deliver access to next-generation broadband for 85 to 90 per cent of premises across Scotland, is being delivered through two procurement exercises, one covering the Highlands and Islands and the other covering the rest of Scotland. Highlands and Islands Enterprise is leading on procurement for the Highlands and Islands project and expects to award the contract early in the new year.

**Rhoda Grant:** The Highlands and Islands lag far behind the rest of Scotland on broadband provision, with the Western Isles identified as having the worst service in Scotland. I am sure that the Deputy First Minister is aware that there is a great deal of anticipation around the delivery of improvement. Will she say what percentage of coverage the programme expects to achieve in the Western Isles, in particular, and throughout the Highlands and Islands?

**Nicola Sturgeon:** Rhoda Grant is right to talk about the Western Isles, which are a key focus of discussion as we move towards the awarding of the contract. The area is particularly challenging, but I agree with her that we need to meet the aspirations of the people who live there. It will come as no surprise to Rhoda Grant that in the Western Isles, as things stand, the percentage that can be covered is lower than is the case in other areas, because of the distance of many

people from the exchange. Many communities are more than 40km from their nearest exchange.

There is a strong commitment from the Scottish Government, Highlands and Islands Enterprise, the Convention of Scottish Local Authorities and the Western Isles local authority to find solutions that ensure that the Western Isles get a fair deal. I discussed that very issue with COSLA representatives just a few weeks ago, and there is a shared commitment. I will be happy to keep the member posted on progress in that regard, as I am sure that Highlands and Islands Enterprise will be.

### National Grid Connection (Renewables Installations)

**2. David Torrance (Kirkcaldy) (SNP):** To ask the Scottish Government how it guarantees fair access to the grid and the right to choose independent connection providers for built and planned renewables installations. (S4O-01639)

**The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney):** The regulated framework within which the grid operates is tightly controlled by the Office of the Gas and Electricity Markets and underpinned by United Kingdom Government legislation. Applications to access and transmit on the electricity distribution and transmission network are made to the relevant distribution network operator. All connection infrastructure works have to be carried out by the transmission system owner or system operator; there is no option for an independent connection provider.

**David Torrance:** Does the cabinet secretary agree that competition in relation to grid and energy supply and building and connecting the corresponding infrastructure is essential if we are to achieve our energy targets, guarantee grid security and enable energy exports to the European market?

**John Swinney:** The significance of grid infrastructure cannot be overstated, and Mr Torrance is correct to raise the issue, which is fundamental to the achievement of our renewable electricity targets, which the Parliament has considered in the context of the information provided by the Government and which we are well on course to achieve.

The Government welcomes the broad direction of travel of European energy policy towards greater openness of grid access, greater diversity of energy suppliers and increased interconnection of markets, which should assist us.

I inform Mr Torrance that the Government has set up the community energy distribution network operators working group, in partnership with the distribution network operators and Community

Energy Scotland, to identify and fund projects that can provide maximum use and value from the existing network for communities that are interested in generating renewable energy.

### **Disclosure Scotland**

**3. Nigel Don (Angus North and Mearns) (SNP):** To ask the Scottish Government how it ensures that Disclosure Scotland covers all relevant aspects of society. (S4O-01640)

**The Minister for Children and Young People (Aileen Campbell):** Disclosure Scotland offers a range of checks, which include the basic disclosure under the Police Act 1997. An individual can apply for a basic disclosure for any purpose. Standard and enhanced disclosures are also available under the 1997 act for certain prescribed positions. In addition, Disclosure Scotland provides the protecting vulnerable groups scheme, which is a membership scheme for individuals who do regulated work with children or protected adults.

**Nigel Don:** When a convicted criminal is released on licence with restrictions on whom he may associate with—particularly in relation to vulnerable young adults—what discretion do the police have to alert relevant organisations to the risk that he may pose?

**Aileen Campbell:** I thank Nigel Don for raising that important issue. The decision on whether third-party disclosures should take place lies with the chief constable. When information is relevant to a particular individual and situation, disclosure may be made after consultation between the police and other agencies responsible for the offender's management.

The multi-agency public protection arrangements provide a focus at case management level for agencies to consider community notification actively. It is important to note that any decision to disclose further information is made carefully on a case-by-case basis that takes into account a range of factors, which include the nature and pattern of previous offending; compliance with previous sentences or court orders; any predatory behaviour, which might indicate a likelihood of reoffending; and the probability that a further offence will be committed and harm caused.

I hope that that answer is helpful. If necessary, I am happy to meet Nigel Don to provide any other information that he seeks.

### **Affordable Housing (Barnett Consequentials)**

**4. Elaine Murray (Dumfriesshire) (Lab):** I apologise—my question was lodged before yesterday's statement on the autumn budget statement had been made.

To ask the Scottish Government what proportion of the Barnett consequentials arising from the autumn statement it will allocate to affordable housing. (S4O-01641)

**The Minister for Housing and Welfare (Margaret Burgess):** The Cabinet Secretary for Finance, Employment and Sustainable Growth advised Parliament yesterday that an additional £50 million will be allocated to housing in 2013-14 from the consequentials that flow to the Scottish Government as part of the United Kingdom autumn statement. One of our highest priorities is taking action on housing in Scotland, which is why the Scottish Government is implementing a range of measures that not only increase the supply of affordable and social rented homes but support our construction sector, which is helping to create jobs and stimulate economic growth. I will confirm shortly how we will allocate the additional funding for the coming year.

**Elaine Murray:** After including what was announced yesterday, the affordable supply budget will still be £78.4 million less than the outturn expenditure figure for 2011-12, when the number of social rented housing starts fell to 3,025, which was a reduction of more than 50 per cent from the previous year. Will the minister lobby the cabinet secretary for a further increase in the funding that is available for housing for social rent?

**Margaret Burgess:** With less money, the Scottish Government is building as many houses as previous Administrations built. We are committed to the social rented sector and to the affordable housing supply. We will continue with our progress. We are committed to delivering 30,000 new houses and we will shortly intimate how many more we will build with the additional funding.

### **Remploy (Discussions with United Kingdom Government)**

**5. Patricia Ferguson (Glasgow Maryhill and Springburn) (Lab):** To ask the Scottish Government what the most recent discussions are that it has had with the UK Government to discuss the future of Remploy in Scotland. (S4O-01642)

**The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney):** My colleague Fergus Ewing spoke on 6 December with Esther McVey, the Minister for Disabled People, shortly before the announcement was made that stage 2 of the commercial process would commence. On Monday 17 December, Scottish Government officials met Remploy and Department for Work and Pensions officials to discuss greater involvement with and collaboration on stage 2.

**Patricia Ferguson:** As the cabinet secretary may be aware, workers at the Rempoy factory in Springburn in my constituency face the closure of their factory at the end of January. Unfortunately, the DWP and Rempoy will not have allocated those workers their caseworkers until 7 January, although that is exactly the kind of help that the workers need at this vital time for them.

Have the Scottish Government and the DWP discussed the possibility of the national health service in Scotland taking over responsibility for the Springburn Rempoy factory, where wheelchairs for the NHS are the only product?

**John Swinney:** Patricia Ferguson's concern about the timetable for the availability of caseworkers for the affected employees is absolutely justifiable. That illustrates the unacceptable manner in which the whole process has been conducted. This is not the first time that members, and Patricia Ferguson in particular, have had a reasonable ground to raise concerns about how the DWP and Rempoy have handled the issue.

In relation to the steps taken by the Scottish Government, we had a helpful debate in Parliament a couple of weeks ago on the question, which clearly demonstrated Parliament's agreement on the areas that we need to focus on. I will ensure that the issue and the opportunity that Patricia Ferguson raises for a role for the national health service are positively explored to determine whether there is any way that we can take forward any further work on that question. A number of commitments were given in the debate about the establishment of an employer recruitment incentive for individuals who may lose their jobs as a consequence of the changes. I confirm to Parliament that that work is receiving urgent attention so that we can take it forward as soon as possible.

### **Third Don Crossing (Discussions with Aberdeen City Council)**

**6. Kevin Stewart (Aberdeen Central) (SNP):** To ask the Scottish Government what recent discussions it has had with Aberdeen City Council regarding the proposed third Don crossing. (S4O-01643)

**The Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities (Nicola Sturgeon):** The only discussion that has taken place recently was between officials from Transport Scotland and Aberdeen City Council about the possibility of including the third Don crossing in the non-profit-distributing contract to construct the Aberdeen western peripheral route and the Balmedie to Tippetty upgrade.

**Kevin Stewart:** The cabinet secretary will be aware that Aberdeen City Council agreed yesterday to progress with the third Don crossing, which is very welcome news indeed. Will the cabinet secretary consider bundling the third Don crossing contract with the AWPR contract if Aberdeen City Council requests that?

**Nicola Sturgeon:** Yes, we will consider that, although a final decision is expected to be taken prior to the issuing of the tender documents for the main NPD contract, which is programmed for spring 2013. I assure Kevin Stewart that consideration will be given to any such request by Aberdeen City Council.

**Lewis Macdonald (North East Scotland) (Lab):** Is the cabinet secretary aware that Tillydrone community council also met yesterday—in Mr Stewart's constituency—and that far from welcoming the matter, it wanted to discuss with its local councillors what the impact of the project would be? When ministers next discuss the project with Aberdeen City Council, will they address the concerns of local people about the division of their community by a new road and about the impact on regeneration?

**Nicola Sturgeon:** Not only will ministers be mindful of local opinion, but I expect Aberdeen City Council—as I would any other council—to take account of such views. Such considerations are first and foremost for local communities, balancing the needs of the economy and regeneration with the interests of individual communities. I expect all that to be taken into account before final decisions are taken.

### **Domestic Abuse Courts**

**7. John Finnie (Highlands and Islands) (Ind):** To ask the Scottish Government what benefits specialist domestic abuse courts bring to victims. (S4O-01644)

**The Cabinet Secretary for Justice (Kenny MacAskill):** Domestic abuse is completely unacceptable and has no place in a modern Scotland. We know that helping victims through this traumatic time requires support from the point that they make contact with the police, criminal justice social work or the third sector. That network of support is available throughout the country. Additional advocacy support is provided in Glasgow where, unfortunately, there is a high density of cases.

Where domestic abuse cases are brought before a specialist court, they will be heard before a dedicated sheriff. Prosecutors across the country have extensive guidance available to them to assist them in dealing effectively with domestic abuse cases.

**John Finnie:** With more than 500 charges with a domestic abuse aggravation reported to the fiscal from Inverness alone and more than 1,000 from the Highland Council area, does the cabinet secretary agree that the Highlands victims would benefit from a specialist domestic abuse court? Could he encourage officials to examine the possibility of putting one in place?

**Kenny MacAskill:** We recognise that domestic abuse scars far too many communities—probably every community in Scotland. Statistically, the Northern Constabulary area has the second lowest number of cases, but there are still far too many.

Each area operates a different approach depending on the number of domestic abuse cases that it deals with. In the Highlands and Islands, the density of cases is lower, although the number of cases is clearly far too high. Local partners have decided that, given the case volumes and the court capacity in the Highlands and Islands, those cases can be supported just as effectively in the mainstream summary and solemn courts. The matter is kept under constant review by all the appropriate partners, whether it is by the constabulary, the Scottish Court Service, the Crown Office and Procurator Fiscal Service or those acting in other agencies and capacities.

I will happily reflect on the issue and discuss it with people. However, one of the most significant ways in which we can make progress is by following Lord Carloway's recommendation on the abolition of corroboration, which will help to address not only rape but domestic abuse.

**Mary Scanlon (Highlands and Islands) (Con):** Will some of the £10 million that was announced yesterday for justice be allocated to upgrade courts in the Highlands and to develop a specialist domestic abuse court for males and females? That will ensure that there is equity of access to justice, and help people in the area, who face the longest travelling distances.

**Kenny MacAskill:** We are aware of the difficulties that are caused by remoteness in the north. Although we recognise that domestic abuse is not gender specific and there is domestic abuse by females against males, it is sadly still the case that such abuse is significantly dwarfed by the domestic abuse that is perpetrated by males against females. Both aspects are being addressed. Such matters are for the Scottish Court Service, but I assure Mary Scanlon—as I assured John Finnie—that they are viewed with the utmost seriousness by all the agencies.

The remoteness factor and the difficulties in travelling that Mary Scanlon mentioned must be borne in mind with regard to what we can do in the appropriate courts. How we do things in Glasgow

is different from how we do things in other areas, such as Edinburgh, but each area has specialist support and advice and is getting additional support from the Government to tackle domestic abuse, which is fundamentally unacceptable and wrong and must be addressed in modern Scotland.

#### **RAF Leuchars (Multi-role Brigade Proposals)**

**8. Roderick Campbell (North East Fife) (SNP):** To ask the Scottish Government what recent discussions it has had with the Secretary of State for Defence regarding the establishment of a multi-role brigade at RAF Leuchars, given the importance of these proposals to the local community. (S4O-01645)

**The Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities (Nicola Sturgeon):** The Scottish Government has persistently pressed the United Kingdom Government to deliver on the commitments that it has made to defence communities around Scotland, including at Leuchars.

Most recently, I wrote to the Secretary of State for Defence on 12 December, following the news that a basing announcement would not take place by the end of this year as promised. I again made clear that Scotland has much to offer the military and their families but that our communities have been more than patient and deserve clarity now. We will continue to press for the commitments that were made to Scotland more widely to be delivered.

**Roderick Campbell:** Would the cabinet secretary agree that, notwithstanding the considerable underspend in defence spending in Scotland over recent years, it now seems that the promise of 6,500 to 7,000 Army troops by the then Secretary of State for Defence, Liam Fox, in July 2011 was a considerable overstatement? Moreover, does the cabinet secretary accept and understand that the delay in making an announcement is causing considerable concern in the local community?

**Nicola Sturgeon:** Rod Campbell is right to highlight the concern and uncertainty that the delay in the basing announcement is creating in the communities that he represents. He is also right to highlight the disproportionate reductions that have taken place in the military in Scotland following the decisions of successive UK Governments, which have since 2000 amounted to 35 per cent in Scotland in comparison with 20 per cent in the UK as a whole.

In the letter that I wrote to the Secretary of State for Defence, I pointed out that, in the past year alone, Scotland experienced a further reduction of



7.5 per cent in the number of service personnel that are based here, which is the greatest proportionate fall in the UK nations.

Against that background, I assure Rod Campbell that we will continue to take every opportunity to urge the UK Government to halt that decline as quickly as possible and fulfil the clear commitments that Liam Fox made in July 2011.

### **BBC Scotland (Job Losses)**

**9. Jean Urquhart (Highlands and Islands) (Ind):** To ask the Scottish Government what recent representations it has made to BBC Scotland regarding job losses in its Highlands and Islands service. (S4O-01646)

**The Minister for External Affairs and International Development (Humza Yousaf):** It is vital that BBC Scotland maintains the highest standards of broadcasting in radio, television and online services throughout Scotland. Given the licence fee freeze that the United Kingdom Government has imposed, the Scottish Government maintains grave concerns about the impact of job losses at BBC Scotland, including in the Highlands and Islands.

The First Minister and the Cabinet Secretary for Culture and External Affairs have repeatedly expressed their concerns to the director of BBC Scotland, the chair of the BBC trust and successive directors general of the BBC. The cabinet secretary most recently met the BBC Scotland director, Ken MacQuarrie, on 8 November 2012 to discuss the impact of job losses, and she has written to the incoming BBC director general, Tony Hall, to highlight again the Scottish Government's concerns.

**The Presiding Officer:** Briefly, Ms Urquhart.

**Jean Urquhart:** I agree with the ambition that the minister clearly stated, but does he agree that deleting the senior reporter post in BBC Radio Highland does not allow for a truly nationwide service such as he described?

**The Presiding Officer:** Minister, briefly.

**Humza Yousaf:** I share the member's concerns. We are happy to make such concerns known to BBC Scotland directors and to the BBC team in the UK as a whole.

## **First Minister's Question Time**

### **Engagements**

**1. Johann Lamont (Glasgow Pollok) (Lab):** For the last time in 2012, I ask the First Minister what engagements he has planned for the rest of the day. (S4F-01073)

**The First Minister (Alex Salmond):** I am delighted to announce that I will be speaking to the Minister for Energy, Enterprise and Tourism, Fergus Ewing, who is at Nigg to announce that the Scottish company the Global Energy Group is to increase its workforce at the Nigg energy park by 50 per cent, which is 400 new jobs. The applications for those jobs will start today, which makes fantastic news for the re-industrialisation of the Cromarty area and is a great Christmas present for the Highlands of Scotland.

**Johann Lamont:** We on this side of the chamber always welcome good news in relation to opportunities for people to work. [*Interruption.*]

**The Presiding Officer (Tricia Marwick):** Order.

**Johann Lamont:** Over the past year, the First Minister has told us that he had legal advice on the European Union, when he had not; that college funding was going up, when he was cutting it; and that we would have a seat on the monetary policy committee of the Bank of England, when he had not even spoken to it. Which one of those answers was the most exact ever given to any Parliament anywhere? [*Laughter.*]

**The First Minister:** That is a bundle of laughs at Christmas, is it not? The ancient Mayan civilisation predicted that the end of the world will come tomorrow; Johann Lamont comes here and predicts it every single week. [*Interruption.*]

**The Presiding Officer:** Order.

**Johann Lamont:** The First Minister has obviously not been attending the same First Minister's question time as I have for the past year. [*Interruption.*]

**The Presiding Officer:** Order.

**Johann Lamont:** I am, of course, ever an optimist about the First Minister's reflecting at some point on the gap between what he says and what he does.

However, I think that we can all agree that this has been a tough year for everyone—money has been tight almost everywhere. Some of us might ask "What could we do with half a million pounds? Maybe 60 nurses or 40 teachers?" However, in Alex Salmond's world, half a million pounds gets you five days watching golf in Chicago. What was the First Minister's preferred foreign investment

opportunity visit of the year? Was it his half a million pound trip to the Ryder cup or his trip to the pictures in California?

**The First Minister:** Promotion of Scotland is of huge importance. *[Interruption.]*

**The Presiding Officer:** Order.

**The First Minister:** If I remember correctly, there were three direct jobs announcements as a result of the Scottish Enterprise and Scottish Government mission to Chicago. I know that Johann Lamont welcomes, as she has just told us, all those new jobs for Scotland.

It is worth reflecting that something that we should be cheered about at Christmas is that an Ernst & Young survey once again shows that Scotland is the top location for inward investment in these islands. Given that, and given that we even exceeded London this year, we must be doing something right in terms of promotion of Scotland abroad. So, perhaps—in the spirit of Christmas and unity that I know Johann Lamont is aspiring to—she will welcome if not the success of the Government, then the success of Scottish Enterprise and Scottish Development International in bringing those valuable new jobs to Scotland.

**Johann Lamont:** I am not sure that the First Minister's half a million pound trip to the Ryder cup was what brought those jobs to Scotland. If we were concerned about bringing jobs, perhaps we would not be attacking the very colleges that create the skills and, therefore, the opportunities for people.

Of course, the First Minister has moved this year—I am not talking about his proposed flit from Bute house to St Andrew's tower. We may recall that when David Cameron called for talks on the referendum, the First Minister said that it was

“an extraordinary attempt to bully and intimidate Scotland”.

Then he signed the timetable and said that it was an “historic” moment. Who has been the First Minister's favourite visitor to Edinburgh this year: is it David Cameron, or is it Rupert Murdoch coming round for a Tunnock's teacake? Does he now regret not getting the Dalai Lama round for a caramel wafer?

**The First Minister:** I think that what would be a fundamental attack on Scotland's colleges would be the imposition of tuition fees on the 26,000 students in our colleges who currently do not pay tuition fees.

I think that it was unwise of Johann Lamont to cite David Cameron. I have been looking at Prime Minister's question time from yesterday. David Cameron attacked Ed Miliband for having

“the same old something-for-nothing culture that got us in this mess in the first place”—*[Official Report, House of Commons, 19 December 2012; Vol 555, c 844.]*

which directly reflects the “something for nothing” speech of Johann Lamont. After one year in office as the Labour Party leader in Scotland, she receives the ultimate accolade: she is quoted by the Tory Prime Minister, in support, in the House of Commons. What a disgrace.

**Johann Lamont:** Of course, the First Minister's problem is that John Swinney wanted to have that debate. That is why he asked Campbell Christie to commission a report. That report said that we need to deal with competing demands.

The reality is that the price—which the First Minister denied—of his education choices is cuts in college places and our schools having a growing gap between the rich and the poor. He knows that; perhaps in the new year he will want to confront the reality of it.

However, we are now in the Christmas spirit. *[Interruption.]*

**The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney):** “It says here.”

**The Presiding Officer:** Order. Mr Swinney!

**Johann Lamont:** What I say does not need to be written down, because it is in my very heart. It is in my very heart, First Minister, because we are, of course, approaching Christmas. After such a historic year of success,

“in terms of the debate”—*[Laughter.]*—

I presume that the First Minister will want to hand out Christmas presents to his successful team. Perhaps there will be a congratulatory abacus and spell-checker for Mike Russell, a talking doll for John Swinney, so that he can learn what “dialogue” actually means, or even a shovel for Nicola Sturgeon so that she is always shovel-ready to clean up the First Minister's next bit of mess. *[Interruption.]*

**The Presiding Officer:** Order.

**Johann Lamont:** May I wish everyone in the chamber and everyone in the country a happy Christmas and a peaceful and more prosperous new year. *[Interruption.]*

**The Presiding Officer:** Order.

**Johann Lamont:** In the First Minister's case, may I wish him as good a year next year as he has had this year. *[Interruption.]*

**The Presiding Officer:** Order.

**The First Minister:** I notice that Johann Lamont only becomes cheerful and gets in the Christmas spirit when she moves away from Paul Sinclair's

script and speaks from the heart. I advise much more of that over the next year.

Let us, however, celebrate something else today: let us celebrate the Universities and Colleges Admissions Service figures that have been released, which show a 1 per cent increase in students going to Scottish universities, compared with the 26,000 decline in English students going to English universities. Let us consider that both the college and the university funding positions in Scotland are hugely greater than those south of the border.

What part of the argument for imposing tuition fees on university students and on 26,000 college students would actually increase the numbers of students going to university or college? Cannot we look at the catastrophe south of the border and hope that all parties will maintain the commitment that they made in the chamber—by a huge majority—not to have up-front or back-end tuition fees in Scotland?

Just to check—in the Christmas spirit—that my memory was not playing tricks, I consulted the Scottish Labour website this very day. I advise members to consult it quickly, because it might be down by Christmas. It says—there is a picture of Johann Lamont—

“No up-front or back-end tuition fees for Scottish students”.

On the web, there are pictures of Jenny Marra, Lewis Macdonald and Richard Baker all signing the pledge against tuition fees. It bears a remarkable resemblance to the pledge that Nick Clegg signed before his party nosedived.

