



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

DEVOLUTION (FURTHER POWERS) COMMITTEE

Thursday 3 March 2016

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**DEVOLUTION (FURTHER POWERS) COMMITTEE
10th Meeting 2016, Session 4**

CONVENER

*Bruce Crawford (Stirling) (SNP)

DEPUTY CONVENER

*Duncan McNeil (Greenock and Inverclyde) (Lab)

COMMITTEE MEMBERS

*Malcolm Chisholm (Edinburgh Northern and Leith) (Lab)

*Linda Fabiani (East Kilbride) (SNP)

*Rob Gibson (Caithness, Sutherland and Ross) (SNP)

*Alex Johnstone (North East Scotland) (Con)

*Alison Johnstone (Lothian) (Green)

*Stewart Maxwell (West Scotland) (SNP)

*Mark McDonald (Aberdeen Donside) (SNP)

*Stuart McMillan (West Scotland) (SNP)

*Tavish Scott (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Rt Hon Greg Hands MP (Chief Secretary to the Treasury)

Rt Hon David Mundell MP (Secretary of State for Scotland)

Francesca Osowska (Scotland Office)

John Swinney (Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy)

CLERK TO THE COMMITTEE

Stephen Imrie

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Devolution (Further Powers) Committee

Thursday 3 March 2016

[The Convener opened the meeting at 09:00]

Scotland Bill (Fiscal Framework)

The Convener (Bruce Crawford): Good morning, colleagues, and welcome to the 10th meeting in 