As we approach the coming year, let us hope that Johann Lamont will not relish the fact that she is cited by David Cameron in the new Tory-Labour alliance in Scotland, and that she will return to not just the roots of the Labour Party and the Scottish National Party but the Scottish tradition of free education, so that we can say with confidence to the students of Scotland—not just next year but for all time—that free education will be part of the Scottish tradition. That way we can pave a future for the people of Scotland—not just for Christmas, but for all time.

### **Secretary of State for Scotland (Meetings)**

**2. Ruth Davidson (Glasgow) (Con):** I wish you, Presiding Officer, and indeed the whole chamber all the compliments of the season.

To ask the First Minister when he will next meet the Secretary of State for Scotland. (S4F-01070)

**The First Minister (Alex Salmond):** I reciprocate.

I have no plans to meet the secretary of state in the near future.

**Ruth Davidson:** The First Minister did not appear to like the pantomime routine—it is just as well that people in the public gallery were not charged. Let us play this one straight.

Yesterday, the Cabinet Secretary for Finance, Employment and Sustainable Growth pledged to spend £205 million of the money he received from the Chancellor of the Exchequer’s autumn statement to start what he called a “building boom” in Scotland. However, last year he pledged to spend up to £350 million this financial year through the non-profit-distributing building fund for schools and hospitals.

How much of that will actually have been spent by the end of this financial year?

**The First Minister:** The non-profit-distributing system is such a success that it is intended to be copied at Westminster by a chancellor who now declares, in his words, that the private finance initiative has been “discredited”. In the spirit of Christmas, I congratulate the Conservative Party on its realisation that the private finance initiative has now been totally discredited and I hope that its new allies in the Labour Party will soon join the consensus and see the sense in the non-profit-distributing model and the nonsense in PFI.

**Ruth Davidson:** As the First Minister should know, NPD is “such a success” that, according to the Scottish Parliament information centre, of the £350 million pledged, the princely sum of £20 million will be spent: £330 million less than the finance secretary pledged and has available.

That is on top of the year before, when the finance secretary pledged up to £150 million but spent nothing: zero pounds and zero pence. Up to £480 million was promised to build schools and hospitals, yet was never delivered. If yesterday’s £205 million can be heralded as a “building boom” that will secure 2,000 jobs, surely, by the Government’s own figures, £480 million would have been a building bonanza that could have secured nearly 5,000 jobs.

Millions of pounds have been promised to help the construction industry but next to nothing is being built, which is why it is so important that yesterday’s announcement is not just more seasonal spin. Scotland cannot afford to wait for these shovel-ready projects to be cynically delayed until just before the 2014 referendum.

Will the First Minister tell us what the finance secretary refused to confirm yesterday: in which months in 2013 will the £205 million-worth of projects start and when will the unspent £480 million that was previously promised actually be released?

**The First Minister:** Regarding the years in planning of capital spending, I point out to Ruth

Davidson that if the Conservative Party had not cut the capital budget—even under revisions—by 26 per cent, these funds could have been spent directly over the past two years.

I draw Ruth Davidson's attention to the most significant non-profit-distributing project in Scotland, the Aberdeen western peripheral route, which might explain her question. I think that the chamber will agree that it is not the Government's responsibility that the Aberdeen western peripheral route was taken through the Scottish courts, right the way to the Supreme Court. Should the Government have battled its way through to a position in which the route can go ahead and the NPD funding allocated to it can go ahead in that time, or should we—according to Ruth Davidson—have spent the money on something else and therefore not now be able to go ahead with the peripheral route?

I make that point seriously to Ruth Davidson, because folk across the north-east of Scotland are celebrating that at last the shovels are in the ground.

If we had left it to Ruth Davidson—[*Interruption.*]

**The Presiding Officer:** Order.

**The First Minister:** —the money to build the peripheral route would not have been there because she would have spent it on something else that she has not defined—if we had left it to the Tory Party. If the Tory Party had listened to John Swinney two years ago, the money for the projects in line for this financial year, the next and the year after could already have been spent in Scotland.

In terms of public finance, I see that the *Morning Star* and *The Daily Telegraph*—[*Interruption.*]

**The Presiding Officer:** Order.

**The First Minister:** All right—I will put them the other way round. *The Daily Telegraph* and the *Morning Star* were this week united in agreement with the National Union of Rail, Maritime and Transport Workers that the aborted and abandoned bidding process for the west coast route could waste £100 million. Perhaps in the spirit of Christmas the Conservative Party and Ruth Davidson will reflect on what that £100 million, potentially wasted by Tory ministers, could have done if it had been invested in the economy and, as the party of omnishambles, will not at any time in 2013 come across to this chamber and start talking to this Government about economic confidence.

**The Presiding Officer:** I will now take a number of constituency questions.

**Alex Fergusson (Galloway and West Dumfries) (Con):** I wonder whether the First

Minister is aware that Swift Horsman Ltd, a high-quality joinery provider, went into receivership just two days ago, resulting in 40 redundancies in the town of Dalbeattie in my constituency. Coming on top of 12 redundancies at BSW Timber in the same town, this loss of 52 jobs is certainly not a welcome Christmas present to that rural community where alternative employment is far from plentiful.

What will the First Minister's Government do to ensure that all available support and advice is given to the affected employees, particularly at this time of year, and what assistance can and will the Government give to the receivers, PricewaterhouseCoopers, in searching for a buyer for Swift Horsman's now-empty premises?

**The First Minister:** I thank Alex Fergusson for his question. As he knows, the Swift Horsman group has gone into receivership, which puts at risk many jobs across the United Kingdom, including 40 to 50 in his area of Scotland. As soon as the partnership action for continuing employment team became aware of the situation, it contacted the administrators to offer support and I understand that representatives from the local PACE team are visiting the site this morning to speak to individuals and identify what support will be needed. The position is very difficult at any time of year but particularly at this time of year. I know that Alex Fergusson is well aware of the PACE team's substantial success in redeploying people in similar situations elsewhere and every effort will be made to bring about the same success in his constituency.

**Kenneth Gibson (Cunninghame North) (SNP):** On Tuesday morning, staff at the University Marine Biological Station at Millport in my constituency were given the kind of early Christmas present no one wants when they were told that the facility will close next year after the owners, the University of London, decided not to invest in modernising the facility, despite the fact that £1.7 million had already been raised from other sources. This internationally renowned centre supports 40 local jobs on Cumbrae, an island that Highlands and Islands Enterprise already considers to be fragile, and if closure proceeds specialist staff will be unable to find similar employment in Ayrshire—and possibly Scotland—and will have to leave Cumbrae, which will have a huge impact on the island economy.

Is the First Minister able to advise the chamber on what the Scottish Government can and will do to prevent this facility from being asset-stripped of its vital research vessels and hyperbaric chamber and whether ministers and agencies will work to develop a rescue package to ensure that we retain this important educational facility?

**The First Minister:** This is an extremely difficult situation in what is a fragile island economy. As the member is aware, the station is owned by the University of London; it is not actually used by any Scottish university at present, although the Scottish Further and Higher Education Funding Council contributes some funding to it. Funding has also been offered to the University of London from a variety of sources. The Cabinet Secretary for Education and Lifelong Learning will happily broker meetings between the University of London and other interested parties to ensure that all potential options can be explored.

As with the example in the previous question, the chamber will be well aware that what might seem in global terms a relatively small number of jobs is massive to an island or rural community in terms of the scope and impact on the economy. That is true of the situation in the south-west of Scotland and in Millport, and the member can be assured that the cabinet secretary will explore every possible option to see what can be done to help the local community.

**Sarah Boyack (Lothian) (Lab):** Is the First Minister aware of the fears of NHS Lothian staff, who are reporting tremendous pressure on beds at the Edinburgh royal infirmary and the Western general in what the health board has described as unprecedented demand? Will the First Minister ask his health secretary to engage with the reality of what is happening in our national health service instead of issuing complacent reassurances?

**The First Minister:** I do not think that that corresponds to anything that the Cabinet Secretary for Health and Wellbeing has said. NHS Lothian's medical director has reassured patients that beds are available across all hospital sites and that the board at no point has had to—or will have to—stop admitting patients to hospital. As the member will be aware, there are a number of reasons for the real pressure on beds at present, including some of the illnesses that are widespread in the community. However, the member can be assured that Government ministers and particularly the health board are concentrating on the issue to ensure that patient care is maintained at the highest possible standard.

### **Cabinet (Meetings)**

**3. Willie Rennie (Mid Scotland and Fife) (LD):** To ask the First Minister what issues will be discussed at the next meeting of the Cabinet. (S4F-01079)

**The First Minister (Alex Salmond):** The Cabinet will discuss issues of importance to the people of Scotland.

**Willie Rennie:** Two months ago, I asked the First Minister to extend nursery education for two-year-olds. He said that he would consider it. Now that he has had time, what decision has he reached?

**The First Minister:** As Willie Rennie well knows, a range of initiatives have already been announced within the overall ambit of getting it right for every child, such as the offer of 600 hours for three and four-year-olds; the incentives that have been offered to family centres to expand their operations across Scotland; and the incentive for family nurse partnerships, which apply to children younger than two and which can make a real difference to some of the most challenged families in our community. A range of measures are there.

An all-party group is considering those matters and, as the member knows, measures will come forward in legislation. Given the emphasis that has been put on early years development, it cannot seriously be said that the Government does not have a focus and concentration on that. Substantial and important improvements are being made to enhance the life chances of children in Scotland.

**Willie Rennie:** All members will welcome the extra provision that the First Minister mentions but, in England, 40 per cent of two-year-olds are to get 15 hours a week of nursery education. The future provision for three and four-year-olds is good but, as the First Minister will know, Professor James Heckman is clear that investment that is made before the age of three gets the best return.

Will the First Minister today commit to—or at least give an indication that he is prepared to consider—extra provision for 40 per cent of two-year-olds? That could be transformational and could help disadvantaged children to get a good start in life. I therefore press the First Minister again. Members from all parties, including his own, agree that we should make such provision. Will he take that important step today?

**The First Minister:** I will say two things in seriousness to Willie Rennie. First, he is aware that the 600-hour commitment for three and four-year-olds is much greater than what is being allocated in England. Secondly, he should not disregard the importance of family centres and family nurse partnerships in providing targeted support. The task force that is working on the issue is working extremely hard to bring about the best possible position for young people in Scotland.

I could cite a whole variety of sources from English local authorities who are seriously questioning whether aspects of what is said to be on offer in England can actually be delivered.

Given the resource position that they face, a range of English local authority leaders and other experts seriously doubt that everything can be delivered. However, we can be confident that what has been announced in Scotland to date—the 600-hour commitment for three and four-year-olds and the expansion of family nurse partnerships and family centres—will actually be delivered. The all-party group that is meeting on the issue keeps the matter under continuing review. The focus of that group will be important in Government decision making, as will the statutory commitment.

That package represents a substantial enhancement of provision in Scotland, and it is fully in line with the shift to early support and early intervention that is the hallmark of this Government, even in times of great financial stringency, which, as Willie Rennie will remember, is being imposed by a Government of which—[*Laughter.*] Labour members are laughing—I did not know that the alliance on the referendum extended to thinking that we are not in a period of financial stringency that is imposed by a Tory-Liberal Government at Westminster. That is a reality of this year and next. Members should bear it in mind that substantial efforts are being made in Scotland. That sincere commitment will improve and enhance the life chances of younger people in Scotland, including those who are most at risk.

#### **Alcohol (Minimum Unit Pricing)**

**4. Roderick Campbell (North East Fife) (SNP):** To ask the First Minister what discussions the Scottish Government has had with the United Kingdom Government regarding the Scottish Government's submission to the European Union on minimum pricing for alcohol. (S4F-01080)

**The First Minister (Alex Salmond):** There has been regular contact with the UK Government on minimum pricing. Early in the new year, the Cabinet Secretary for Health and Wellbeing, Alex Neil, will meet the UK Government's relevant minister of state, Jeremy Browne MP, to discuss the matter further.

In framing the reply to the European Commission, we continue to engage within and outwith Scotland with those who agree that minimum unit pricing should form a key part of the response to alcohol misuse.

**Roderick Campbell:** The UK Government has shown its willingness to support the measure and has launched its own consultation into minimum pricing—showing once again that where Scotland leads the rest of the UK follows.

Can the First Minister give an assurance that this Government will continue to promote the public health argument on pricing, based on article

36 of the Treaty on the Functioning of the European Union?

**The First Minister:** Yes, I can. It is worth noting that the public health benefits of minimum pricing, a policy that is now supported substantially across this chamber, are being recognised elsewhere in Europe. Just last week, the Irish Government's Minister for Health, Dr James Reilly, said:

"I wish to express my full support for the Scottish proposals on minimum unit pricing of alcohol. This is an important policy measure to reduce the harmful consumption of alcohol, and in this regard, the Irish Department of Health is preparing proposals for similar legislation in Ireland."

It is important to have that degree of support from an international partner at any time, but it is particularly important at a time when—as will be the case from 1 January—Ireland chairs the Council of the European Union.

#### **Homelessness**

**5. Elaine Murray (Dumfriesshire) (Lab):** To ask the First Minister what the Scottish Government's position is on Shelter Scotland's claim that one in four people believe they are "one pay cheque away" from losing their home. (S4F-01084)

**The First Minister (Alex Salmond):** Shelter's new research highlights how unemployment puts families at greater risk of repossession, eviction and homelessness. The Government remains focused on economic growth in order to protect and create jobs and to avoid families being placed in this position in the first place. I was thus pleased by the drop in unemployment in Scotland in the latest quarter.

Importantly, in terms of housing and housing legislation, from 31 December all those in Scotland who are assessed as unintentionally homeless by local authorities will be entitled to settled accommodation. In addition, Scotland has the strongest legislative protection anywhere across these islands for those at risk of repossession.

**Elaine Murray:** Many families will spend a period of time in temporary accommodation before being able to be housed, and Shelter has also highlighted that 5,300 homeless children will wake up in temporary housing on Christmas day because their family have no home to call their own. What consideration will the Government give to introducing national guaranteed standards for temporary accommodation for homeless families with children?

**The First Minister:** We give all measures serious consideration, including that one.

A few weeks ago, I delivered the Edwin Morgan lecture, which was organised by Shelter. There was huge support for legislative improvement in relation to homelessness and a recognition of the sharp fall in homelessness applications since 2005-06, when there were more than 60,000, to 2011-12, when there were more than 45,000. That represents substantial progress, as does the legislative framework that gives all unintentionally homeless people equal rights before the law.

Although there are challenges still to overcome—and all good suggestions will be properly considered—the chamber, like Shelter, should be proud of the legislative framework that this Parliament has put in place and should note that, according to the statistics, as homelessness is falling in Scotland it is rising elsewhere in these islands.

### Festive Season Industrial Action

**6. Murdo Fraser (Mid Scotland and Fife) (Con):** To ask the First Minister what action is being taken to minimise disruption from industrial action over the festive season. (S4F-01074)

**The First Minister (Alex Salmond):** That is maybe one of those questions that seem like a good idea on Monday.

**Murdo Fraser:** If a week is a long time in politics, the three days since I lodged that question on Monday have proven to be a very long time in industrial relations.

Will the First Minister join me in welcoming the resolution of the industrial dispute between ScotRail and the National Union of Rail, Maritime and Transport Workers and, in the spirit of the season, will he join me in wishing all travellers and those working for them in the sector a safe journey and a very happy Christmas?

**The First Minister:** Yes, I will. The fact is that the RMT and ScotRail dispute is settled; the RMT and CrossCountry dispute is settled; the Unite and First Aberdeen dispute is settled; the British Medical Association hospital doctors dispute is settled; and in the RMT and Serco dispute over NorthLink Ferries, the strike has been suspended. All of that is welcome news.

Unfortunately, I have to report that the London tube strike on Boxing Day is still going ahead, which is very disappointing given that even the trams in Edinburgh were running yesterday. *[Laughter.]* The advent of Murdo Fraser's question clearly focused minds in Scotland to come to a satisfactory conclusion in advance of his asking it. I am certain that, if he puts the same mind and advice to the aid of Boris Johnson down in London, they will get a result there as well.

## Clydesdale Bank Job Losses

**The Deputy Presiding Officer (John Scott):** The next item of business is a members' business debate on motion S4M-05153, in the name of Drew Smith, on job losses at the Clydesdale bank. The debate will be concluded without any question being put.

### *Motion debated,*

That the Parliament notes with disappointment the announcement by National Australia Group that over 200 people in Scotland will lose their jobs at Clydesdale Bank sites across Scotland, including in the Glasgow region; understands that this brings the total number of jobs lost to 400 since 2011; regrets that, as part of the strategic review outcome for the Clydesdale and Yorkshire banks, four financial solution centres will close in Scotland, in Paisley, Bearsden, Dunfermline and Inverurie; believes that this will have a negative impact on staff and their families who are affected by the closure, and regrets the loss of developed skills at sites across Scotland.

12:32

**Drew Smith (Glasgow) (Lab):** I am grateful that the motion has been selected for debate and thank all those members who have signed up to both the motion that we are debating today and my earlier motion on the same subject. I welcome to the public gallery Alison MacLean, senior Unite the union official for the finance sector, and Jenni Brown, chair of the National Australia Group committee of Unite and chair of the Unite finance sector committee. I refer members to my entry in the register of members' interests, which shows that I am a member of the same union.

The Clydesdale Bank is an important institution in Scottish banking. It was founded in Glasgow in 1838 and it is the personal bank of many Scots and of many small and medium-sized Scottish businesses in all parts of the country. Since 1987, the Clydesdale has been part of National Australia Group but has retained its focus as a Scottish clearing bank, headquartered in Glasgow, continuing to issue Scottish bank notes and giving support to many Scottish causes. That is particularly true in the field of sport, where it has been a sponsor of the Scottish Premier League since 2007 and of the Scottish Commonwealth games team since 2005. There are 300 Clydesdale branches throughout the United Kingdom, but around half of them are in Scotland and Clydesdale employs 3,670 staff here. For all those reasons and more, it is right that the Parliament takes a close interest in Clydesdale and the workers who are employed by it.

In February, National Australia Group announced a strategic review of its UK operations by Clydesdale, including Yorkshire Bank, and I raised the issue in this chamber with the First Minister. At that time, I wanted to ensure that the

most robust defence possible was mounted to protect Scottish jobs both because of the value of the jobs to those who do them and because of the strategic importance to the Scottish banking industry and the wider Scottish economy of this Glasgow institution, which has been the subject of previous speculation about National Australia Group wanting to divest itself of the bank.

Throughout the review period, I have kept in close contact with the banking section of Unite, and I have asked the First Minister to agree to meet union representatives to discuss their concerns. The Scottish Government met Clydesdale management and I am grateful for that, but I am disappointed that correspondence that I have had with the First Minister appears to indicate that no specific meeting with Unite took place that was focused on the uncertainty that has been experienced by Clydesdale workers.

Members who have supported the motion in my name will share my concern about the news that has since emerged from the bank—specifically, the bank's decision to close a number of financial solutions centres in Scotland. Two business and private banking centres in Dunfermline and Paisley will close; two so-called "satellite" centres at Inverurie and Bearsden will also close; and the business and private bank centre in Stirling will be subsumed into the town branch.

Those closures reflect the bank's desire to cut costs. National Australia Group's intention is to withdraw Clydesdale Bank and Yorkshire Bank from property development and investment lending and to concentrate their activities on personal lending and private banking accounts. Obviously, I welcome any move that has as its objective the correcting of past mistakes, but the staff who are to retain their jobs will want to be certain that the new course that National Australia Group has set for the Clydesdale is the correct one.

Prior to today's debate, I have been advised by Clydesdale Bank and the union that—and I welcome this—many of the affected staff will have the opportunity to transfer within the business and most of those who leave will do so through voluntary redundancy. However, it is a matter of great regret that some will be made compulsorily redundant. The figures that I have been given by the bank indicate that 20 Scottish staff are to be forced out in that way. I understand that a number of staff from across the United Kingdom who are to leave their jobs will do so today.

In some respects, Glasgow is likely to be a beneficiary of centralisation of some of the bank's activities, so I can hardly fail to welcome any new jobs that might be created in, or moved to, my city. However, that does not lessen my concern that, as a result of the changes, the Scottish banking

sector will lose almost 100 jobs, which is up from the previously suggested figure of 60. That follows on from the considerable pain that has been experienced by workers at Clydesdale's larger competitors in Scotland over recent years and, indeed, weeks given the news that Lloyds Banking Group is to close its call centre in Motherwell.

It could be said that Scotland will fare better from the changes at Clydesdale and Yorkshire because the majority of the 1,400 jobs that are going will be lost in other parts of the UK—in particular, as I understand it, in the south of England. However, redundancy, whether voluntary or compulsory, will be difficult for many of the bank's hard-working and loyal staff, particularly—it may be a cliché—at this time of year, although, in truth, to be told that one's job is no longer required by an employer is always a traumatic experience, whenever and under whatever circumstances it occurs. For many of those who will leave Clydesdale Bank, where they will find new employment is uncertain, and it is concerning that many of their skills will be lost.

In seeking a debate in Parliament, I sought to highlight the changes that are occurring at Clydesdale, which essentially involve a retreat by the bank into its traditional heartlands and into more traditional banking products. The bank's future success is important for its customers, who include a significant proportion of small and medium-sized businesses in Scotland, and as a source of good-quality employment in the banking industry.

**Roderick Campbell (North East Fife) (SNP):**

Does the member accept that the fact that many of the Clydesdale Bank's lending products to small businesses are now the subject of a review by the Financial Services Authority cannot do much good for the bank's long-term reputation?

**Drew Smith:** I am not aware of all the details of that review, so I would not wish to comment on it other than to say that, by debating the motion in the chamber, my concern is to shine a light on Clydesdale Bank so that we can do all that we can to ensure that the bank remains an important part of the Scottish banking industry. Clearly, maintaining the bank's reputation in all respects is absolutely vital to that.

In closing, I take the opportunity again to urge the management of Clydesdale Bank and its owners in National Australia Group to continue discussing the future of the bank with their staff and with Unite representatives, not least because I know that the many changes to the bank's internal structures and the need to manage the staff who will remain will require the close co-operation of the staff side if the changes are not to be a precursor to further retrenchment in years to come. National Australia Group also needs to



make it clear that it has a long-term commitment to Clydesdale and is not simply preparing to sell up when it believes that the market is right.

I urge the minister and the Scottish Government to take a close interest in the decisions that are being taken. A close eye will help to ensure that the Clydesdale Bank remains an important name on Scotland's high streets, a vital banker and lender to Scotland's small businesses and a significant employer of bank workers in the years ahead.

12:36

**Richard Lyle (Central Scotland) (SNP):** I congratulate Drew Smith on securing today's debate on the proposed job losses at Clydesdale Bank. As a Clydesdale customer for more than 40 years, I am surprised by the bank's actions, as reported by the BBC, to reduce its workforce by nearly 1,400 by 2015.

The Glasgow-based lender, which includes Yorkshire Bank, says that bad debts have risen by almost 90 per cent to reach £631 million. Its bad debt problem has been attributed to falling commercial property values. The bank made an underlying profit when bad debts were excluded, but it reported that the profit was down 16 per cent to £448 million—as reported by BBC news Scotland business.

Along with the Yorkshire Bank, the Clydesdale Bank has cut costs, with 468 jobs shed during the year to September. The chief executive of the Clydesdale Bank has said that the UK Government's austerity programme has contributed to the harsh business environment and its decision to carry out the review.

The two bank brands run out of Glasgow have been the subject of long-running speculation, as the National Bank of Australia, the parent company, has sent out conflicting signals on what it wants to do with its only European operation. The Australian economy is doing relatively well and, with opportunities to expand in Asia, the Clydesdale Bank has increasingly been seen as a problem for its owner. The group chief executive has stated that UK gross domestic product has declined by 0.2 per cent in the quarter to December and that those difficult conditions have adversely affected the performance of UK banking.

Over the past few years, we have heard and read about the banking crisis. Household name banks have been partly taken over by the UK Government through the buying of shares. For 10 years, I worked for one of those household names—the Royal Bank of Scotland. Our division was made redundant, so I know what redundancy feels like.

In the 10 years prior to the millennium, everything was rosy, particularly for the Royal Bank of Scotland. Management wanted to mark the millennium, which it did by making a £2 billion profit in the year 2000. Banks could do no wrong, the money poured in and out, profits grew and the share prices rose. They thought that it could never end, but we had forgotten about black Monday and black Wednesday in the prior decades.

With the on-going financial crisis, over the past number of years household banks have paid the price. I would suggest that too many jobs have been lost in the branches and centres in the banking sector, and I will speak about those.

The Clydesdale Bank has not been swept up in the storm that has erupted. The bank has not had the same daily publicity as other national banks have had. The management of the bank needs to look at its future decisions. As I have said, I am a customer of the Clydesdale Bank. I believe in that bank—I still believe in the Royal Bank of Scotland—but I get annoyed when I have to wait in a queue, when there are not enough tellers on the desks, when I have to wait for phones to be answered or when I receive an automated answer when I phone a call centre. I get annoyed when the Clydesdale bank in my local town is not open on a Saturday when the Royal Bank of Scotland across the road is.

Not everyone has a computer; not everyone wants to do money transfers over the internet. Some customers believe in counter transactions and want to have a face-to-face conversation in their local bank. They also want call centres and financial solutions centres, which are required for customers who do internet banking.

I know that some banks close early because they say that customers are not coming into the branch. They do not come in because they are working. I strongly suggest that banks should stay open late for their customers. They do not cater for customers through their call centres and they do not cater for customers now as they did in the past. They must cater for all customers who use branches and call centres.

I get annoyed when people who have worked for a firm for many years, have given good service and commitment and have made profits for the firm, and who have rent or mortgages to pay, car payments to make and families to look after, are cast on to the scrap heap because a firm wants to restructure.

The Clydesdale Bank is a good bank and I hope that it will still accept my business, even after this speech today, but I ask the Clydesdale Bank to reconsider its proposals for further redundancies in its centres. I also ask all banks to provide a better service. I am sure that the Clydesdale Bank

could show the way to other banks by providing confidence in the way that it carries out its business. The Clydesdale Bank is an asset to Scotland and its staff deserve better. I ask its owners to reconsider their plans and to give their call centre staff the Christmas that they deserve. I support Drew Smith's motion.

12:44

**James Kelly (Rutherglen) (Lab):** I congratulate Drew Smith on securing the debate on the important issue of job losses at the Clydesdale Bank.

The motion focuses on the recent spate of job losses, which build on the previous announcement in 2011. As Drew Smith said in his speech, the most recent run of job losses numbers 100. However, the issue is not just that statistic, but the impact that the losses have on individuals' lives.

Particularly in the run-up to Christmas, the prospect of losing a job is deeply unsettling for families, and that feeds into local communities. The proposal to close four solutions centres in different communities in Scotland means that jobs will be lost in each of those areas. That has a knock-on effect not only on families but on local businesses and local economies. We should reflect on that.

Like Drew Smith, I pay tribute to the campaign that the Unite trade union has led, opposing the job losses and speaking up in support of its members. It shows the importance of trade unions in the workplace, representing people and giving voice to their concerns and anxieties.

Another deeply regrettable aspect of the job losses is that the jobs that are going are skilled jobs. We hear a lot of talk about the importance of growing the economy, and we will no doubt hear it again this afternoon in the Finance Committee debate on the draft budget. One aspect of that is the need for skilled jobs and skilled workers. It is to be regretted that the Clydesdale Bank's downsizing is taking skilled jobs out of the economy. That has an impact not only on people's lives but on economic growth.

Richard Lyle poses an interesting question. The Clydesdale Bank has advanced a model to try to make its business more successful but, as he pointed out, some of the measures that it has introduced result in longer queues and people being stuck on the telephone for longer than they would wish. That has an impact on the bank's customer base. People, understandably, do not like such treatment and will go to other banks. The bank must reflect on the proposals that it is making and whether they will lead to good business.

The Clydesdale Bank has a good record of supporting community events but if a business is going to talk that up, it needs to be prepared to give something back to the community. That is not what it is doing by closing down the four solutions centres in different parts of Scotland.

It is important that the bank reflects on the business model that it is advancing and the impact that it will have on people and communities. I also urge the Scottish Government to use its influence in discussions with the bank to minimise the impact of the job losses and to try to advance an alternative business model that will not only safeguard the jobs but benefit the wider Scottish economy.

12:48

**Gavin Brown (Lothian) (Con):** I, too, congratulate Drew Smith on securing the debate.

There is bound to be disappointment across the chamber at the loss of jobs being suffered in the Clydesdale Bank. There is genuine regret at the closure of the financial solutions centres. I thought that they were a particularly innovative invention and it is disappointing to see any of them go.

We must all acknowledge the effects on those who will lose their jobs and on their families—particularly, as has been highlighted, those who are not given voluntary redundancy but are forced into it.

Members will probably be united in their emotions about these issues. However, two points on the strategic review of the bank are worth noting and give us some hope for the future.

First, it is the bank's intention to concentrate, in future, on its heartland, which it describes as Scotland and Yorkshire. If that intention is carried through at an operational level, that will be welcomed not just in Glasgow, which Drew Smith spoke about, but in other parts of Scotland.

Secondly, although painful short-term decisions are being made, we must hope that if a more sustainable and secure operation is created, that will be better for Scotland and the Clydesdale in the long as well as the medium term. Only time will tell whether the strategic review achieves that, but if it does, it will make the jobs that still exist more secure. In addition, it will—we hope—enable the bank to attract more business and start to grow successfully again.

I suspect that the minister is bound to address this when she sums up, but I would be interested to know, just for the record, what work the Government has done with the Clydesdale in relation to the redundancies, what meetings have taken place that are allowed to be talked about and whether any action is planned in the coming

months to assist those workers who have lost their jobs. I suspect that there are some issues that cannot be discussed in the public domain, but I would be grateful for anything that the minister can put on the record.

It is important that the Clydesdale Bank succeeds in Scotland. It has an extremely good track record over the years. It is an important institution and it has been for a long time, as has been pointed out. We need the bank to succeed, for the good of the Scottish economy. It is a large employer, with branches and important centres all over Scotland. We must hope that that remains the case.

The future of the bank is also critical in the sense that we need competition in our banking sector. If we were to lose a large slice of the Clydesdale's operations, that would make banking in Scotland even less competitive than it is at the moment, which, ultimately, would be bad news for business, particularly small businesses, which would have even less choice than they do today. Consumers, too, would have less choice.

For all those reasons, I hope that the decisions that the bank has taken prove to be sustainable in the long term, but I openly acknowledge that some short-term pain is being experienced, and I am sure that the effects on those who have lost their jobs and on their families will be remembered by members across the chamber at this time.

12:52

**Stewart Stevenson (Banffshire and Buchan Coast) (SNP):** As other members have done, I thank Drew Smith for giving us the opportunity to discuss the issue in Parliament. For the avoidance of doubt, as I will be talking about banking generally, I declare that—regretfully—I continue to have a shareholding in Lloyds Banking Group.

In what has happened in the banking industry, a matter of great regret is the great division between the rewards that there appear to have been for failure at the top of too many banking organisations and the price that has been paid and the hardship that has been experienced by those front-line staff who have not had the luxury of heavily gold-plated pensions and large pay-offs. At Christmas in particular, our thoughts are with those front-line staff and their families.

The broad causes of the banking difficulty have been well discussed, but a couple of the causes of the causes are worthy of a bit of examination. One of those relates to the interaction between investment banking and clearing banking. In the aftermath of the last crash in the 1930s, the Democrats Carter Glass and Henry Steagall introduced legislation that required separation between investment banking and clearing banking.

Section 20 of the Banking Act 1933—the Glass-Steagall act—prohibited any bank in the Federal Reserve system from being involved in

“the issue, flotation, underwriting, public sale, or distribution”

of securities. That was a successful innovation that protected the clearing bank system across the world for many generations of bankers and bank customers.

The Glass-Steagall act also put a geographic limit on the operation of United States banks: they could operate only in a single state. That did not work so well. Bank of America, which was based in California, simply went international; Citibank, which was based in New York, did the same. Some of the measures in the act worked and some of them did not work.

In the mid-1930s there was an attempt to overturn some of the Glass-Steagall act's provisions, but President Roosevelt said that the old abuses would come back if underwriting were restored in any shape, manner or form in the clearing bank system. We are here today because that is precisely what happened, first in the US in the 1960s, when the Glass-Steagall act began to be interpreted in a different way and barriers started to be broken down, and then in the 1980s, when Margaret Thatcher's Government did the same here. That is one of the causes of the causes.

The other cause of the cause is contemporary and is to do with qualifications. Front-line staff are encouraged to study in their spare time and many achieve a qualification from the Chartered Institute of Bankers in Scotland that is at least equivalent to a first degree and, in my view, much harder to achieve than a first degree, given that people have to study in their spare time.

Such qualifications are regarded as necessary for front-line staff, but banking qualifications and the experience that goes with them have been notably absent from the ranks of senior management in the Royal Bank of Scotland, the Bank of Scotland and, to a lesser extent, the Clydesdale Bank. When RBS and the Bank of Scotland got into difficulties, only a single senior manager in each bank had any banking qualification of any kind. We need front-line staff to be qualified and yet somehow we have a system that allows the people who make the key decisions to be unqualified. I cannot help thinking that that contributes to the problem.

In a sense, the Clydesdale Bank has been lucky, in that it was owned by Midland Bank in the 1980s, when everyone was fearful that Midland was going down the tubes—it nearly did, but the Hongkong and Shanghai Banking Corporation saved it. HSBC sold off Clydesdale, which was ill

managed and ill served by its new Australian owners. There was rapid turnover of chief executives, who served for a year or 18 months, and the bank did not have the support that would have enabled it to develop a franchise. As luck would have it, that kept the bank out of some of the mires that other banks got into. Nonetheless, that inattention contributes to where we are today.

I remind members that the Clydesdale used to be called Clydesdale & North of Scotland Bank, so the matter does not concern only Glasgow; it touches on the interests of my constituents and people throughout Scotland.

12:57

**Neil Bibby (West Scotland) (Lab):** I refer members to my entry in the register of members' interests, because I am a member of Unite.

I thank Drew Smith for securing this important debate. As he said, the Clydesdale Bank is an important institution and employer in Scotland. It is right that we recognise the contribution that the bank makes to our economy, but I am sure that all members were concerned to hear about the bank's decision to close a number of its financial solutions centres in Scotland. The job losses will undoubtedly have a significant impact on staff and their families, as all job losses do.

The Clydesdale Bank centre at Phoenix Business Park in Paisley, in my region, is one of two business and private banking centres that are to close, with the reported loss of about 20 jobs, as part of the restructuring that will lead to the loss of 100 jobs across four Scottish centres. The affected staff in Paisley dealt with private and business interests, and there were some positions in risk control.

I am pleased that a number of employees have had the opportunity to move to another department in the business, but that offers no comfort to the unfortunate members of staff who face compulsory redundancy through no fault of their own. David Fleming, the national officer at Unite, described the move as

"devastating for staff and their families, many of whom have served the bank for many years."

There is no denying the significant impact of redundancy on individuals and families; there is also the wider issue of the loss of skills and experience from the sector.

The most recent unemployment statistics show that just over 2,700 people in Paisley are claiming jobseekers allowance, which is the second-highest overall figure in the West Scotland region. It is therefore clear that those who lose their jobs at the Clydesdale Bank may face a challenge in finding new employment.

I welcome the bank's desire to become stronger, more secure and better able to challenge larger banks and to offer choice in the market in which it operates. I have no doubt that the bank has business reasons for its decisions. However, staff at the bank want to know that the new path will not result in another round of job losses and further uncertainty.

It is important to recognise that the job losses at the Clydesdale Bank do not stand alone; instead, they represent a further blow to the Paisley area, following a number of decisions that have had an impact on the local economy and local employment. The job losses come while Renfrewshire continues to trail behind other local authority areas on Scottish Government funding; Renfrewshire Council is the only mainland council in Scotland to have been allocated the minimum possible—the funding grant floor—for the past three years in a row.

Renfrewshire is a fantastic place that has hundreds of excellent employers, thousands of skilled and hard-working employees and good infrastructure links, but it is clear that more investment and more employment opportunities are needed. The new Labour council is working hard to bring in the required investment and to boost the local economy, but its ambition for the area must be matched not only by businesses but by the Scottish Government.

I join Drew Smith and others in urging the Clydesdale Bank's senior management to continue dialogue with staff and Unite representatives—some of whom are here today—and to take into account the bank's importance to communities such as Paisley not only as a lender but as an employer.

13:01

**The Minister for Youth Employment (Angela Constance):** Like other members, I thank Drew Smith for lodging the motion and securing the debate. I understand and very much share his concerns for the workers in his region and across Scotland.

Like all other banks in Scotland and beyond, the Clydesdale Bank faces significant pressures as a result of the financial crisis. As we have heard, in response to those difficulties, National Australia Bank—the owner of the Clydesdale Bank and the Yorkshire Bank—announced on 7 February that it would undertake a strategic review of its UK operations. That review was prompted by poor economic and trading conditions in the UK.

As Mr Smith said, jobs have been lost. Two business and private banking centres in Dunfermline and Paisley are to close and two satellite centres in Inverurie and Bearsden will also

close. We heard from Mr Bibby about the community impact of closures, although I say to him that Renfrewshire receives opportunities for all funding in relation to youth employment.

The Clydesdale Bank reports that all but 14 of the 51 people located in the four affected centres have transferred to new roles in the Clydesdale Bank or the National Australia Bank Group. Of those 14 people, seven applied for voluntary severance and seven were affected by compulsory redundancy. The Clydesdale Bank reports 104 redundancies in Scotland between October 2011 and September 2012, 84 of which were through voluntary severance. The bank's figures state that, between October and December this year, a further 66 positions were to be made redundant. The number of redundancies is in excess of 170.

As Mr Smith said, we have heard about the new positions that will be created in Glasgow. The Clydesdale Bank's stated position is that, over the review period, which takes us up to 2015, the net reduction in roles in Scotland will be fewer than 100. However, like Mr Smith, I think that any job loss must be regretted. We heard Richard Lyle's personal account of being a financial services worker who experienced redundancy. James Kelly was correct to articulate the human costs of redundancy, which affect not just individuals but their families and communities.

The Clydesdale Bank has articulated its intention that, wherever possible, it is seeking to minimise the number of job losses and is striving to preserve the bank's Scottish base. The bank has said that it will maintain its retail network of 149 Scottish branches and its retail front-line staffing levels.

According to the bank, compulsory redundancies will be made only as a last resort and so far the majority of job losses have been achieved through voluntary severance. Nevertheless, I recognise that every job lost creates enormous difficulty for the employees concerned, particularly at this time of year. There is never a good time for redundancy but it feels so much worse at Christmas, and all our thoughts are with those workers and their families.

I wish to reassure Mr Smith and to answer some of Mr Brown's points with regard to this Government's support and the contact that we have had with Unite the union and the Clydesdale Bank. This Government is doing—and will continue to do—all that it can to support those who are affected by redundancies and we are maintaining close contact with the Clydesdale Bank, particularly as the review progresses.

Both the First Minister and the Cabinet Secretary for Finance, Employment and

Sustainable Growth spoke to David Thorburn—the chief executive of the Clydesdale and Yorkshire Banks—when the strategic review was first announced and they discussed the protection of employment in Scotland. In May, the First Minister, who chairs the Financial Services Advisory Board, had the opportunity at a FISAB meeting to be with both David Thorburn and David Fleming from Unite the union. In October, the First Minister had his most recent biannual with the Scottish Trades Union Congress and Agnes Tolmie from Unite was part of that.

Yesterday, 19 December, the First Minister met representatives from Unite the union to discuss the situation. The First Minister has also now written to the Clydesdale Bank to seek reassurances that everything possible is being done to minimise compulsory redundancies and that there will be no branch closures as a result of the review. The First Minister's letter is also supportive of Unite's offer to work with the bank to make more training opportunities available to workers. In particular, there is the chartered banker professional standards foundation grade—Stewart Stevenson spoke of the importance of banking qualifications.

Members will be aware of the role and purpose of the finance sector jobs task force, which works directly with companies to co-ordinate public sector support where restructuring may result in reduction in employee numbers. The task force has offered support to the Clydesdale Bank and will continue to do so throughout the review period. In October, the chair of the task force, Jill Farrell from Scottish Enterprise, also met the Clydesdale Bank.

Importantly, the partnership action for continuing employment—PACE—initiative, which provides extensive tailored help and support for employees anywhere in Scotland who are affected by redundancy, also stands ready to provide any support that is required. Where PACE can intervene early, even in these difficult economic times it has considerable success in supporting staff who experience redundancy on to further work.

I know that the National Australia Bank has appointed Penna plc to support staff who are at risk of redundancy and PACE has continued to make an offer to Penna over and above what Penna is contracted to do. Penna has said that it will certainly refer to PACE as required. As the skills minister, I am happy to keep a watchful eye on that.

James Kelly touched on the important issue of skilled jobs. Of the financial services workforce, 38 per cent are graduates and 50 per cent are qualified at Scottish vocational qualification level 4 or above. One of the challenges for the economy

right now is not just unemployment but underemployment, so sectors that employ skilled and qualified staff are very important.

We all know that this is a difficult time for the financial services sector in Scotland and globally. However the Government is fully committed to ensuring the success of the industry in Scotland through the work of our enterprise agencies and FiSAB, which is chaired by the First Minister and supported by the highest levels of the industry in Scotland, and we will continue to offer support via PACE.

I reassure the members who have participated in the debate and the workers who are currently experiencing or are at risk of redundancy that the Scottish Government most certainly will continue to take a very close interest in the matter.

13:10

*Meeting suspended.*

14:15

*On resuming—*

## **Waiting Times Audit Report**

**The Presiding Officer (Tricia Marwick):** Good afternoon. The first item of business this afternoon is a statement by Alex Neil on the waiting times audit report. The cabinet secretary will take questions at the end of his statement, so there should be no interventions or interruptions.

**The Cabinet Secretary for Health and Wellbeing (Alex Neil):** This statement relates to the internal audits that the Scottish Government requested health boards to undertake following the external review by PricewaterhouseCoopers of NHS Lothian's waiting times. As members will recall, that report detailed practices that were completely unacceptable.

Since 2007, when the Government took power, we have abolished hidden waiting lists, on which there were a total of 30,000 patients; slashed waiting times for routine operations to no more than 12 weeks—that is now a legal right; and delivered a referral-to-treatment journey of no more than 18 weeks for 90 per cent of patients. It is in that context that I wish to advise members of the results of the 15 audits into waiting times practices.

The investigation is the largest into waiting times management practices that has ever been carried out in NHS Scotland. Every single episode relating to every patient who was on a waiting list between January and June this year was analysed by specialists to identify specific trends or patterns that required further investigation. That involved around 2.5 million transactions for the six-month period that the internal auditors investigated.

Earlier this afternoon, all the boards published their internal audits on their websites. That meets our commitment to ensure that all the reports would be in the public domain. The reports will be scrutinised at public board meetings in the new year.

I will set out the findings of the internal audits.

First, the reports provide no evidence of dishonest or wide-scale manipulation of waiting times across the national health service in Scotland.

Secondly, overall, the waiting times that are published by boards are reliable and accurate.

Thirdly, the principal shortcomings relate mostly to the capability to record on some information technology systems, the consistent interpretation of guidance, and staff training.

Finally, there are specific, localised issues in board areas that need to be addressed.

The reports identify a number of areas for improvement in the management of waiting times. Some of the improvements have already been implemented.

First, we have, as of 1 October, already replaced “social unavailability” with “patient-advised unavailability”. Previously, boards themselves could interpret the patient’s unavailability, but it is now up to patients to agree to a period of unavailability. That should ensure that the service is tailored to patients and should give them control over their availability for appointments and treatment.

Secondly, as of August 2012, we have tightened the monitoring and recording of waiting times. The reasons for unavailability have to be recorded as part of the treatment time guarantee.

Thirdly, the implementation of the legal 12-week treatment time guarantee came into effect on 1 October 2012. If a patient wishes to go to a specific location or goes on holiday, they must, having requested unavailability, receive a letter from the health board that confirms their request and explains any impact on their treatment time guarantee. That ensures complete transparency between patients and the health service.

I am pleased to report that a number of the other audit proposals have already been implemented or will be by the end of this month, and I expect boards to have implemented all the proposals by 31 March 2013. Any extension beyond that date will require approval by my officials and me, and will relate only to external factors—for example, where systems developments are required.

The audit reports show that more still needs to be done to improve the consistency of recording and the quality of waiting times information. Therefore, I am implementing an action plan on waiting times that relates, first, to recording, systems, procedures and training, and, secondly, to reporting and governance.

Seventy per cent of the auditors’ recommendations relate to the first category: recording, systems, procedures and training. Unavailability provides positive flexibility for patients in most instances. However, it should never be used without the patient’s knowledge to avoid a breach of targets, as was the case in Lothian. That was one of the principal reasons why we asked for a national audit into all national health service boards’ practices. We needed to know whether there was any other evidence of deliberate manipulation.

The key recommendations in respect of recording and systems from the reports are: review of the recording of the reasons for the use of unavailability codes; recording of details of offers of appointments made by telephone in local systems; review and monitoring of user access; strengthening of systems controls; and implementation of standard operating procedures, consistent with national guidance and supported by adequately trained staff.

The main recommendations for reporting and governance are: improvements in reporting of waiting times information to provide greater clarity; clarity of governance arrangements and escalation processes; and review of team structures in some boards in relation to waiting times teams and management. All those recommendations will be fully implemented.

I will refer in more detail to three boards in particular, starting with NHS Greater Glasgow and Clyde. The key quote from the report on that board says:

“our sample testing did not identify any evidence of inappropriate amendments or contraventions of NHS Greater Glasgow and Clyde’s waiting times policy.”

On Tayside, with regard to the two members of staff who were suspended, I can confirm that NHS Tayside has issued a statement today, saying:

“On the matter of the media reports surrounding the suspension of two members of NHS Tayside staff, we can confirm that, following a full investigation, those precautionary suspensions, which were non-disciplinary acts from the outset, were lifted on 19 December 2012 and the members of staff have returned to work.

Our investigation found there was no evidence of any deliberate instructions being given to any member of staff regarding the inappropriate use of waiting times codes in the sample which was looked at in the audit.”

Since the NHS Lothian report, there has been substantial progress on reducing the backlog and on the level of unavailability. NHS Lothian has a number of recommendations to implement from its internal audit, and I expect them to be fully implemented on time.

As part of my action plan, accountable officers and the chief executives will, of course, be held personally responsible for maintaining sound internal control systems in relation to waiting times.

I expect a letter of assurance from the chair of each board’s audit committee to be sent to the Scottish Government health and wellbeing audit and risk committee by the end of April 2013. Those letters will provide assurance that all their action plans have been completed.

I am also insisting that boards undertake a follow-up audit on the management of waiting times within the next 18 months, to ensure that the

planned improvements have been made and are working effectively.

I remind the Parliament that Audit Scotland is currently undertaking a separate investigation into waiting times across the NHS in Scotland. I look forward to receiving its report, and will take appropriate action as a result of any recommendations that arise from it.

Although all waiting times guidance has been updated and reissued to take account of the treatment time guarantee, we will further review our guidance and make any required amendments in the light of the publication of the 15 audit reports.

With thousands of staff, hundreds of locations and millions of transactions, this is an area of massive complexity. In taking forward the action plan, I want to ensure that we adopt a philosophy that pursues service excellence. Indeed, the Scottish in-patient survey that was published this year indicated that 88 per cent of patients were happy with their waiting time. I want to ensure that that level of satisfaction is maintained and improved upon.

To help me to manage and monitor the waiting times action plan, I am setting up a parallel stream of work to ensure consistency, quality and robustness in waiting times reporting and management. The professor of six sigma and process excellence at the University of Strathclyde, Professor Jiju Antony, will also provide additional strategic-level oversight as part of that work, with regular reporting to me.

Our staff are acting with integrity and in the best interests of patients. It is to our 155,000 staff working together that we owe a debt of gratitude for reducing our waiting times to the current all-time low. However, as the audits have shown, boards need to give their staff a system that is easy to work with and which has rules that are clearly understood and are transparent to patients and their carers. That is why the audit recommendations will be followed up and fully implemented swiftly. I will hold the chief executives and chairs of boards to account for that timetable and will challenge them to show the necessary leadership in pursuit of better services for patients.

**The Presiding Officer:** The cabinet secretary will now take questions on the issues raised in his statement. I intend to allow around 20 minutes for questions, after which we will move on to the next item of business. It would be helpful if members who want to ask a question were to press their request-to-speak button now.

**Jackie Baillie (Dumbarton) (Lab):** I thank the cabinet secretary for an advance copy of his statement but regret that its contents demonstrate beyond any doubt that the Scottish National Party

waiting times scandal has just deepened. His statement is a whitewash full of assertions that are patently not true—he would have had evidence of that if he had bothered to read the internal audit reports. For an area in which there are apparently no problems, an awful lot of action is now being taken.

First, NHS Lothian was caught fiddling the waiting times figures. At the time, Nicola Sturgeon assured the chamber that she had spoken to all health boards and that there was a problem only in NHS Lothian. Then came NHS Tayside, with evidence revealed today of blatant waiting times manipulation and serious allegations of bullying and pressure being applied to staff. The problem is wider. Other health boards have retrospectively adjusted their figures: social unavailability was at an all-time high of almost 21,000 in June 2011 but dropped to 9,500 as of September 2012, which is nothing short of a miracle. The one thing that is clear is that the manipulation of waiting times is rife.

In NHS Greater Glasgow and Clyde, auditors have been unable to interrogate data, there was no audit trail and, where they sampled, they found that 60 per cent of patients had their waiting time guarantee suspended.

**The Presiding Officer:** You need to come to a question, Ms Baillie.

**Jackie Baillie:** Can the cabinet secretary tell me why the internal audits cover the period from January to June 2012, when Audit Scotland is looking at April to December 2011? Were health boards being given time to cover up after NHS Lothian was exposed? Will the cabinet secretary now confirm that Nicola Sturgeon misled Parliament when she said that there was a problem only in NHS Lothian? Is it not the case that, today, the SNP has shown that, instead of leading the NHS, it is misleading Scotland and the thousands of patients who have been affected by this scandal?

**Alex Neil:** I have never heard such an hysterical and outrageous attack on the national health service of Scotland. If Jackie Baillie thinks that it is becoming to launch such an unfounded attack, she is not fit to be a spokesperson, never mind a minister.

I remind members of what Jackie Baillie said on 27 September in *The Herald*:

“This is astonishing and shows the scandal of waiting time fiddling in Lothian wasn’t a one off.”

PricewaterhouseCoopers and all the other auditors have shown that it was a one-off. Will she not have the grace to admit that her scaremongering was totally unfounded and that her allegations are totally without foundation?



The attack that we have just heard—in effect, an attack on NHS staff—was totally outrageous. Jackie Baillie's representation of the position in NHS Tayside is wholly inaccurate and misleading.

Let me say a word or two about Glasgow. Under "Overall Statement", the PricewaterhouseCoopers report on Greater Glasgow and Clyde NHS Board says:

"On the basis of the work performed we found that overall, the waiting times processes and procedures within NHS GGC were operating in a controlled manner with no material deficiencies identified."

**Jackie Baillie:** It is there in the report.

**Alex Neil:** I am reading from the report right now.

"In addition, our sample testing did not identify any evidence of inappropriate amendments or contraventions of NHS GGC Waiting Times Policy."

That is the conclusion of the independent auditor. I know that that does not fit the script that Jackie Baillie obviously wrote before she read the reports, but nothing that she said is reflected in them.

**Jackson Carlaw (West Scotland) (Con):** I thank the cabinet secretary for early sight of his statement. The scandal began because, as we accepted at the time, the cabinet secretary Nicola Sturgeon was serially misled by Lothian NHS Board. The investigation was undertaken because of the allegation thereafter that there was a widespread systemic collapse across Scotland, so I think that patients across Scotland will be relieved to find that that suggestion is not borne out by the detailed investigation that has taken place.

However, I want to return to a point that the cabinet secretary made yesterday about the responsibility of NHS boards. In so far as the various reports have a common theme, it is that some people may believe that appointments to NHS boards are something of a sinecure rather than a fundamental responsibility. The inconsistency that the cabinet secretary referred to at the end of his statement in relation to rules being not clearly understood by or made transparent for patients and their carers is the responsibility of NHS boards, so I would like him to give me an assurance that he will rigorously enforce that area with the boards. Many of the actions that have been recommended are actions that the boards ought to have ensured were in place without the necessity for detailed reviews to have taken place. In that sense, the reports provide a wake-up call, which I hope the cabinet secretary will act on.

**Alex Neil:** I thank Jackson Carlaw for his objective and fair comments on the reports. Clearly, unlike Jackie Baillie, Jackson Carlaw has read them.

I accept that, as Jackson Carlaw says, it is the responsibility of the boards to manage waiting times just as it is their responsibility to manage all aspects of the running of the board. However, the boards must be held to account, particularly through the chairs and the non-executive directors. That is why, starting with Ayrshire and Arran on Monday, as part of the annual review process I have instituted a particular and separate meeting with the non-executive directors on each board to encourage them to question, to probe and to play their role—as would non-executive directors in any company—in ensuring that the executive is held to account within the board. I have also encouraged the non-executive directors not just to take as read the information that they are given but to check it for themselves by going to the front line, talking to staff and finding out what is actually going on in their board area.

Having been a very successful businessman, Jackson Carlaw will no doubt understand the importance of the critical role that non-executive directors must play on any board and the importance of being aware of and knowledgeable about what happens on the front line.

**The Presiding Officer:** A number of members want to ask questions on this important subject, so I ask members to confine themselves to a question and the cabinet secretary to be as brief as possible.

**Aileen McLeod (South Scotland) (SNP):** I thank the cabinet secretary for his statement. Given that the chief executive of the NHS recently said that this year our health service has had its best ever performance, does the cabinet secretary share my conviction that our hard-working doctors, nurses and administrators will be more than up to the task of implementing the recommendations of the audit reports?

**Alex Neil:** I totally agree with the sentiment that Aileen McLeod has expressed. In fact, I can confirm that I have announced today to the staff of the entire health service, as a gesture of good will and as a measure of thanks in difficult times, that I have agreed that the national health service will pay the £59 fee for the protecting vulnerable groups disclosure arrangements that all staff are required to register under. That gesture, which will go to every member of NHS staff who is covered by the PVG requirements, is a clear indication of the thanks not just of the Government but, I hope, of the entire Parliament. It is a gesture, at this time of year, to thank all staff for their tremendous efforts in the national health service.

**Dr Richard Simpson (Mid Scotland and Fife) (Lab):** As a consultant, I had my PVG disclosure paid for by the board, so that last statement, although welcome, is irrelevant and has nothing to do with what we are discussing.

I ask the cabinet secretary to re-examine the audits. First, will he acknowledge that the detailed scrutiny was not of every record but of a sample, and that the audit trail was flawed in many boards? Secondly, why did he order the review of records from January to June 2012 when the Lothian scandal was exposed in the late summer of 2011? It is clear that the board's practice began to change—

**The Presiding Officer:** You need to bring your remarks to a close, Dr Simpson. Please respond, cabinet secretary.

**Alex Neil:** I have two things to say. First, to start now questioning the professionalism of the auditors is beyond belief. The Labour Party's message is: "If you don't like the message, shoot the messenger."

Secondly, the fact is that in every case independent auditors of world-class standing have said that there is no fiddling. The only people left in Scotland who believe that there is any fiddling outside Lothian are Jackie Baillie and Richard Simpson.

**Bob Doris (Glasgow) (SNP):** I welcome the fact that there was no material evidence of manipulation or abuse of waiting times policies in Glasgow. However, there were concerns about how information was recorded on IT systems. What action is being taken in Glasgow to improve the IT systems to ensure that my constituents get the best and most reliable service possible?

**Alex Neil:** When the Government took over in 2007, there were 11 different IT systems operating in Glasgow. By the end of next year, there will be one IT system that manages waiting times. The difference between this Government and the previous Administration is that the previous Administration ran a shambles that ended up in waiting times of six months. We are putting that situation into order, which is why our patients have record low waiting times.

**Sarah Boyack (Lothian) (Lab):** Will the cabinet secretary accept that there was systemic underfunding at the heart of the scandal in NHS Lothian and that significant improvements are still required? Will he admit that his £10 million loan needs to be direct funding for new staff and clinical facilities to tackle the waiting times backlog?

**Alex Neil:** Sarah Boyack is slightly behind the times. NHS Lothian has announced that it has recruited new staff. According to the chief executive, it has the money required to sort the problem.

In relation to Sarah Boyack's earlier question to the First Minister, the underlying reason why there has been a short-term bed problem in Lothian for a couple of days is because the Edinburgh royal

infirmary was designed to be under capacity to the tune of 20 per cent. There are 20 per cent fewer beds than are needed because the Labour Party got it wrong and messed it up. It is to blame, not us.

**Roderick Campbell (North East Fife) (SNP):** The cabinet secretary will be aware that the audit of NHS Fife identified no inappropriate behaviour or pressure on staff to hide breaches or manipulate data, although it recognised that there are areas for improvement in practice. Does he agree that that indication of hard work in NHS Fife compares favourably with the discredited hidden waiting lists of the previous Administration?

**Alex Neil:** In the interests of brevity, and to let more back benchers in, I say that I totally agree with that statement.

**Jim Hume (South Scotland) (LD):** The cabinet secretary read out a statement from NHS Tayside that absolved it of wrongdoing, but he chose to ignore the audit, which spoke of "bullying", "inappropriate behaviour",

"potential breaches of NHS Tayside's regulations",

and evidence that 17 per cent of cases experienced the systematic application of unavailability to prevent a waiting time breach. Does he agree that the patients of NHS Tayside deserve better? What personal contact will he have with its officials to address that unacceptable performance?

**Alex Neil:** The member must make a distinction between allegations and what has been found to be true or not true.

I have made it absolutely clear that our policy is—I repeat it—one of zero tolerance towards bullying of any member of staff. I have made it abundantly clear to chairs and chief executives that I expect appropriate disciplinary action to be taken if any member of staff is found guilty of bullying another member of staff in the national health service. To try to blame such a situation on the Scottish National Party Government and ministers is a total absurdity. It is an operational matter for the boards.

**Mark McDonald (North East Scotland) (SNP):** On 3 December, Jackie Baillie said that the suspension of two NHS Tayside employees was

"the beginning of a national scandal of health boards fiddling waiting times",

and claimed that SNP members owed her an apology.

As the two staff members have been fully investigated and, this week, reinstated—

**The Presiding Officer:** Can we get a question, Mr McDonald?

**Mark McDonald:** Today's reports demonstrate Ms Baillie's claims to be false. Does the cabinet secretary agree that the only apology owed is one by Jackie Baillie to the hard-working staff of our NHS?

**Alex Neil:** I totally agree. If Jackie Baillie had any grace at all, she would now apologise for and retract her unwarranted and unfounded allegations in relation to Tayside and the wider national health service in Scotland.

**Drew Smith (Glasgow) (Lab):** The cabinet secretary referred to two reports. I will quote briefly from the Glasgow report, which says:

"often little or no detail is recorded in the waiting times system due to systems limitations in the character fields and there is therefore little or no evidence to support the:

- contact being made with the patient;
- content of the conversation and the 'offer(s)' made; or
- 'offer(s)' being made in the spirit of New Ways Guidance."

**The Presiding Officer:** Can we get the question, Mr Smith?

**Drew Smith:** The quotation continues:

"As such, there is no way of formally verifying the validity of any subsequent application of 'unavailability' without contacting or asking patients."

**The Presiding Officer:** Can we get a question?

**Drew Smith:** Yesterday, at health questions, the cabinet secretary was asked for a guarantee that there was no fiddling of the figures in my city, which is also the city of the previous health secretary. Based on that report, can or will he give that guarantee?

**Alex Neil:** I will read the conclusion resulting from that part of the report:

"Whilst our testing of the process within South Glasgow did identify a number of issues and areas for improvement, the testing did not identify any evidence of inappropriate amendments or contraventions of ... Waiting Times Policy."

The Labour Party reminds me of a Victorian undertaker looking for a hard winter and a full churchyard.

**Jim Eadie (Edinburgh Southern) (SNP):** Does the cabinet secretary agree that when failings are identified within the health service—as they clearly were in NHS Lothian—swift and decisive action is essential to restore trust and public confidence? Is not the lesson of today that the failings that were identified in Lothian are not typical of the wider management culture in our national health service?

**Alex Neil:** Absolutely. The reports clearly show major areas for improvement, as I said. However, there is a big difference between saying that there are areas for improvement and saying that there is

dishonesty and that deliberate manipulation and fiddling are going on. Every report undertaken by the independent, world-renowned auditors makes it absolutely clear that, outside Lothian, there is no fiddling in the national health service in Scotland.

**Margo MacDonald (Lothian) (Ind):** I refer to what the cabinet secretary said about hospital bed provision in Edinburgh in particular. It was obvious that the Royal infirmary was too small. What plans are there to increase the number of beds in Lothian?

**The Presiding Officer:** Cabinet secretary, this is about waiting times.

**Alex Neil:** Presiding Officer, I am happy to answer.

**The Presiding Officer:** Can you make it very brief?

**Alex Neil:** It will be one sentence.

We have already reopened the Royal Victoria hospital to take account of the necessary capacity requirement.

**The Presiding Officer:** That ends the statement from the cabinet secretary.

## Draft Budget 2013-14

**The Presiding Officer (Tricia Marwick):** The next item of business is a debate on motion S4M-05203, in the name of Kenneth Gibson, on the Finance Committee's report on the draft budget 2013-14.

14:44

**Kenneth Gibson (Cunninghame North) (SNP):** I am pleased to open this debate on the Finance Committee's consideration of, and report on, the Scottish Government's draft 2013-14 budget. I thank my fellow committee members and our clerking staff, past and present, for their contribution throughout the process. I also thank our budget adviser, Professor David Bell, for his customary informed input.

We agreed that our focus would be on whether the Scottish Government's spending decisions align with its overarching purpose of increasing sustainable economic growth, building on last year's work and our scrutiny of "Scottish Spending Review 2011 and Draft Budget 2012-13", in which the Scottish Government stated:

"decisions taken within this Budget have been shaped by the Scottish Government's Purpose of creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. Our Budget supports job creation".

As part of our wider investigation into increasing sustainable economic growth, the committee held evidence sessions on improving the employability of those individuals who are furthest from the jobs market. The committee recently published a separate report, "Improving employability", which will be debated on 8 January.

In our budget scrutiny, we asked stakeholders to what extent they considered that Scottish Government spending decisions aligned with its stated purpose and how that objective should be reflected in the draft budget. Given the Scottish Government's strategy of bringing about long-term structural change, we also asked what spending decisions supported such change and what spending priorities should be in the budget. Full details are available on our web page, and I thank those who gave written and oral evidence.

I will now focus on key aspects of our report, starting with the context for next year's budget. The committee noted an overall cash reduction of 0.6 per cent and a real-terms reduction of 3 per cent in the departmental expenditure limit Treasury allocation, but the cabinet secretary said in a letter to the committee that,

"As a result of carrying forward money from 2011-12 and 2012-13 and extracting best value from our capital programmes"—

**Gavin Brown (Lothian) (Con):** Following the autumn statement, does the member still think that there is a DEL cash-terms reduction?

**Kenneth Gibson:** I do not think that that is relevant, given that I am speaking about the report that the committee compiled, which, as the member knows, was published before the autumn statement. What I think about that is not of any relevance. However, I will go on to mention some more figures. We are all aware that, over the piece, we face an 11 per cent reduction in resource and a 26 per cent reduction in the capital budget.

Where was I? In his letter, the cabinet secretary went on to say:

"we are able to plan to spend (within the parameters of the budget exchange mechanism) on a slightly different profile from that originally allocated to us by Treasury for 2013-14."

Accordingly, as the report states, the budget now shows a 1 per cent cash increase and a real-terms reduction of 1.5 per cent.

Our report highlights the economic uncertainty that the European and United Kingdom economies have continued to face since the financial crisis. The situation was put into context by a witness from the Scottish Building Federation, who, during a round-table discussion, said that there had been a £5.7 billion net reduction in the capital budget between 2009-10 and 2014-15. I am sure that Gavin Brown would accept that the autumn statement has not mitigated that. Concern was also expressed that work was not progressing quickly enough, and it was felt that there was a need "to get procurement moving."

The committee has invited the Scottish Futures Trust to give evidence on that and other matters next month, but I am sure that the chamber would welcome a response from the cabinet secretary about expediting the process of awarding and implementing public sector construction contracts. As the SBF put it,

"we need to get jobs at the coalface and the shovel in the ground."

On procurement, the Scottish Chambers of Commerce said:

"capital spend needs to be coupled with measures to ensure that as much of it as possible is spent here in Scotland on Scottish businesses. The Government is currently consulting on procurement legislation, which we hope will increase the chances of achieving that result. We hope that we can keep within Scotland as much as possible of the £9 billion procurement spend that exists in the public sector in Scotland to deliver the maximum benefit to Scottish businesses in the short term and to create the infrastructure that we all need in the longer term."—[*Official Report, Finance Committee*, 26 September 2012; c 1621, 1617.]

The SBF believes that the Scottish construction industry has a record that is second to none in training apprentices. The cabinet secretary might wish to touch on the creation of apprenticeships, employment and training opportunities in construction, which is a subject that we will discuss further during the employability debate.

There is strong support in the business community for the Scottish Government's emphasis on capital investment, and that is welcomed by the committee, but there is

"a need for greater clarity both in terms of the exact additional investment which is being provided and the capital projects which are being supported."

In our session with the David Hume Institute, Professor Donald MacRae said:

"capital spend in Scotland is low compared with what it has been. I realise that the Scottish Government is constrained by its total budget, but my argument is that we should look to increase those capital spending totals in each of the next three or four years."

Professor Jeremy Peat added:

"it was the right decision to transfer money from departmental expenditure limit ... resources to DEL capital."

However, he went on to say that the Scottish Parliament information centre draft budget briefing

"could not find out whether that money is being transferred, how it is being transferred, where it is coming from or where it is going to. It is critical that all of us, and particularly the committee, have consistent data so that we can monitor the changes during the financial year and between financial years in such a way that we know what is happening."—[*Official Report, Finance Committee*, 3 October 2012; c 1676-7.]

As a consequence, the cabinet secretary is aware that the committee seeks greater detail about the planned switch from the health resource to health capital budget and the resource to capital switch in the enterprise agency budgets, although he touched on some of that at our Hawick session. We also seek greater clarity about such switches in future draft budget documents.

The Scottish Property Federation drew attention to the importance of generating consumer confidence. The committee highlighted the SPF's comment that Registers of Scotland has recorded just under £1.8 billion in commercial property sales in the past 12 months, compared with the high of £6.3 billion during 2006-7.

In his statement on the draft budget on 20 September, the cabinet secretary said that capital investment will have

"a focus on transport, housing, digital and maintenance projects."—[*Official Report*, 20 September 2012; c 11740.]

I will talk about digital infrastructure and housing.

The McClelland review of information and communications technology infrastructure in the

public sector in Scotland identified savings of more than £1 billion over the five years from 2012-13, through improved tendering, procurement and sharing of ICT resources in the public sector. In last year's debate on the draft budget, I said:

"The committee asked for an annual progress report on savings that have been achieved, with an explanation when savings have not been achieved."—[*Official Report*, 22 December 2011; c 5049.]

Potential savings are significant, because the money can be reinvested in projects to support growth and create jobs. This year, the committee again asked the Scottish Government for an annual update on progress.

Broadband provision came up at a number of evidence sessions and was mentioned by Professor Kay and at our workshops in Hawick. Professor Kay asked whether expansion of broadband access is an effective use of public money and said:

"The cost of providing widespread very fast broadband is high, but the business benefits are not clear or substantial ... Bluntly, much of the benefit of very fast broadband is about the rapid download of movies—that is the really data-intensive thing that consumers use. To my mind, that definitely falls into the "nice to have" category."—[*Official Report, Finance Committee*, 24 October 2012; c 1704.]

At our Hawick workshops people were keen to make the case that the priority for people in the Borders—and no doubt in other rural parts of Scotland—is to get reliable access to the internet at an acceptable speed.

The Scottish Chambers of Commerce expressed concern about progress in rolling out broadband in the Highlands and Islands. When I asked whether the Scottish Chambers of Commerce want expenditure to focus on giving Scotland a long-term competitive economic advantage rather than on shorter-term capital projects, our witness said:

"Yes. We want to use this opportunity to create the kind of Scotland in which businesses find it easier to compete, to connect and to do business. By delivering capital projects, particularly in transport and digital technology, we can move towards achievement of those goals."—[*Official Report, Finance Committee*, 26 September; c 1617.]

The Rural Affairs, Climate Change and Environment Committee said in its report on the draft budget:

"rolling out digital connectivity to all rural communities and businesses is crucial to achieving sustainable economic growth."

We asked the Scottish Government for more detail on

"prioritising internet access across the whole of Scotland as opposed to prioritising high speed broadband."

The Scottish Building Federation wants greater capital investment and for capital projects to get

moving. Investment in housing is one option. The SBF said in its submission:

“sustaining capital investment represents extremely good value for the public purse since every £1 invested in the construction sector can generate as much as £5 in benefits to the wider economy. Conversely, a failure to sustain investment in this area is likely to have a significant negative impact on the wider economy”.

The SBF went on to say:

“changing demographics and rising population are exacerbating an already chronic housing shortage and making the need for new homes even more acute.”

The point was also made to the committee as part of our on-going demographic change and ageing population inquiry.

The Scottish Federation of Housing Associations talked about the preventative spend aspect of housing. Unplanned hospital admissions cost the national health service £1.5 billion a year, and the SFHA told the committee:

“If people have a home to which they can return, they do not stay in hospital as long. In fact, they do not need to be kept in hospital because the adaptations budget should allow for adaptations to be made to their home.”—[*Official Report, Finance Committee*, 31 October 2012; c 1753.]

The cabinet secretary might want to comment on the adaptations budget for next year.

We noted in our report that the Infrastructure and Capital Investment Committee focused on affordable housing and made recommendations in relation to that budget. The Finance Committee believes that consideration is given to affordable housing when additional funding becomes available, and I am sure that all members welcomed yesterday’s announcement of an additional £50 million.

There is frustration about access to early-stage risk capital. Ian Ritchie, of the Royal Society of Edinburgh, said:

“Basically, companies must find risk capital; they must sell some equity in the company in order to fund the development phase before they can build their business. Risk capital is potentially a big problem here in Scotland ... It is great that angel funding is very strong in Scotland, but there are some problems with the next stage. The next level of risk capital is almost impossible to achieve.”

He went on to say:

“Without risk capital, we will not have companies and we will not have an economic future, so we need to solve the problem of how to get substantial risk capital.”—[*Official Report, Finance Committee*, 3 October 2012; c 1671-2, 1673.]

Outwith our budget scrutiny, we discussed the issue in May with Philip Grant, of Lloyds Banking Group, Professor Jim McDonald, of the University of Strathclyde, and Dr Lena Wilson of Scottish Enterprise. Philip Grant said:

“The networks and frameworks are there, and there is private equity and support. Scotland also has a great professional advisory base that is available to companies to support them. The critical issue is working more closely together.”

He also told us:

“Companies reach a point at which significant capital is required. One option that is available at that time is to seek capital by in effect moving the business into another model through being acquired.”—[*Official Report, Finance Committee*, 9 May 2012; c 1103, 1102.]

Access to funding is of pivotal importance in supporting and encouraging business growth and maximising company opportunities.

In a budget debate last year, I referred to concerns that had been raised about whether the Government’s £500 million change fund was new money for new projects or substitute money for existing projects. The committee sought more detail about the make-up of that funding and about whether change funding to facilitate prevention is spent in that way or is diverted to other services.

Last year, the committee said that it was essential to monitor the change funds effectively. The Scottish Government responded that monitoring processes were being developed and put in place for each of the three funds and that it would provide an update on progress in this draft budget. Some narrative has been provided, but there is little detailed assessment and, as our report states, there is no detail about how much has been allocated to the change funds and the preventative services that they support.

Monitoring, the need for leadership and the importance of gathering sound data have been recurring themes in the past 18 months. We look forward to a positive response from the cabinet secretary on change fund monitoring and evaluation arrangements.

Greater detail is required on allocations to national health service boards and local authorities, on what additional funding has been made available and on how any shortfall in the £500 million that arises from local authorities will be considered. The committee would welcome initial comments on that and the early provision of information.

The committee is clear in concluding that the emphasis on capital investment is welcome, but it recognises the need for greater clarity about the additional investment that is being provided and the capital projects that are being supported, although some of that was provided yesterday. There is also a need for greater analysis of the linkage between spending priorities and outcomes, including a cost-benefit analysis of the contribution that spending priorities make to sustainable growth. On that and all other aspects of our report,

we look forward to the cabinet secretary's response.

I have covered many issues in the time that was available. I could have gone into much more detail, which I am sure that colleagues from all parties will cover in the next couple of hours. I could also have detailed more of the evidence that was presented.

I move,

That the Parliament notes the Finance Committee's 9th Report, 2012 (Session 4), *Report on Draft Budget 2013-14* (SP Paper 231) and its recommendations to the Scottish Government.

14:57

**The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney):** I thank Kenneth Gibson for setting the context for the debate and for his opening speech on the Finance Committee's behalf. I thank the committee for the considered way in which it approached this year's budget process and for the evidence that was taken.

The debate is an important part of the budget process as we look ahead to the budget bill's introduction. The Government will carefully consider the detail of the committee's report and will respond formally in January in the normal way.

More generally, I look forward to working with the Parliament in the new year to build support for the Government's spending plans. I reiterate the invitation that I made to other political parties and members to meet me to discuss any issues that they have in relation to the bill. The Government's detailed response to the committee will be published in January and will set out responses to some of the points of detail to which Mr Gibson referred and which the committee made in its report.

As I announced to the Parliament yesterday, the Government will set out in the bill that will be introduced in January its proposals for allocating some £160 million in capital consequentialities that have been generated by the autumn budget statement, which are in addition to the plans that are set out in the draft budget. In doing that, my aim is to ensure that the Parliament has the maximum opportunity to consider the Government's proposals ahead of stage 3 of the bill in February.

It may help the debate if I advise the Parliament of the approach that the Government is taking to setting out its draft budget for 2013-14 before I respond to issues that the committee raised in its report. As members are aware, the draft budget has been published at a time of significant pressure on the public finances and continuing

challenges in the economy, globally and in Scotland and the rest of the United Kingdom. Taking into account the budgetary impact of the chancellor's autumn statement, by 2014-15 we can now expect the Scottish Government's resource budget to fall by about 7.7 per cent in real terms compared with 2010-11—the last year before the current spending review period—and our capital budget will fall by close to 26 per cent.

The chancellor has indicated that the additional cuts that he is making in 2013-14 and 2014-15 to resource budgets will be baselined in future years and that the increases that he is making to capital budgets in those years will not be baselined. As a consequence of the autumn statement, the Scottish Government's baseline financial position for resource and capital will be further tightened.

The chancellor has also confirmed that his planned fiscal consolidation will be extended by another year into 2017-18, signalling a prolonged period of austerity that will have potentially damaging implications for our economy, our services and ultimately our citizens. He has done so in the face of the evidence that suggests that his policy of austerity is not working, with downward forecasts in growth and the requirement to borrow an additional £100 billion more over the period 2013-14 to 2016-17 than was forecast in March. The Scottish Government believes that an alternative approach is required and we welcome the fact that the chancellor has in part listened to that message and increased public sector capital investment in the short term.

The Scottish draft budget that was published in September provides detailed spending plans for 2013-14, maintaining the course that was set out in last year's public spending review. As we indicated then, capital investment is central to our plans. We are supporting our capital programme by taking forward the £2.5 billion non-profit-distributing pipeline of infrastructure projects; by using innovative funding mechanisms to lever in additional resources; and by switching over £700 million from resource budgets to support capital investment over the spending review period.

**Gavin Brown:** NPD funding was announced in November 2010. Is the cabinet secretary disappointed at the rate of progress with NPD in the two years since the announcement?

**John Swinney:** No, I am not disappointed with the progress of NPD because we currently have £900 million-worth of NPD projects in procurement—that is £900 million in procurement. For example, just a few weeks ago I was at the Inverness campus partnership forum that I chair. The Inverness College procurement is expected to conclude shortly and, as a consequence of that procurement, there will be construction activity on

the Inverness College site as part of the Beechwood campus. That will start as soon as the procurement process is completed.

Clearly, I faced a difficult decision when the United Kingdom Government substantively reduced capital expenditure in 2010. I faced a choice of cancelling a whole range of projects or transferring a number of those projects to revenue finance mechanisms such as NPD. I thought, on balance, that the best decision to take was to convert the projects to NPD projects.

We have to face the reality—the First Minister touched on this point at question time today—that NPD projects take longer to deliver than traditional capital investment projects. Anybody who tries to suggest anything different is not confronting the reality of some of the circumstances, which is why the decision to reduce capital investment by the United Kingdom Government was a totally and utterly reckless decision. On that note, I will give way to the other half of the coalition.

**Willie Rennie (Mid Scotland and Fife) (LD):** The cabinet secretary knew the difficulties of the NPD model when he announced it back in 2010. Does he now think that what he said back in 2010 was wrong? Is that what he is saying?

**John Swinney:** What I said in 2010 was my best estimate and assessment of the amount of time that it would have taken. I could have taken the other approach—I could have taken the Tory and the Liberal approach and I could have cancelled all the projects just as they did in England. I could have done that and I am sure that that would have gained a warm reception from Messrs Brown and Rennie into the bargain. Before anybody on the Tory and Liberal benches starts to have a go at me about capital expenditure, they should think about what their reckless United Kingdom Government has done.

The Scottish Government has taken steps to boost capital investment wherever opportunities have arisen. I announced in the draft budget a further £40 million investment in affordable housing. The draft budget confirms an additional £30 million investment in energy efficiency measures and of course, as Mr Gibson mentioned, I announced an additional £50 million for affordable housing yesterday.

As a consequence of four announcements that I have made in the course of this calendar year, an additional £200 million has been allocated to the housing sector, which is a substantial indication of the Government's commitment to the whole process of capital investment.

Yesterday, we also set out a range of projects to utilise the capital resources that have become available to us. Coupled to the measures that we are taking as a Government to protect the national

health service budget, to freeze the council tax, to deliver the most generous package of business rates reliefs in the United Kingdom, and to ensure that employees have a Scottish living wage where they are covered by our pay policy, we have tried to establish in our budget a balance between the necessity of protecting household incomes and supporting incomes at such a difficult time of financial pressure, and delivering the focus on the economy that lies at the heart of the Government's actions in every respect.

I firmly believe that the Government's budget is focused on growth, and we will assert that position during the budget process, as is evidenced by the announcements that we made yesterday.

**James Kelly (Rutherglen) (Lab):** On the point about releasing money into the budget, I was interested to see that the committee report pinpointed the McClelland review and the Government's assertion that the 2011 spending review would release savings of between £250 million and £300 million a year into future budgets.

Can the cabinet secretary indicate whether any of that money has been released into the budget that we are discussing?

**John Swinney:** I ask Mr Kelly to cast his mind back to the spending review. I indicated in setting out our approach at that time that we expected public bodies and Government agencies and departments to take on board as an implicit part of their management of their financial resources—which in a number of cases were constrained—some of the techniques that were set out in the McClelland report to deliver greater efficiency and savings. I expect public bodies to operate in that context in implementing their plans.

In the time available to me, I will address a couple of other points in the committee's report. I welcome its significant focus on preventative expenditure. That is part of the Government's general approach to public service reform, which acknowledges and understands that, if we intervene early in some of the crisis situations in our society, whether those involve individuals who are on course to offend or reoffend, the welfare of some of the younger citizens in our society—our children—in their early years or some of our more fragile elderly individuals, we will be able to provide better outcomes and support to those individuals while saving the public purse money. I will be happy to report to the committee in more detail on the issues in connection with preventative expenditure.

The focus on public service reform is implicit. The Minister for Local Government and Planning, who is at my side, has been presiding over the review of community planning in consultation with



our local authority partners. The purpose of that review is to ensure that, consistent with what I just said to James Kelly, public bodies are co-operating and working together to deliver better outcomes as part of our public service reform agenda, which is an implicit part of our acceptance of the Christie commission's recommendations.

With regard to the attention that the committee has given to welfare reform, the Government has considered the information that has so far been available on the implications, which, as I think all members will be aware from their case load, are becoming an ever more significant factor in our society. We are addressing that in a number of the interventions that we are making, such as the social fund and the council tax reduction arrangements that are in place. The Government acknowledges that we must monitor the effect of welfare reform, while recognising that there is no way that an Administration with the constrained responsibilities and resources that we have can make good all of the damage that is being done by those reforms.

As I made clear in my earlier remarks, I welcome the committee's report, which the Government will consider in detail ahead of our response in the new year. I am happy to endorse the motion that Kenneth Gibson has lodged. The Scottish Government has published a budget that I believe provides decisive support to our economy and public services, enhanced by the further capital investment that I have announced this week. It addresses the realities and the difficulties that face the Scottish economy and the citizens of our country today, and I encourage the Parliament to support the committee's report and the Government's budget.

15:09

**Ken Macintosh (Eastwood) (Lab):** For yesterday's statement on the budget consequentials, the cabinet secretary cast himself in the role of Santa Claus dishing out goodies from his sack. It may simply have been too much festive cheer, but in preparing for today's debate I began to see Mr Swinney in a different light: a man haunted by spirits of budgets past and budgets yet to come.

Yes, we have Ebenezer Swinney, the man who in his budget of Christmas past claimed to provide us with a budget for jobs and growth, which actually delivered unemployment and recession. He is the man who now claims in his budget of Christmas present that more of the same—cuts to public services, colleges and housing—will somehow alleviate the hardship faced by thousands of households around the country. Of course, he is the man whose only promise for the budgets of Christmas future is an illusory land of

milk and honey only a referendum's vote away—not so much a vision as a cruel mirage, which is already fading under even the most cursory scrutiny.

Of course, as I have pointed out in nearly every debate over the past year, Scotland is not the only country in economic difficulty. However, that does not let the finance secretary off the hook entirely. He still has choices—yes, hard choices, but his choices nonetheless. Both last year and this, it was the cabinet secretary who promised a budget for “jobs and growth”—his words, not mine—and on both criteria he has singularly failed.

On jobs, we have heard the Scottish National Party crowing again this month that Scottish unemployment is below the UK average, but for the previous three months it was above the UK average. In other words, over the piece, it is the same as the UK average. The SNP has made no impact on joblessness in Scotland whatsoever.

On economic growth, we have a finance minister constantly praised by the First Minister—at least—for his competence but who has been in post while Scotland has gone into recession not once but twice.

**John Mason (Glasgow Shettleston) (SNP):** Can Mr Macintosh explain whether he thinks that Mr Swinney could have done something different that would have helped the job situation?

**Ken Macintosh:** The next line in my speech is: “It's not all our fault!”, I can hear the SNP protesting”, but Mr Mason has taken the words out of my mouth. I am simply measuring the SNP against its own criteria of “jobs and growth”—Mr Swinney's words, not mine.

In the Dickens tale, Bob Cratchit and his son Tiny Tim are struggling to make ends meet because Scrooge will not pay Cratchit a decent wage—there are eerie similarities in our budget of Christmas present. The budget simply passes on Tory cuts, and in some cases the SNP makes the cuts even worse, as in housing.

In evidence to the Infrastructure and Capital Investment Committee during the budget process, Shelter, the Scottish Federation of Housing Associations and the Scottish Building Federation all pointed out the impact of the SNP's cuts to the housing budget. That is not a Westminster decision; it is an SNP decision, the effect of which has been to devastate the construction industry in Scotland.

**Jamie Hepburn (Cumbernauld and Kilsyth) (SNP):** Will the member take an intervention?

**Ken Macintosh:** The SNP thinks that it has been clever by reducing the housing assistance grants from £70,000 to £40,000, but all that is happening now is that housing associations are

unable to borrow on that level of funding to build social housing. In response, of course, the SNP just recalculates and describes mid-market rents as affordable housing.

One area for which there is no doubt about who controls all the levers of power and all the public spending in Scotland is education. It is one area in which we know the Scottish Government can make a real difference through investing in skills and training and the knowledge economy, and yet what do we find? There are huge cuts to college budgets that result in a vast drop in the numbers of people attending college, with a particular impact on adult returners.

Let us take the plans to improve our rail system: the Edinburgh to Glasgow improvement programme was cut in half. That money should be reinstated now so that we can get Scotland working again. I add that, when the contracts are awarded for such programmes, we should have a proper procurement process in place so that apprentices are taken on, there are local jobs, local small businesses benefit, and we do not simply send the contracts to China, as is the SNP's wont, for the cheapest prices and unsustainable practices.

**Kenneth Gibson:** Mr Macintosh criticised the Scottish Government a few weeks ago for planning to transfer £250 million from resource to capital. He said that it would cost 8,333 jobs. I wonder whether he will now retract that statement. In addition, if he believes that we should spend more money on the Glasgow to Edinburgh rail route, will he say where that capital funding should come from?

**Ken Macintosh:** I have no idea what the first part of Mr Gibson's remarks refers to, but on the second part: it should come from the rail regulatory asset base. I do not understand why the Government has not done that. It should restore right away the money that was cut.

There was a particularly revealing quote in John Swinney's evidence to the Equal Opportunities Committee:

"My strategy was based on the assumption that, by 2010-11, the private sector would be recovering and therefore the consolidation of public sector finances could be done reasonably. I have freely and openly conceded that that assessment and that assumption were wrong. I do not think that I was wrong to make that assumption, but my assumption and my prediction were wrong."—[*Official Report, Equal Opportunities Committee, 25 October 2012; c 701.*]

That is some apology—"My policy hasn't worked, but I wasn't wrong"—but the real revelation is that John Swinney put all his eggs in George Osborne's basket, swallowing the notion that cutting the public sector somehow allows the private sector to fill the gap. That is where the real

crime has been committed: John Swinney has cut and cut and cut, and the effect on the Scottish economy has been devastating.

**John Swinney:** If Mr Macintosh participated in parliamentary committees, he might see the context in which comments are made. What I was saying to the Equal Opportunities Committee is that, in 2008, when a Labour Government was in power and was threatening the consolidation of public finances, I brought forward capital investment to ensure that we created employment in Scotland. If Mr Macintosh cares to look at the labour market statistics, he will see that that was entirely successful. What I did not predict was the massacre of public finances by that crowd—the Tories and the Liberal Democrats—which destroyed capital investment and led to an increase in unemployment. Perhaps Mr Macintosh, who apparently vaguely believes in the same approach to economics as I do, will reconsider his remarks in that light.

**Ken Macintosh:** Interestingly, I think that it is Mr Swinney who vaguely believes in Labour's approach to economics and has deliberately copied it over the past 10 years, trying to reinvent the SNP as a party of the social democratic left. Clearly, however, this is where it is tested.

I draw Mr Swinney's attention to an interesting blog entry that Dave Watson of Unison published this week, which points out exactly why Mr Swinney has made mistakes and where he is wrong. Dave Watson points out that

"a staggering 51,700 jobs have been lost in the Scottish public sector"

over the past four years.

**The Presiding Officer:** You need to bring your remarks to a close, Mr Macintosh.

**Ken Macintosh:** Thank you, Presiding Officer.

Tens of thousands of Scots have been put out of work as a direct result of Mr Swinney's decisions, and that figure is matched, I may add, by another 50,000 in the private sector. I could not agree more with Dave Watson's conclusion that this action

"tells the tale of Scottish Government priorities".

15:16

**Gavin Brown (Lothian) (Con):** Let me begin by looking at the overall size of the Scottish budget, to which I alluded in my intervention on Mr Gibson. The Scottish Government made great play in the budget statement of the claim that the DEL budget for the next financial year is going down in cash terms. It was emphasised and re-emphasised and followed up in a letter from Mr Swinney to the Finance Committee that made it clear that, in the

Government's view, the budget was going down in cash terms. However, as a consequence of the autumn statement two short weeks ago, the DEL budget for next year is increasing in cash terms.

**Chic Brodie (South Scotland) (SNP):** Will the member take an intervention?

**Gavin Brown:** In a moment.

A SPICe paper that is available at the back of the chamber states that the budget is £28.608 billion for 2012-13 and £28.615 billion for 2013-14. I admit that the increase is small, but there is an increase of £7.2 billion to the Scottish Government. That is some cut.

**John Swinney:** Will the member take an intervention?

**Gavin Brown:** I said that I would take Mr Brodie's intervention, but I will take the cabinet secretary first.

**John Swinney:** Let me save Mr Brown from himself. He just told the Parliament that there is an increase of £7.2 billion. I suggest that he corrects the record.

**Gavin Brown:** I am happy to correct the record, in that case. If the word "billion" slipped out, it was certainly not my intention. When I make mistakes, I am happy to correct them. The figure is £7.2 million.

I said that I would take Chic Brodie's intervention.

**Chic Brodie:** I thank G Brown mark 2 for taking the intervention. He talks about the increase in cash terms, but does he accept that, in real terms, the funds that are available to the Scottish Government have gone down by 0.4 per cent?

**Gavin Brown:** Yes. I think that I have acknowledged in every debate on the subject that the budget is going down in real terms but up in cash terms.

Let me move on to some comments on capital investment. Mr Swinney claims to take no lessons from anyone on capital investment because he and only he and the Scottish Government have got it right. First, let me point out to the Scottish Government that it is the total budget that it is given that counts the most. It is within Mr Swinney's gift to switch money from revenue to capital if he so desires and if that is the Scottish Government's political priority.

Let us look at the NPD model, which has raised its head a number of times in the past couple of weeks. Back in September in this chamber, we were given the impression not only that all was going well with the NPD model and we were on track with everything that we had planned to do, but that we were accelerating and bringing forward

capital spending for schools under the model. That was the narrative that the Scottish Government sought to weave but, my, how it has unravelled over the past couple of weeks.

The Scottish Government originally said that up to £150 million would be spent under the NPD model in 2011-12, but in reality zero pounds were spent in that financial year. We were told that in the current financial year £350 million would be spent under the NPD model, but just a month ago we were told in evidence by the cabinet secretary that £20 million would be spent. That is not the fault of councils, the present UK Government or UK Governments in the past; that is entirely down to the Scottish Government's political priorities and the fact that it is not pushing the NPD model. Just for good measure, the amount spent next year was initially to be £774 million but will actually be about half of that: £338 million.

It is about time that the SNP Government took a share of the responsibility for the position that the construction sector finds itself in. Kenneth Gibson quoted the Scottish Building Federation, which also said:

"To suggest that this budget, or any budget at this time, could be a budget for growth in the construction sector is out of touch with reality."

Although it acknowledged the UK Government's reductions in capital spending, it described in Scotland a

"constipated ... procurement system."—[*Official Report, Finance Committee*, 26 September 2012; c 1630, 1618.]

That is not the fault of the UK Government; it is entirely the fault of the Scottish Government, which has not got capital projects moving.

Even yesterday, when we were told how the £205 million or so was going to be spent, the Scottish Government was unable to tell us exactly when the projects were going to happen, other than at some time in the financial year 2013-14. That is not good enough. We have seen the sloth-like performance of the NPD model under this Government; the construction sector deserves far better.

Yesterday, the Scottish Government could not even tell us which of their shovel-ready projects do not have planning permission, but at First Minister's question time today the First Minister boldly asserted:

"the shovels are in the ground".

On Wednesday the Scottish Government could not tell us which projects have planning permission; on Thursday it could tell us that the shovels are in the ground. That is why this is not a budget for the economy.

15:23

**Stewart Stevenson (Banffshire and Buchan Coast) (SNP):** When reviewing the given draft budget, we must ask whether the plan will increase sustainable economic growth. I believe that it will.

Goals are necessary considerations. Money allocation can be a mathematical process—one that could perhaps even be assigned to a computer. We know that the budget has a certain, tightened amount of money to work with and that there are a constant number of areas that require funding, unless we take Professor Kay's recommendation and just pick winning areas. However, that is not in alignment with the Government's approach.

Professor Kay talked about broadband simply being for people getting films over the internet. I would ask to him to look at my constituency and other rural areas in which, increasingly, people have to interact on the internet or not at all. Registering VAT returns is an internet-only option, and I have constituents who have a round trip of more than 20 miles to register their VAT, which is not terribly helpful to business.

Our goals take us away from the cold, complicated computations and instead allow us to aim higher. President John F Kennedy said:

"Man is still the most extraordinary computer of all."

It is man and the deliberations of men and women that make the difference.

The Scottish Government has said that the budget's priorities are to accelerate economic recovery, to continue the shift towards preventative approaches to public service delivery, and to maintain commitments to the social wage for Scotland, which is not something that is accepted in other parts of the chamber. These are all crucial and viable goals from which the people of Scotland will only benefit, and the drafting, reviewing and debating process provides an excellent opportunity to ensure that the final budget best meets those goals. It is also a time to debunk the notion that hacking off parts of the social wage will build support for anything other than further decline, not only economically and socially but in every other way.

Therefore, we must continue to keep our goals of growth and sustainability in mind when we take a closer look at the Scottish Government's draft budget. There is £40 million for affordable housing, £18 million for skills training, and £80 million for schools for the future. These investments in housing, training and schooling are investments in our future.

**Gavin Brown:** Is the £80 million for schools for the future for next year's budget?

**Stewart Stevenson:** You have read the budget as I have and you can see the number as I do. The £80 million for schools for the future is a very important part of creating the necessary infrastructure to ensure that we have a trained and effective population that can seize future opportunities. That is the important point.

The investment plans are directly for the people of Scotland, who are suffering from the downward spiral that the economy went into in 2008 and with which we will be grappling all the way to 2018. They aim to expand the availability of housing and schooling facilities, creating new jobs each year. Housing, skills and schools provide the resources for recovery.

**Ken Macintosh:** Will the member give way?

**Stewart Stevenson:** Ah—I give way to the man who has lost his sock at the end of his bed because he is getting another for Christmas.

**Ken Macintosh:** I am trying to follow that metaphor.

I am pleased that Mr Stevenson says that the Government should be measured on how it achieves economic growth. However, the Government has also claimed that this is a budget for jobs. Does Mr Stevenson think that the Government should be measured on whether unemployment goes up or down, either in a stand-alone way or simply in comparison with the rest of the UK?

**Stewart Stevenson:** The member might be somewhat unwise to open up the rest of the UK, given that across the piece we are doing a bit better—and doing so without the powers that would enable us to balance taxation with expenditure in the way that a normal country can. Had we the full powers, we would have a full range of economic levers to address the situation beyond the success that we have had already.

Our investment in construction, skills and the green economy is in addition to a green investment package, with £30 million for fuel poverty, energy efficiency and low carbon transport, and plans to use the fossil fuel levy surplus to establish the renewable energy investment fund.

**The Deputy Presiding Officer (Elaine Smith):** You have one minute left.

**Stewart Stevenson:** These are all steps in the right direction, bringing us closer to our climate change targets. Green jobs and a green economy will certainly meet our goals of growth in addition to sustainability—and there is more to come.

Last year, 95 per cent of the £2 billion transport budget was invested back into the private sector, supporting 12,000 jobs. Let us now plan to invest

another £180 million over two years in construction, skills and the green economy. In my constituency, there will be £18 million to establish an energy skills academy, which is proudly being taken forward by Banff and Buchan College.

The economy is clearly going through a hard time, but not as hard a time as Ken Macintosh seems to be going through. He really needs "Accounting for Dummies"; if he does not buy it, his sock is going to be empty.

**The Deputy Presiding Officer:** I remind members to address their remarks through the chair, not directly to each other.

15:29

**Elaine Murray (Dumfriesshire) (Lab):** Yet again, I have the opportunity to speak in the last debate before Christmas on the Finance Committee's report on the draft budget. As I have actually left the committee to join the Infrastructure and Capital Investment Committee, I thank my former colleagues on the Finance Committee, the clerks and the budget adviser for putting up with me for the past year.

Some of us on the Finance Committee felt that we should comment on whether John Swinney had succeeded in the ambitions he announced when he introduced his draft budget: that it would be a budget for economic growth and would boost construction. Three of us felt that we could not see evidence of that, three other members of the committee thought that the budget was wonderful, and one member of the committee disagreed with both camps. Therefore, there was no published judgment on the budget.

I would like to say a little about why I think that the evidence is not there. In the past year, the Finance Committee has spent a lot of time taking evidence on preventative spend. As I said in my speech last year—and the Scottish Federation of Housing Associations often makes this point—socially rented housing surely qualifies as preventative spend, as homelessness and temporary and poor-quality housing affect people's health and wellbeing, educational achievements and their ability to sustain employment. I think that we all agree that construction is also a fast and effective way of stimulating economic growth.

It is therefore disappointing that the housing budget continues to be squeezed more tightly than capital spending as a whole. The Infrastructure and Capital Investment Committee noted that affordable housing spending is being cut by 45 per cent over the spending review period and that capital spend is reducing by a third.

**Kenneth Gibson:** Will the member take an intervention?

**Elaine Murray:** I think that I am going on to talk about what the member was going to say.

An additional £50 million for affordable housing next year was announced yesterday. That is of course welcome, but the total housing supply budget, including the amount in yesterday's announcement, is still only £269 million, which is £46 million less than the revised housing supply budget for this year.

**Jamie Hepburn:** Will the member take an intervention?

**Elaine Murray:** The Scottish Government continues to trumpet its figures for the completion of socially rented housing, but much of that housing was funded under the previous, more generous terms and in the period of accelerated spend. Figures that I obtained from the housing minister in answer to a recent parliamentary question demonstrate a significant fall in the number of housing starts over the past two years. The figure went down from 7,677 in 2009-10 to 3,025 in 2011-12. The figure for 2011-12 is less than 40 per cent of the figure for two years earlier, and that fall coincides with the funding that was available to housing associations for new build being cut by 47 per cent over exactly the same period.

In its evidence to the Infrastructure and Capital Investment Committee, Shelter Scotland stated:

"we are heading for a cliff edge with regard to new completions in the next few years."—[*Official Report, Infrastructure and Capital Investment Committee*, 24 October 2012; c 973.]

**Kenneth Gibson:** Is it not the case that, when Labour was in power, it spent £562 million and completed 4,832 affordable houses, but in 2011-12, under Mr Swinney, 2,050 houses in addition to that figure were completed for much less public money? Does that not show that the Scottish Government is delivering affordable houses much more effectively and efficiently?

**Elaine Murray:** I do not know where Mr Gibson gets his figures from. Actually, the Labour-led Executive built more than 38,000 homes for social rent between 2002 and 2007. That is according to Scottish Government figures. Therefore, I simply do not recognise what Mr Gibson said.

I refer to another answer that I received to a parliamentary question, on the funding that was provided to housing associations for the construction of new homes for social rent across all local authority areas between 2009-10 and 2011-12. The overall funding that was claimed reduced by 53 per cent over those two years, but some local authority areas had much more significant reductions. For example, housing associations in Aberdeenshire claimed only 1.4 per cent of the sum that they had claimed two

years earlier. Housing associations in several areas received only 10 per cent of what they received in 2009-10. I heard the answer that was given to my colleague Richard Baker yesterday, but I sincerely request that the cabinet secretary seriously reconsiders the suggestion from the Infrastructure and Capital Investment Committee and the SFHA that the Scottish Government should review the grant level.

It stands to reason that, as the population ages, the need for adaptations to enable older people to live healthily and independently in their own homes will increase. Therefore, I share Age Scotland's disappointment that the budget line for supporting transitions has been reduced.

The social return on investment report by Bield, Hanover and Trust housing associations states that each adaptation saves Scotland's health and social care sector more than £10,000, and the associations estimated that their investment of £1.4 million has already saved the Scottish Government £5.3 million. Surely that is a good example of preventative spend that also improves the quality of life for older people.

It has been suggested that there should be information in the budget on in-year revisions, and that they should be presented in addition to the agreed budget for the previous year. I know that previous Governments did not do that, but perhaps all Governments have been wrong. I would argue that it is more important to fully understand the funding picture of previous years in times of austerity. If we want committees or Opposition spokespeople to suggest transfers of funding to and from budget lines, we need that information.

I commend the Finance Committee's report on the draft budget for highlighting a number of quite difficult issues. I very much hope that the cabinet secretary will take them into account when he produces his draft budget bill next year.

15:35

**Mark McDonald (North East Scotland) (SNP):**

I speak as another former member of the Finance Committee. Indeed, I think that I am right in saying that, of the original members of the committee at the start of this session of Parliament, only the convener and the deputy convener remain. I assure them that it is nothing personal.

We face tough financial times. We have already heard from the convener of the committee about the 11 per cent fall in revenue and the 26 per cent fall in capital that the Scottish Parliament and Government will receive as a result of the austerity measures that are being pursued at Westminster. That makes it all the more interesting that we are somehow supposed to dance with joy when

crumbs occasionally fall from the Westminster table.

It is undoubtedly welcome that additional capital investment is coming to Scotland, but that does not disguise the fact that the UK Government remains committed to a wrong-headed austerity approach. We do not have to take the word of the Scottish Government for that; Nobel laureates such as Krugman and Stiglitz are out there saying that the focus should clearly be on economic growth. However, the chancellor has decided not to grow his way out of a recession but to cut his way out, which has been clearly demonstrated to be the wrong approach—not only for the economy but for the most vulnerable people in society.

The budget is about priorities. A Government, a Parliament and a nation that are operating within a shrinking resource and in tough financial times must make decisions about their priorities. This Government has made it clear where its priorities lie. It seeks, for example, to protect front-line health spending. That protection was unanimously backed in the Health and Sport Committee report—signed off by all members of the committee—which said that the best way to do that in these difficult times is to target the Barnett consequential at territorial health boards.

There has been investment to maintain and uplift the living wage, and there has been an announcement that the pay freeze for public sector workers will end next year. It represents just a modest increase, but it is an increase, nonetheless.

The Scottish Government has also continued to invest in the universal benefits that benefit not only the most vulnerable people, but wider society. It was interesting that Kenneth Macintosh went with his "A Christmas Carol" theme because—as we all know—if it were up to the Labour Party, Tiny Tim would be paying for his prescriptions.

Use and deployment of capital expenditure to deliver economic growth is important. It is a key element of what the Scottish Government is trying to do, not just in terms of the capital investment that is coming forward as a result of the crumbs that are falling from the Westminster table, but in terms of the shift of resource to capital in order to try to boost employment and grow the economy within the limited powers that are available to us.

Another priority for this Government is the preventative spend agenda, which represents the shifting of significant sums of money in order to ensure that, instead of trying to deal with problems at the end of the process and tackling problems that arise, we get down to the root causes of the problems. Those causes are the societal issues that need to be dealt with by developing things such as family nurse partnerships, which ensure

that people in the most hard-to-reach areas get the support that they require to prevent problems that might otherwise arise later in their lives. That requires a significant shift in funding, which this Government is providing and, crucially, it requires a significant change in the mindset of the public sector.

As parliamentarians, we must all do whatever we can to ensure that that change occurs, which is where I have a difficulty with the doom-mongering approach that Mr Macintosh so often brings to the chamber. We always hear from the Labour Party that it wants more money to be spent on this or that, but the politics of tough times require honesty from those who argue for additional spending.

**James Kelly:** Will the member take an intervention?

**Mark McDonald:** No. Mr Kelly is not going to stand up and invent more spin doctors who do not exist and claim that, somehow—

**James Kelly:** Will the member take an intervention?

**Mark McDonald:** No.

**The Deputy Presiding Officer:** Mr Kelly, the intervention is not being taken.

**Mark McDonald:** No means no, thank you. I was speaking in plain English, Mr Kelly.

It does not behove the Opposition to call for more spending here and there without the consequential admission of where funding would have to be removed from to pay for that. I know that it is a difficult balancing act for Mr Macintosh to carry out—

**James Kelly:** Will the member take an intervention?

**Mark McDonald:** I have said “No” once and I will say it again.

**The Deputy Presiding Officer:** Mr Kelly—the member is in his last minute.

**Mark McDonald:** It is a difficult balancing act for Mr Macintosh to carry out because all Labour’s spokespeople say that they want more funding for the areas for which they are responsible. However, he should at least have the humility and decency when he argues for funding increases also to argue for where he would take the money from to pay for those increases.

I make no apologies and the SNP makes no apologies for making it clear—

**Ken Macintosh:** Will the member take an intervention?

**Mark McDonald:** I am in my final minute.

The SNP makes no apologies for making it clear that it would be much easier for us to shape and control the future and destiny of Scotland had we the powers to shape our taxation system; to shape our welfare system to ensure that there is a safety net for the most vulnerable people; and to deploy borrowing powers to the betterment of our economy instead of sitting around, hoping for some sort of charitable hand-out from a distant and uninterested Westminster Government.

15:41

**Willie Rennie (Mid Scotland and Fife) (LD):**

On what Mark McDonald just said, I wonder why, if independence would deliver so many jobs and so much success, recovery and prosperity, the SNP is waiting for two years. I presume that it has come up with the answer to that before then.

The Liberal Democrats worked constructively on the budget that we voted for last year, and I advise the cabinet secretary that we seek to work constructively again this year. That does not mean that we do not have concerns about the budget—we do, and I will outline some of them—but we will work constructively, as we have done before. We will act responsibly in our approach to the budget and, if we want to spend extra money, we will identify where the money should come from.

I agree with Mark McDonald on spend-to-save investment in early education and early intervention; we should accelerate that. That is partly why I was so disappointed with the First Minister’s response at First Minister’s question time today to my request for early education for two-year-olds. I remind members that 40 per cent of two-year-olds in England but only 1 per cent of two-year-olds in Scotland are predicted to receive that kind of support. Professor James Heckman has set out numerous times the fact that investing £11 in a two-year-old will bring a return of £11 later. The evidence for that is overwhelming. I understand that Professor Heckman is coming to visit ministers, who will perhaps be able to tell him that they are going to invest in two-year-olds.

The finance secretary said earlier that anybody who says that NPD is not a complicated and difficult process should be criticised. I presume that he knew in 2010, when he set out his budget, that it was going to be difficult and complicated. I do not doubt that it is complicated, but I am puzzled as to why, at that time, he boasted about the amount of money that he was going to spend through the complicated and difficult NPD process. Nothing substantial has changed since then. There was a Conservative-Liberal Democrat Government at that time, so he knew what the landscape was going to look like, yet he ploughed ahead and predicted. This year, he is having to make significant reductions, as Gavin Brown said,

from £353 million to £20 million. I am not sure what has changed in that time. Perhaps the finance secretary could set that out in his summing up.

The Finance Committee's report is a very good one. It is pretty thorough and looks at the detail in identifying from where the extra capital from revenue has come. The committee is right to have identified that there does not seem to be much clarity about which revenue areas have suffered.

On the change funds, the committee is right to ask exactly what the benefit of the extra investment has been. Some groups, including the Scottish Council for Voluntary Organisations—which, I must say, I am not used to quoting—have highlighted concern about where that money is going and where it is coming from. The committee is right to have identified that we need greater monitoring and evaluation of those funds. If we are to convince the sceptics that early intervention is worth while, we need to have the evidence to prove it.

An explanation is also needed for why the early years fund seems to have been cut by £14 million. There does not seem to be an explanation from the Government on that, so perhaps the finance secretary could set that out.

The committee rightly requests information on whether the Government intends to progress with the Christie commission's recommendation on a duty to consider preventative measures in budgets. Again, I would welcome a response from the finance secretary on whether there will be a duty on local authorities to consider such matters.

The NUS is running its—almost annual—campaign to secure a reversal of the £35 million cut in this year's funding for further education colleges. That is worthy of support. We have campaigned with the NUS in the past and we will do so again, and we hope that the finance secretary listens.

On the funding for Aberdeen City Council, when I asked the finance secretary previously about the floor that the Scottish Government set in previous years whereby each council would receive at least 85 per cent of the Scottish average revenue funding, he reassured me that that would be met. However, nothing seems to be forthcoming on how the Government will meet Aberdeen's £25 million shortfall. Aberdeen City Council's current level of funding seems to be at 78 per cent of the Scottish average, which is well short of the 85 per cent floor—hence the £25 million shortfall.

We welcome the extra money for social housing that was announced yesterday, but I want to be reassured that the new money will go into genuinely affordable housing. There is concern in the sector about where the money will be targeted.

**The Deputy Presiding Officer:** You have 30 seconds left.

**Willie Rennie:** I was also pleased to see that money is to be given to an Atos project in Forres. I was surprised that the SNP back benchers did not criticise Atos, but I congratulate the finance secretary on identifying a project that will be very good for that part of the country. Considering back benchers' criticism of Atos in the past, I was surprised that they were not more vocal.

With that, I conclude my remarks.

15:47

**Chic Brodie (South Scotland) (SNP):** I welcome the tone of today's debate on what is a good Finance Committee report. We are all aware of the current stress on families, our communities and in the country that has been caused by the economic straits that we are in. To exacerbate that stress by exercising some sort of visceral, or even cosmetic, tribalism serves no purpose at all. We should leave the "Oh yes we can", "Oh no you can't" to another place; let us clearly and cogently discuss the committee's report and debate our spending priorities.

I know that our priorities are clearly different from those of the Opposition, but I say in all honesty to Opposition members that, as Mark McDonald said, it is incumbent on them to spell out their alternative budget plans and how they would address the issues in the committee's report. If the Opposition aspires to reduce or increase the cost or revenue elements in the budget, or to change the recommendations in the report, it is necessary for it to tell Parliament—and, indeed, the electors—exactly what it would increase or reduce as an alternative. Those decisions should then be judged in terms of their employment impact, investment returns and effect on long-term sustainable economic growth.

To assist in that, I agree with the recommendation in paragraphs 203 and 204 of the Finance Committee's report that there should be some technical changes to the presentation and formatting of future budgets. We need clarity and consistency of terminology, just as we need a bridging analysis from one year to another, so that we can compare each of the proposed budget lines to those of the previous year's budget and to the likely outturn, with appropriate statements aligned to major itemised changes. The draft budget would then lend itself to more discussion around principles and policies rather than the batting of sometimes confusing numbers all over the place.

I support the committee's report and, in general, the cabinet secretary's budget. I do not do so blindly, because I have to compare its purpose



and objectives with those of the UK budget which had—until the UK Government's autumn statement conversion—no plan to balance investing in jobs with accelerating the opportunity to pay down its massive deficit and borrowing.

I am also supportive for other reasons; I will give three examples. First, I received a letter two weeks ago from an outgoing college principal who declared quite clearly that she and her colleagues are particularly anxious to embrace the exciting future plans that we have for colleges. That is not something that we hear often in the chamber.

Secondly, on Monday I attended a meeting of the Ayrshire and Arran NHS Board's review board. The head of nursing, when asked about the shortage of nurses, said that there is no such shortage and that she is operating within budget. Thirdly, we have a council that had an underspend of £3.8 million. Although there may be some doubt about competency over the latter, there is little question, even when recognising the seriousness of the situation and the short-term implications that we face, that the people of Scotland have accepted the need for innovation, change and efficiency, as is reflected in the committee report. It is important that in a recent YouGov poll more than 60 per cent of Scots agreed—24 per cent disagreed—that we should be able to invest money in the short term on capital projects so that we pay down the deficit more quickly than will the austerity regime that has been adopted by the UK Government.

In more specific terms, in these straitened times, the establishment and maintenance of business confidence, particularly among small and medium-sized enterprises and in the third sector, is critical to our medium and long-term sustainable economic growth. Although the report—as I do—welcomes the fact that the budget will maintain spend in cash terms, the Finance Committee's invitation to the Government to respond to issues about access to risk capital and seed funding is particularly welcome. Those sectors are the engines of future growth. They need to secure their future, and critical to that is financial and business support.

I welcome the Finance Committee's report and its constructive questions and recommendations. Difficulties mastered are opportunities won, and I am sure that all of us in our approach to the budget and the nation's financial wellbeing will be constructive.

15:52

**James Kelly (Rutherglen) (Lab):** I welcome the opportunity to take part in the debate on the Finance Committee's draft budget report. As we move towards the Christmas season, Parliament,

as always, debates the Finance Committee's report—it is one of the traditions of the parliamentary year—and quite a number of today's participants have spoken in the debate over the years.

I want to thank the Finance Committee for its report, which is a useful contribution to the process and the debate. It highlights some of the flaws in the Government's approach, and the report brings out four particular areas that underline the weakness and lack of robustness in the Government's budgetary approach.

First, a link to outcomes is lacked. On page 5 of the report, the committee queries whether there is any proper cost-benefit analysis and whether any economic modelling exists on the linking of spending priorities to economic growth. Page 6 notes the financial scrutiny unit's point that the draft budget does not include in each portfolio section an explanation of how that portfolio budget contributes to national outcomes.

On the same page, the Rural Affairs, Climate Change and Environment Committee says that the Scottish Government

"was unable to provide systematic evidence of linking funding options back to the outcomes".

There is no link to economic growth, which is obviously important, bearing in mind that recent Bank of Scotland statistics show that gross domestic product has fallen in the previous three quarters. There is also no impact assessment of how resource-to-capital switches will contribute to sustainable economic growth.

The Local Government and Regeneration Committee highlighted an absence of clearly identifiable, meaningful and measurable outcomes to assess the effect of regeneration on sustainable economic growth.

There is also a lack of detail. The Finance Committee asked why the revised estimate on NPD was not provided in the draft budget. We have had some debate on that this afternoon.

Members have spoken about the change funds. Little detailed assessment has been made of their implementation and it is unclear how the £500 million figure for those funds has been arrived at.

Furthermore, a lack of transparency has been brought out. The Infrastructure and Capital Investment Committee has said that it is difficult to assess how to allocate money for active travel because of the lack of transparency in the budget.

The Rural Affairs, Climate Change and Environment Committee said that little progress has been made in developing methodologies that would allow the Scottish Government to

understand individual policies' full downstream impact on climate change targets.

Finally, the Education and Culture Committee said that a feature of this year's budget is that several witnesses were unable to identify movements and changes from previous years. Elaine Murray spoke about that.

**Mike MacKenzie (Highlands and Islands) (SNP):** James Kelly said "finally", which leads me to believe that that was the end of his list. Does he accept that not one item in his long list represents a criticism of the budget?

**James Kelly:** That brings me on to my next point. When the process is flawed in four areas, that contributes to sloppy policy making and, therefore, gives us a weak budget.

There are fewer houses being built now than at any time since 1926. That is in the budget documents.

**Jamie Hepburn:** Will James Kelly give way?

**James Kelly:** I am sorry, but I am running out of time.

Earlier in the week, we saw the impact of deprivation in communities throughout Scotland, and last week's Audit Scotland report highlighted how health inequalities are still a big issue.

The SNP keeps telling us that the budget will shrink not only over the coming years, but all the way to 2026. It strikes me that its attitude to that shrinking budget is to look away now. It is not prepared to embrace the debate and face up to the issues.

**Kenneth Gibson:** What are James Kelly's expenditure choices?

**James Kelly:** Mr Gibson's committee asked for information on how the Government is implementing the Christie report, but still nothing has been provided. Also, on the McClelland review, despite what the cabinet secretary said, there is no detail on how identified potential savings are being released to the Government.

The report shows that the SNP Government's budget is flawed and that it must revisit some of the areas that I have mentioned as the budget progresses through the parliamentary process.

**The Deputy Presiding Officer:** I remind members that there is no extra time in the debate.

15:59

**Jamie Hepburn (Cumbernauld and Kilsyth) (SNP):** I speak as a relatively new member of the Finance Committee. I am not the newest member, because Malcolm Chisholm has taken that mantle from me, but I was not on the committee for all of

the evidence gathering for the report. I thank colleagues for the work that they did and other committees for the work that they undertook in assessing the budget.

I commend the Finance Committee's report. As Chic Brodie said, it is a good report. I will speak to a number of parts of it and about the Scottish Government's budget more generally. However, before I do that, it is important to set out the background to the budget, which is reflected in the report.

Paragraph 10 of our report says:

"In addition to a declining budget the"

Scottish Government

"is also faced with considerable economic uncertainty as the European and UK economies struggle to recover from the 2008 financial crisis."

It goes on to quote the cabinet secretary's evidence to the committee, in which he said:

"the settlement that we received in the UK spending review is the toughest since devolution. Over the four-year period between 2010-11 and 2014-15, our budget will have been reduced by more than 11 per cent in real terms and, within that, our capital budget will have been reduced by a third. The position in 2013-14 is particularly challenging".— [Official Report, Finance Committee, 5 November 2012; c 1797.]

In paragraph 13 of its report, the committee states that it

"recognises that continuing to meet its budgetary commitments in these circumstances remains a significant challenge for the Scottish Government."

I welcome the cross-party recognition of that point because, frankly, it is not always reflected in the debates that we have in the chamber.

I turn to housing, which I know is an area of wide interest, and the part of the report that deals with it.

The Infrastructure and Capital Investment Committee suggested that housing should be an area of focus, and in paragraph 85 of its report the Finance Committee says:

"The Committee believes that consideration is given to additional funding for affordable housing should additional funding become available."

Just yesterday, it was announced that an additional £50 million would be invested in affordable housing. I think that that deals with the point made by Mr Rennie, who I see is not in the chamber at the moment. The money will be invested in affordable housing; I do not know whether he thought that it would be invested in building a palatial mansion for some character. Before the Scottish Government has made a formal response to the Finance Committee's report, we can see that it has responded to the request in paragraph 85, which is welcome.

Concern is still being expressed about the housing budget—we have heard that again today. As Kenny Gibson pointed out in his intervention on Elaine Murray, in the final year of the Labour Government only 4,832 houses were completed—perhaps that is a ghost of budgets past for Mr Macintosh—whereas, in 2011-12, this SNP Government built 6,882 houses. I think that our record is a good one.

However, we should look to do more wherever we can. We should look to lever in funding from other sources. During the part of the budget scrutiny process that I took part in, the committee visited Hawick. Eildon Housing Association made the point that we should be innovative and should try to utilise other sources of funding. It gave the example of pension funds. I know that John Swinney has responded positively to that suggestion and that the Government is looking at that general area.

I turn to the core purpose of the budget: supporting the Scottish economy. I want to set out some of the action that the Scottish Government has taken over the past few years that I particularly welcome. In February of this year, a capital spending package of £380 million until 2015 was announced, which will focus on housing, transport, health, digital and maintenance projects. In addition, £700 million has been switched from the resource to the capital budget to support capital investment. A commitment has been made to no compulsory redundancies in the public sector. A living wage is being introduced for all workers who are covered by the Scottish Government pay policy. The council tax has been frozen for the fifth year in a row. Free higher education has been maintained and prescription charges have been abolished.

Those measures are all responses to the economic circumstances of the time and are helping families in difficult times. In addition, the Government is providing the most generous package of business reliefs in the UK, which is helping to maintain the Scottish high street. I return to the report's recognition of the circumstances and the significant challenges that the Scottish Government faces. In that context, I think that the Scottish Government has a good record.

Ken Macintosh referred to ghosts of budgets past, present and future, which was an interesting analogy. I want to focus on the future because, if I remember correctly, the ghost of Christmas future was a portent of doom figure. If we continue to operate in circumstances in which the UK Government decides the size of Scotland's budget, we may well reflect on just how right Mr Macintosh was to talk about the ghosts of budgets future. He was probably more right to do so than

he realised, because if, as a country, we vote no in 2014, the only certainty is that we will face more austerity. In the autumn statement, the chancellor revised his economic growth forecast down once again, from the 0.8 per cent that was predicted in the UK budget to -0.1 per cent this year.

Even though Joseph Stiglitz and David Blanchflower are urging a different agenda, the UK Government prefers its austerity agenda and its attack on the welfare system, all of which is harming the Scottish economy.

**The Deputy Presiding Officer:** Please conclude.

**Jamie Hepburn:** I hope that Ken Macintosh, like Ebenezer Scrooge, will focus on the ghost of budgets future and thereby see the error of his ways.

16:05

**Malcolm Chisholm (Edinburgh Northern and Leith) (Lab):** I thank the Finance Committee for its excellent report. I am pleased to be back on the committee, although I was not a member while it was compiling its report.

Mark McDonald said that Labour members who have spoken in the debate have argued for more money for everything, and I expect that the cabinet secretary will be looking to make a similar point when he winds up the debate. However, if SNP members and others had listened to the Labour speeches, they would know that we are concentrating on two areas for extra spending: colleges and housing. Those are absolutely the right choices, for the sake of the individuals involved and for the sake of economic growth in the wider economy. A focus on those areas would also enable us to address social injustice and inequality.

I realise that it is difficult to realign revenue budgets, but I ask the cabinet secretary to concentrate, over the next two months, on the resource budget for colleges, in particular, and to reinstate that budget as far as possible.

**Jamie Hepburn:** Will the member give way?

**Malcolm Chisholm:** I will give way later, if I have time.

We all know that Audit Scotland pointed out the 24 per cent cut in college budgets between 2011-12 and 2014-15, which translates into the £34 million cut that is the focus of the current NUS campaign, which I support. That cut should be the focus of the cabinet secretary's attention in relation to resource budgets in the next two months, and I hope that he can reinstate the budget as far as possible, not just for the individuals involved, 30 per cent of whom are from

deprived areas, but in the interests of economic growth, as the Education and Culture Committee pointed out.

We face the same combination of issues in relation to housing. We need to address housing for the sake of individuals and the wider economy. Kenneth Gibson reminded us that every £1 that is spent on construction translates into £5 for the wider economy. In the current financial circumstances, what I am asking the cabinet secretary to do is hard, but an opportunity was presented by the substantial amount of extra capital that he received from the UK Government, and he did not allocate enough to housing in his announcement yesterday.

**Kenneth Gibson:** Will the member give way?

**Malcolm Chisholm:** In a minute.

Even after the three in-year additions to the housing budget that were announced during the 12 months before yesterday's announcement, there was a 45 per cent cut to the affordable housing budget over the spending review, compared with a 33 per cent general capital cut. That is the foundation of the Infrastructure and Capital Investment Committee's report, which all members of the committee accepted.

I will give way to the member.

**Kenneth Gibson** *rose*—

**Jamie Hepburn** *rose*—

**Malcolm Chisholm:** I give way to someone.

**Kenneth Gibson:** I understand that Mr Chisholm thinks that more money from the £205 million that was announced yesterday should be spent on affordable housing. Which of the projects that Mr Swinney announced, 93 per cent of which should be completed within 15 months, should be cancelled so that we can put more money into affordable housing?

**Malcolm Chisholm:** People will make different choices on that. In previous budget rounds, I have tended to argue that housing should be the number 1 priority for capital expenditure. I have made my views known on other matters, including aspects of the road-building budget. People can make other choices; I am presenting the case for housing, which is pressing.

The interesting point that I highlighted in a question to the cabinet secretary yesterday is that a year ago there were to be 6,000 new affordable homes per year and, after each of the three additions to the housing budget in the past year, the figure has still been 6,000. As far as I can see, after yesterday's announcement of a further £50 million, the figure is still 6,000. I think that the reason is that we are struggling to achieve the target of 6,000 affordable homes per year, of

which 4,000 are supposed to be in the social rented sector. The evidence for that is that in 2011-12 there were 3,000 social rented starts, as Elaine Murray said.

**Jamie Hepburn:** I thank Malcolm Chisholm for being the first of the four Labour members on whom I have tried to intervene to give way.

What we are hearing is a focus on input. Mr Kelly said that there should be more focus on outputs. Does Mr Chisholm accept that more houses are being built under the SNP than were built under the Labour Party?

**Malcolm Chisholm:** That is not the case. That was a good time for Jamie Hepburn to intervene, because I had just pointed out that there were 3,000 social rented starts in 2011-12, and it is obvious that it is the starts that will result in completions in future years.

The good figures for completions that the Scottish Government had in 2011-12 were based on the much higher grant levels for housing associations that had pertained. Now, we have lower grant levels. Housing association after housing association told the Infrastructure and Capital Investment Committee that the £40,000 grant was unsustainable, and I have heard the same thing from housing associations in my constituency. That is the key reason why delivering 6,000 homes will be difficult. Of course, 6,000 will not be adequate to meet the need. The cabinet secretary needs to pay attention to the Infrastructure and Capital Investment Committee's recommendation that the £40,000 grant should be reviewed.

I have only 40 seconds left. I speak regularly about climate change and I will not repeat what I said about it last week. The Infrastructure and Capital Investment Committee, which has an SNP majority, said that some change should occur between transport budget lines—it did not ask for extra money for transport—to provide more money for active travel. That is important not just for climate change but as a fundamental plank of health improvement. I hope that the cabinet secretary will look at that.

In the budget debate, Labour is focusing on colleges and housing. I ask the cabinet secretary to do all that he can in the next two months to find more money for those aspects.

16:11

**Rob Gibson (Caithness, Sutherland and Ross) (SNP):** We should look at how the way in which we make budgets has changed over the years. Under the SNP Government, we have worked within the national performance framework—NPF—process, which did not exist

before. Partly, that has drawn attention from critics. In its report, the Finance Committee said—as the Rural Affairs, Climate Change and Environment Committee has said—that the Government

“was unable to provide systematic evidence of linking funding options back to the outcomes”

in the national performance framework. A new way of operating takes time to develop. However, we are beginning to get that link-up, which is an improvement, so we thank the Finance Committee for looking at issues in that fashion.

The Scottish Government needs to emphasise the consistency of references to the NPF and we will try to hold the Government to that. I hope that each committee will look at the areas to which the NPF refers—and it refers to all areas—and use that as a measure of progress. That is a theoretical matter, but it is becoming a practical matter of having better assessment of what is going on.

The Rural Affairs, Climate Change and Environment Committee took seriously the focus of our deliberations on sustainable development. The word “sustainable” in relation to development is important. To reassure Malcolm Chisholm, I am glad that cycling infrastructure will receive £3.9 million from the extra spending as a result of the autumn statement—every little helps. It would be nice for all active travel to have 10 per cent of the transport budget, but individuals must be encouraged to take part in activities such as walking; such behavioural change must be brought to the process. The budget can recognise a spend by the Government, but people must respond if we are to make the country healthier and ensure that we travel more carefully.

I feel strongly about one issue that is in the Finance Committee's report and which various committees have mentioned: broadband. I am glad that, in his introduction to the debate, Kenny Gibson pointed out that very-high-speed broadband is excellent for downloading movies, but I have not found it difficult to watch the iPlayer at a speed of 2MB or 4MB.

If people in my constituency, in the north of Scotland, had 2MB or 4MB regularly, they would be able to do business and have the way of life that would allow them to participate in and improve the sustainable economic development that we are keen to have. That is not the dash for high-speed broadband that is big news for people in the cities. The situation is not good enough, which is why I am glad that Highlands and Islands Enterprise and other groups—with the help of European, British and Scottish Government money—will press forward with the broadband case.

It is essential that we get in place as early as possible the systems that will work in the most out-of-the-way places, because there is no way that we can lay fibre to the most remote communities. That is why improved broadband via satellite and so on, which is becoming a way forward, must be funded, because the British Telecoms of this world and other providers are only looking for a market. Because there are so few people in those areas, they will not provide a service, so we must back such development with public money. If I want to see a priority, it is an increase in that area.

The third point to concentrate on from the RACCE committee perspective is the climate challenge fund and climate change issues. I am delighted to have heard from the environment minister that the Government has agreed to our suggestion that the climate challenge fund, which has been so successful for many different communities, should have targets that allow the people who take up the fund to then create a commercial activity beyond it. That is a step forward and I am delighted that that part of the Finance Committee report has already been delivered.

However, I am not entirely convinced that every committee has taken mainstreaming the whole issue of climate change seriously. Last year, we asked each committee that was making reports to the Finance Committee to come up with means whereby they would assess whether the climate change obligations of the whole of the Climate Change (Scotland) Act 2009 were being met.

**Patrick Harvie (Glasgow) (Green):** Will the member take an intervention?

**Rob Gibson:** I am sorry, I do not have time. You may get to make a speech, you never know.

From the RACCE committee perspective, we want to see climate change issues mainstreamed in a good deal more detail and indeed not consigned to paragraphs 194 to 198—they should be up front. We look forward to such a change in the next budget process.

We hope that the cabinet secretary can reassure us on the issues that I have told members about in this late afternoon, end-of-term speech that is nevertheless the precursor to a budget that will take Scotland forward, attempts to measure things more accurately than before and, indeed, is beginning to deliver for this country in a way that we can be proud of.

16:17

**Jean Urquhart (Highlands and Islands) (Ind):** As a member of the Finance Committee, I was pleased that the entire committee was able to agree on its report, as that was not the case last

year. As our budget from Westminster continues to shrink annually, the cabinet secretary's job correspondingly gets that bit tougher, and it is vital that the whole chamber reflects the cross-party support at committee level for the Government's efforts to do the best for Scotland.

The committee took evidence from a range of witnesses, some of whom were supportive of the budget and some of whom raised concerns. I am glad that the committee took the full range of views on board and produced a balanced, thoughtful report that provides praise and constructive suggestions in equal measure, in a manner that will hopefully aid the cabinet secretary in his efforts.

Although I recognise that this is a national budget, I want to take some time to lay out what the budget means for the Highlands and Islands.

The cabinet secretary has done a good job in doing what he can, given the limitations on the Government. It is becoming intolerable that, when we talk about having control of our budget and the tax system and about raising our own funds and deciding how best to invest, other members in other parties seem to think that that is a crazy idea. The ability to do that will ensure that we can make a difference to the economy of this country.

To pick up on a couple of specific points, I welcome the £32.4 million for Highlands and Islands Airports Limited—that is the 10 small regional airports as well as Dundee airport. Those small airports provide an essential service and provide jobs and an infrastructure that would otherwise be absent. They therefore contribute to economic growth.

**The Deputy Presiding Officer (John Scott):** I wonder whether you would raise your microphone a little, as I cannot hear you very easily.

**Jean Urquhart:** Sorry—I beg your pardon, Presiding Officer.

The continuing regeneration of our island populations, as confirmed by the recent census results that were released this week, is undoubtedly due in part to that type of support. The Scottish Government's funding of the air discount scheme also ensures that those services remain affordable for most of our constituents.

An important issue that was examined by my committee as well as the Rural Affairs, Climate Change and Environment Committee and the Economy, Energy and Tourism Committee was the Government's stated commitment to

“deliver digital connectivity across the whole of Scotland by 2020”.

We heard from the Scottish Chambers of Commerce, which correctly pointed out the

frustrations in the Highlands and Islands at the lack of availability of fast and reliable broadband, which can inhibit economic development. Investment in that, particularly in geographically remote areas, can be viewed as contributing to economic growth. It is vital that all of Scotland has reliable internet access, and I once again echo the committee's request for the Government to examine the need to prioritise that.

In the time that I have left, I will reflect on our approach to economic policy. There has been ample discussion in the chamber of the need for and concentration on economic growth, as if that on its own is a silver bullet for the tough times that ordinary families face. However, we should remember that, during the early years of the new Labour Government, economic growth also meant a growing gap between the richest and poorest in our society.

A number of witnesses who gave evidence to our committee said that the increase in the health budget made the rest of the budget difficult for the cabinet secretary. However, in other reports that have not focused on economic growth, good health has been a priority, so we should recognise that investment.

However, we should begin to rebalance our ideas about what constitutes a strong economy. An economic approach that is based on the financial sector, where money begets money with no discernible communal benefit, seems to be neither strong nor sustainable. Although it is more than a year old, I recommend to members—as Patrick Harvie did in the budget debate last year—the Carnegie UK Trust's report “More Than GDP: Measuring What Matters”, which makes a far more thorough and eloquent case for such an approach.

I commend the budget, and look forward to seeing it help ordinary Scots in these tough times.

16:22

**Mike MacKenzie (Highlands and Islands) (SNP):** I am pleased to be able to speak in the debate, although I am not a member of the Finance Committee. I commend the committee for its work in producing such a comprehensive report, which I have had the benefit of reading.

The report correctly identifies the context for the draft budget as one that is as challenging as any that a Scottish finance secretary has ever had to deal with. It is challenging for two reasons: first, because of the generally grim economic circumstances; and, secondly, because of the cuts that are being imposed by the Westminster Government, which amount to a real-terms cut of 11 per cent over four years and, within that, a capital cut of almost 26 per cent.

Gavin Brown might like to pretend that there is no such thing as inflation but, in reality, that is just fantasy economics. Far from the chancellor's promises of a much better outlook by now, the overall state of the economy is now much worse than when he took office. The prospect of a triple-dip recession, which is unheard of and unprecedented, looms large. The UK faces the loss of its coveted AAA rating, and the fiscal position has worsened rather than improved.

In its central aim of reducing the UK deficit, the austerity policy has failed, but, worse than that, it now appears that it has locked us into a downward spiral of economic misery, and the chancellor has no answer.

**Gavin Brown:** Will the member tell us how many countries in the entire world can borrow more cheaply than the UK can?

**Mike MacKenzie:** I do not have those figures to hand, but I think that the member is missing the point. The UK will possibly lose the AAA rating because of poor fiscal and economic policy. The chancellor has no answer except the promise of more austerity. What is perhaps more disappointing is that neither in London nor in Scotland does the Labour Party have any answer either, except perhaps from Johann Lamont, with her own special brand of austerity to be unveiled at some point in the future by her cuts commission. Her claim that many of this Parliament's greatest achievements are unaffordable misses the fundamental point about any Scottish Government budget: that, by definition, it must be balanced, which therefore means that current policies are affordable.

If there is one aspect of the budget that might genuinely be held to be unaffordable, it is the £1 billion of private finance initiative payments that must be found annually. Buying infrastructure on a credit card was never affordable. That is perhaps the most unfortunate legacy in Scotland of the long years of the Labour-Liberal Democrat Administrations, and one that it will take a long time to forget.

**Michael McMahon (Uddingston and Bellshill) (Lab):** Can the member tell us how NPD is paid for in comparison with PFI?

**Mike MacKenzie:** I think that the clue is in the term "non-profit-distributing".

It is tempting to assume that the thread of economic illiteracy runs through all the Opposition parties in the chamber but, from reading the committee report, I know that that is not the case. Opposition members have the same good grasp of economics as we have, which is perhaps why I see so little genuine criticism of the draft budget in the report. They do not criticise it because, in fact, they accept that it is a good budget that strikes a

careful balance between social policy and economic policy; and between maintaining demand and confidence on the one hand, and providing the stimulus of capital investment on the other. It is a budget for both jobs and growth, maintaining jobs through a no compulsory redundancy policy and creating them and stimulating the economy through careful transfers from resource to capital.

When thinking about the budget, I always consult two advisers who have spoken to Scotland down through the centuries: Adam Smith, who defined our values of economic wisdom and prudence; and Robert Burns, who articulated our social conscience. Together, they represent our shared cultural values of good economics and an egalitarian social conscience—two sets of values that are not mutually exclusive but mutually reinforcing. I suggest that each of those advisers would be happy with the finance secretary's budget and its careful compromise.

It is a good budget for jobs and growth, but we will in the future see even better budgets when Mr Swinney has the full range of fiscal levers and full prudent borrowing powers when Scotland is independent.

**The Deputy Presiding Officer:** In the spirit of Christmas and by special request, I give Patrick Harvie one minute.

16:28

**Patrick Harvie (Glasgow) (Green):** I am very grateful, Presiding Officer. It will be enough time to make one simple point.

I have been calling for the publication of the report on policies and proposals under the Climate Change (Scotland) Act 2009. I called for its publication in advance of the introduction of the draft budget so that committees could undertake detailed and informed scrutiny of whether the budget fully funds the climate change policies that the Government is required to implement. That is not my request; it is a requirement of the 2009 act to revise the RPP given the failure to meet the first climate change target. The Government has not published that in time for budget scrutiny, so I ask the cabinet secretary to give a simple, clear, cast-iron guarantee that he will publish the document so that we understand the Government's climate change policies before he asks members to vote on the budget.

16:29

**Gavin Brown:** As I stand to make my closing speech, I have fresh in my mind the speech of Mike MacKenzie, who tickled me rather towards the end of his speech when he said of NPD that the clue is in the name. He genuinely believes that

there is no profit in the non-profit-distributing model. He and the other SNP back benchers are going to be devastated when they find out that it is capped profit instead of no profit. I have to say that, up to now, it has been no profit, but that is basically because it has not been happening since it was announced in December 2010.

Yes, the NPD programme has taken a little bit longer than we expected. It was announced in December 2010 and re-announced in September 2011, when the figures were put in front of the Parliament. Something happened during that year to reduce use of NPD almost to zero. The figure is a mere £20 million in the current financial year. The cabinet secretary stood up in the chamber and said that he is not disappointed by that because there is £900 million in procurement, yet he told the Finance Committee that, next year, £338 million will be spent. Apparently, there is £900 million in procurement, but only £338 million will be spent in the financial year 2013-14. That is the first thing that the Government has failed badly on when it comes to capital spending.

Its other big-ticket item to win back Scotland's economy is the magical resource-to-capital plan. Apparently, more than £700 million will be shifted from resource to capital during the current spending review period to create jobs. There are just a couple of flaws in the suggestion. One is that a big slice of the money comes from savings from the Forth crossing, so Mr Swinney is saving money from one capital project, putting it into others and somehow describing that as a transfer from resource to capital when it is, of course, simply from capital to capital.

The other flaw concerns the enterprise agencies. More than £200 million over two financial years—the current year and next year—was going to be transferred by the enterprise agencies. However, we heard recently that the figure is not £200 million at all but is going to be only £99 million. We have lost £101 million of transfer from resource to capital over the course of a year. At the same time, with the other hand, the cabinet secretary is demanding money for shovel-ready projects because the enterprise agencies have lots of them. Perhaps if they transferred the money from resource to capital that they said they were going to transfer, there would be no need for the money for the enterprise agencies' shovel-ready projects.

The central question that the committee asked was whether the budget is a budget for the economy. That is the yardstick by which the Scottish Government wanted to be judged. Indeed, a week before the budget was announced, Mr Swinney said:

"I guarantee I will squeeze every penny out of the money we have available to us to boost the pace of recovery and to support the hard pressed households of Scotland."

The central theme of the Finance Committee's investigations was to look at whether the budget is a budget for the economy, and we found evidence in favour of that proposition. There was an evidence-taking session at which evidence was presented, or asserted, that it is a strong budget for the economy. The only difficulty for the Government is that all that assertion came from one person—it came from the cabinet secretary himself, who said that he believes that it is a budget for the economy.

It was difficult to find one single other organisation that genuinely believes that it is a budget for the economy. The Scottish Council for Development and Industry stated in its written evidence:

"it is difficult to discern a pattern of spending which aligns with successive Scottish Executive's/Scottish Government's top priority/purpose of increasing sustainable economic growth."

The Centre for Public Policy for Regions stated:

"Spending on the ... NHS ... budget has ... been favoured at the expense of others".

It added:

"Whilst this meets the election pledge of passing on the UK Health Barnett consequential, it is less clear how it helps secure faster economic growth".

Perhaps most damagingly of all for the Scottish Government, the Finance Committee's own budget adviser said:

"Given the relative changes in other budgets, it is difficult to avoid the conclusion that maintaining current spending on health is currently the main priority of the Scottish Government."

The committee was encouraged to investigate the claims as to whether or not this was a budget for the economy. When we look at what is happening to colleges, for example, at a time of high youth unemployment, it is difficult to suggest that this is a budget for the economy. When we look at what is happening to housing, with the construction sector on its knees, it is difficult to say that this is a budget for the economy. When we look at the new taxes—the retail levy or the empty property tax—it is difficult to see how those support the economy. When the Government increases the amount that it expects to take in business rates by more than £200 million a year, year on year, it is almost impossible to say that this is a budget for the economy.

16:35

**Rhoda Grant (Highlands and Islands) (Lab):**

This has been an interesting debate but the question remains: is this a budget for jobs and



growth? The result of the debate is very clear: we are unable to tell whether that is the case, because the Government has not looked at an analysis that would provide us with that information.

Many people talked about how the budget is presented. It seems that, year after year, we talk about the need for level 4 figures and for us to be able to see the budget's outcomes, not just the inputs. We talk about that, but we are no further forward. We need an analysis that tells us whether the budget is doing what it is supposed to be doing. The only evidence is what we read in the newspapers and see in our communities: poor economic growth and a falling number of jobs. Therefore, we can say only that it does not look like a budget for jobs and growth.

Others have talked about how we measure things. Should we be looking at more than GDP to identify growth—should we be looking at the wellbeing index, for example? It is very difficult even to look at the Government's own measures for this budget's outcomes. I hope that the Government will take that issue away and reconsider it, so that we can measure things.

We in the Labour Party are clear that the priorities need to be expenditure on housing and colleges. Expenditure on housing needs to be a priority because that would not only provide homes and jobs but tackle fuel poverty and our carbon emissions. Expenditure on colleges needs to be a priority because colleges provide education and the skills that we will need to do those very things in housing.

Many speakers—Elaine Murray in particular—talked about housing and its preventative spend role. The SFHA has also talked about that—it mentioned fewer people being hospitalised in its submission on the draft budget. We also know that good housing enhances educational outcomes and attainment; indeed, it has an effect on crime and employment. If we are looking at preventative spend, we should acknowledge that housing is one of the main tenets in that regard.

**Jamie Hepburn:** Will Rhoda Grant welcome the fact—which other members of her party do not seem to welcome—that 2,050 more affordable houses were completed last year than were completed in the final year of her party's Government?

**Rhoda Grant:** I welcome any house that is completed. The problem is the Government's policy. Malcolm Chisholm made the point eloquently when he said that the SNP started its term in government with a manifesto promise that it was going to build 6,000 social rented houses per annum. However, those have become "affordable houses", the definition of which

changes daily. Malcolm Chisholm clearly said that despite additional funding being levered in—the £50 million that was announced yesterday—the target has not changed. We are seeing inputs but we are not seeing outcomes. If this Government was really looking at outcomes, surely more funding for affordable housing would mean that the target would grow. However, the target is static—indeed, it has fallen, in real terms, because we will not see the 6,000 social rented houses that were promised in the Government's manifesto.

No matter what the Government puts in, we are not getting anything out, which is hugely disappointing, given housing spend's role in providing not only good housing but jobs and apprenticeships.

Elaine Murray and others touched on the housing association grant, which is an issue of real concern especially—if I can be parochial—in my Highlands and Islands area. HAG falls because people cannot build in rural areas through lack of economies of scale. Elaine Murray mentioned Aberdeenshire housing associations, which are planning only 1.4 per cent of their normal housing build. That will have a devastating impact on those communities and we need to do something now about the situation. Obviously we welcome any efficiencies that can be made but I have to say that if people are looking only at numbers rather than at providing houses where they are needed, performance will be very poor indeed.

The housing budget can also be used for retrofitting, which ensures that not only the houses that we build but those that have already been built can be decarbonised. The Economy, Energy and Tourism Committee has discussed the huge issue of fuel poverty, and I was disappointed that the SNP majority on the committee voted down a recommendation that the Government spend no less than £100 million on the matter. I hope that the Government will consider using some housing funds for retrofitting not only to lift people out of fuel poverty but to do something about our climate change targets, which were mentioned by Rob Gibson and Patrick Harvie, who, in his minute, made a very passionate plea for the RPP to be published. The fact is that all those retrofitting projects would have an impact on climate change targets.

I am very aware that my time is running out, but I want to touch on the revenue to capital issue, which certainly came up at the Economy, Energy and Tourism Committee. Many witnesses questioned whether the move was indeed adding to the number of jobs. The fact is that we have lost 51,700 public sector jobs and 41,300 direct or indirect construction jobs; the revenue that has been moved to capital expenditure is going

somewhere other than Scottish construction. There is real concern about leakage and things moving abroad, with all the impact that that has on our communities.

I very much hope that the Government will take those points into account and use the powers that it already has to provide economic growth and jobs in Scotland.

16:42

**John Swinney:** Mr Kelly reminded Parliament that, somewhere along the line, a distinguished parliamentary tradition was created of making the draft budget the last topic of debate before Parliament rises for the Christmas recess. Certainly when I became the finance minister it was a source of great joy to me that this was how I would spend my last afternoon in Parliament before retreating to my constituency for the summer recess—[*Interruption.*] I mean the Christmas recess.

Of course, the debate used to be populated by other great beasts who sat on the Labour benches for four years. David Whitton and Andy Kerr would open and conclude for the Labour Party and would, on various occasions, refer to me as Santa, Scrooge, Ebenezer and so on. I see that Mr Macintosh has decided to go down the same route. I simply remind him of what happened to Mr Kerr and Mr Whitton, who are no longer with us. He might join the two ugly sisters at some stage, if he continues to make the same tiresome contribution to these debates.

Of course, we have also heard very different contributions to the debate. My friends and colleagues Chic Brodie, Jean Urquhart and Kenneth Gibson set an important tone with thoughtful speeches about how the Finance Committee has tried to help Parliament by undertaking genuine parliamentary scrutiny and dispassionate analysis of whether or not the Government is making progress in fulfilling its commitments to the people, and whether the financial propositions for which I am responsible are supporting the Government in its wider agenda.

At the other end of the spectrum, the award for the most miserable contribution to the debate must, without a doubt, have to go to James Kelly, who gave us six minutes of undiluted miserabilism about the budget. He talked about the lack of focus on outcomes in the Finance Committee's report, but at no stage did he mention the national performance framework that is available 24 hours a day, seven days a week, 365 days a year for members to assess whether the Government is making progress on achieving outcomes.

James Kelly also did not manage to mention the carbon assessment that the Government publishes with the budget, or the analysis of carbon reduction. He managed to mention the Audit Scotland report that was very critical of health inequalities, but he managed not to mention the 40 per cent decline in deaths from heart disease and strokes in our country. That is not just this Government's responsibility; our predecessors also contributed significantly to that. Where was the balanced contribution from Mr Kelly for which Jean Urquhart and Chic Brodie appealed? If anyone wishes to do some Christmas reading on how to deliver a miserable speech to Parliament, I suggest that they look at Mr Kelly's speech. It will suffice as a guide in every respect.

We have had a pretty substantive discussion about capital issues and the timing of NPD projects. Members are familiar with the fact that the Government gives estimates for its projected plans for some of those projects. Some projects encounter difficulties; for example, it is clear that the Aberdeen western peripheral route project has had great difficulty. With the Edinburgh sick kids hospital, we have had to resolve significant issues to do with land access with the private consortium that runs the Royal infirmary of Edinburgh. Those issues are now happily resolved. I have told members that £900 million of NPD work is currently in procurement and will, of course, be undertaken and deployed.

There has been comment on whether the capital programme has delivered enough work to the construction sector. I would be the first to admit that construction has had a very difficult time over the past few years, but let me share with members a quote from 19 September 2012 from Ken Gillespie, who is the managing director of Morrison Construction. He said:

"Construction feels that we have a stronger market in Scotland than we have elsewhere in the UK ... The Scottish Government identified very early in this recessionary period the benefits of infrastructure investment to the economy. Unlike central government, they got on and did it. We are seeing a pipeline of projects coming to market which will support economic recovery in Scotland ... The Scottish Government's procurement agency, the Scottish Futures Trust, are adopting a far more sophisticated approach to public sector procurement."

I will simply leave those words with members for them to reflect on in the spirit that my colleagues asked for in considering dispassionate evidence from observers.

**Gavin Brown:** How does the cabinet secretary square that comment from one business with the comments that have been made by the Scottish Building Federation—which, of course, represents most of the industry?

**John Swinney:** I am always interested in the comments that lobbying organisations make in

such debates. However, Mr Ken Gillespie of Morrison Construction goes out and creates jobs, and delivers contracts.

There have been substantive contributions from Elaine Murray and Malcolm Chisholm to the debate on housing expenditure. I simply make the point that I have made on numerous occasions; the housing outcomes that we want to achieve cannot be delivered or determined only by whether we provide the same amount of money that has been provided in the past because there are also questions of efficiency and value. Members will, at this time of financial constraint, expect me to try to deliver efficiency and value in the housing programme. I have, of course, put an extra £200 million into the budget in the course of this year, and the Government will look to strengthen housing expenditure where possible.

**Elaine Murray:** Does the cabinet secretary accept the evidence from housing associations that the level of subsidy that they currently receive makes it very difficult for them to be able to borrow, to construct houses and to let them at affordable rents?

**John Swinney:** I do not accept that evidence because, on other occasions when we have heard about pressure on the level of the housing association grant and been told that we cannot deliver the outcomes, we have been able to go on to do that. The Government will, of course, continue to engage in dialogue with housing associations.

**Malcolm Chisholm:** Will the cabinet secretary give way?

**John Swinney:** If Mr Chisholm will forgive me, I have to conclude my remarks. I apologise to him, because I am about to mention him, into the bargain. However, I cannot take an intervention.

Ultimately, it all comes down to choices; I accept that entirely and I have made my choices and set them out in the budget. It is now up to other people to make their choices.

In his speech, Mr Chisholm said that Labour is very focused on housing and college places. He went on to ask for more money for active travel, and Ken Macintosh asked for more money for the Edinburgh to Glasgow rail improvement programme. However, nobody graced this great Christmas debate with an idea of where the money for that would come from.

Mr Brown, to his credit, said that he does not like empty property relief or business rates, and that the health budget is too high. That is an interesting point. The Conservatives are now supporting reductions in health expenditure—

**Gavin Brown:** Oh, come on!

**John Swinney:** I am sorry, but I listened to Mr Brown's speech. He raised concerns about the level of the health budget, and then mentioned empty property relief, business rates and so on. I can only assume that the Conservatives are now the health cutters. We will wait to hear what they say.

**The Deputy Presiding Officer:** You might wish to draw to a close, Mr Swinney.

**John Swinney:** The serious point is that the test for all parties in Parliament is whether they can offer constructive contributions about how money in the budget can be redeployed. Let us hear those suggestions; we have never heard them from the Labour Party or the Conservatives. We look forward to hearing the proposals of the Opposition: we are all ears.

16:51

**John Mason (Glasgow Shettleston) (SNP):** I congratulate you on giving me my full speaking time this year, Presiding Officer. I think that last year I got a bit curtailed by somebody.

In closing this debate on behalf of the committee, I thank the cabinet secretary for his assurances that the committee's report will be responded to in detail. We look forward to that response.

I will address three topics to start with, before dealing with statements that were made in the debate and, finally, winding up with some comments on the report.

The first topic is skills and employment. As the convener said, the committee has undertaken a separate inquiry into improving employability and published its report on that earlier this month—we hope that that will be the subject of the very next debate in the chamber.

Some issues arose that affected both that inquiry and budget scrutiny, and today I will focus on the points that emerged during the draft budget examination. One of the points that were highlighted in the draft budget report was that made by Professor Jeremy Peat during a round-table discussion with the David Hume Institute, when he spoke about making the best use of people and developing people with the right skills.

I want to draw attention to a few points on that theme of human capital. For example, in the session with the David Hume Institute, Professor Donald MacRae of Lloyds Banking Group Scotland said:

"I do not believe that the explanation for our low economic performance is a low level of human skills or human capital."

A similar point was made by Stephen Boyle of the Royal Bank of Scotland, who said:

"Not only is the quality of Scotland's human capital strong—indeed, it is one of our genuine sources of economic potential—but it is particularly strong at the higher education level."

However, he went on to say:

"The human capital challenge emerges not with more highly skilled people but with those who do jobs requiring lower levels of skills and qualifications. If I wanted to worry about something in the human capital sphere in Scotland, it would be that."—[*Official Report, Finance Committee*, 3 October 2012; c 1656.]

The second topic that I want to touch on is picking winners, which has already been commented on by one or two speakers, including Stewart Stevenson. In written evidence to the committee, Professor John Kay said:

"the appropriate industrial strategy for Scotland is that it should be based on the principle that small countries succeed in the world economy by exporting narrow specialisations on a global scale."

He suggests that that means picking winners by identifying and promoting sectors in which Scotland has a genuine competitive advantage and that

"the emphasis should be on sectors that are winners, not on ones that we would like to be winners."

Professor Kay's contribution was thought provoking, but not everybody agreed with it. For example, a contrasting view on the issue of picking winners was discussed at our round-table session with the David Hume Institute. At the beginning of the session, the convener talked about the evidence that the committee had heard on access to capital and mentioned the point that had been made to us about companies reaching a point at which significant capital is required and they may move the business into another model, for example through being acquired. Professor Colin Mason of the Adam Smith business school at the University of Glasgow said:

"The challenge is, therefore, not just to create more high-growth firms but to keep them owned and managed in Scotland. How do we do that? We cannot simply pick winners. We cannot predict in advance where high-growth firms will come from either at the firm level or the sectoral level. A lot of companies that we interviewed said that support at the early stages is critical. We need, therefore, a package of early support that is relevant to potentially high-growth firms. That means things like equity finance, export assistance, and management training."—[*Official Report, Finance Committee*, 3 October 2012; c 1660-1.]

Professor Kay considered that

"the contribution that the whisky industry makes to the Scottish economy is significantly overestimated."

That was quite a controversial point. He was disappointed in the industry's contribution, and argued:

"The growth of the Scottish whisky industry is not that impressive, given the extent of global growth in spirits consumption. There are a lot of questions that we should be asking about the whisky industry and its contribution to Scotland."—[*Official Report, Finance Committee*, 24 October 2012; c 1713.]

More generally in relation to the food and drink industry, Professor Kay stated that he is "not sure" that Scotland's potential to have a premium brand in food and drink is being realised.

Although the session was not part of our draft budget scrutiny, the whisky sector featured in our evidence session with Scottish Enterprise earlier this year, at which the chief executive of Scottish Enterprise said:

"The burgeoning middle class in Brazil offers huge opportunities for Scottish consumer goods; for example, one of the fastest-growing markets for whisky is Brazil."—[*Official Report, Finance Committee*, 9 May 2012; c 1085.]

Given the points that were made in evidence to the committee, we have invited the Scottish Government to respond to the views of Professor Kay regarding its role in the development of skills and capabilities in areas where Scotland has a genuine competitive advantage and how best to realise Scotland's potential to have a premium brand in food and drink.

The third topic that I will address, which has also been mentioned, is non-domestic rates income, which is addressed on pages 23 and 24 of the report. The committee notes the evidence of Scottish Chambers of Commerce and its comments about NDRI. It said that its members

"are acutely aware that they are essentially paying a larger share towards the overall spend in the Scottish budget."

Gavin Brown touched on that latterly, as well. Scottish Chambers of Commerce went on to say:

"We believe that that can go only so far before it becomes unsustainable; it cannot go on for ever. We must look for a more equitable way of allocating finance to ensure that non-domestic rates play a proportionate role."—[*Official Report, Finance Committee*, 26 September 2012; c 1634.]

The other side to that is that the committee is aware that control over taxes is severely limited at the moment and that, if a company makes profits, we are unable to benefit through corporation tax.

The committee notes the concern of the Economy, Energy and Tourism Committee about any potential shortfall in non-domestic rates income and the impact that that could have. The Finance Committee has, therefore, asked the Scottish Government for more regular reports on collection performance.

I will make a few comments on the issues that were raised in the debate. This afternoon, one of the key issues was housing. A number of members have asked where, if more money is to

be put into housing, it is to come from. When I intervened on Ken Macintosh, he did not give me an answer to that.

Elaine Murray talked about the £40,000 level of HAG and whether that was sustainable. However, she forgot to mention that there have been free reserves in housing associations. Although those cannot be continued year after year, a number of housing associations—for example, Parkhead Housing Association in my constituency—have used their free reserves to continue their development programme. Nevertheless, everybody accepts that that cannot go on for ever.

**Elaine Murray:** Is it not the very point that the housing associations have now used up their reserves and do not have the capability to draw on that money any longer?

**John Mason:** There is evidence that some housing associations may have used up their reserves and that some—those that were formed by stock transfer—never had any. However, others still have reserves. I am sure that we will get a response on that from the Government in due course.

Willie Rennie and others mentioned preventative spending, in which context £1 of spending can maybe save £5 here, £7 there or £9 somewhere else. We are now not choosing between preventative spending and other spending; we are having to choose between different forms of preventative spending and deciding where the money is to come from. The problem is in choosing where to disinvest.

I move on to a few comments on the report. The report strikes a good balance; it neither is unduly critical of the Government nor blindly praises the Government for all that it does. The final sentence of paragraph 226 makes that clear. The report did not need any amendment—as Malcolm Chisholm said, it was an excellent report. However, a critical amendment to the report was proposed at the committee and I felt duty bound to propose a balancing one that praised the Government. The reality was that neither amendment was necessary, and I think that it was good that both were defeated. I think that Jean Urquhart got it right by voting against both amendments.

It is important that the Parliament's committees system works well. There is a danger that MSPs in the party of Government blindly support the Government, and Opposition MSPs blindly oppose the Government. Each of us faces the individual challenge of balancing our duties to party and to Parliament as a whole, and I believe that the Finance Committee has had some success in doing that.

In conclusion, the committee has raised a number of crucial issues, to which we hope the

Scottish Government will respond. The committee will seek to continue its scrutiny of those issues through its draft budget examination next year and through other aspects of our work programme, such as the work on improving employability, our inquiry into demographic change and the ageing population and our scrutiny of the tax powers under the Scotland Act 2012. Those powers have the potential to put much more teeth into future budgets.

I support the motion in the name of the convener.

## Decision Time

17:01

**The Presiding Officer (Tricia Marwick):** There is one question to be put as a result of today's business. The question is, that motion S4M-05203, in the name of Kenneth Gibson, on the Finance Committee's report on the draft budget 2013-14, be agreed to.

*Motion agreed to,*

That the Parliament notes the Finance Committee's 9th Report, 2012 (Session 4), *Report on Draft Budget 2013-14* (SP Paper 231) and its recommendations to the Scottish Government.

**The Presiding Officer:** I take this opportunity to wish you all a happy Christmas and a good new year. I hope that you can enjoy some time with your friends and family.

*Meeting closed at 17:01.*

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice to SPICe.

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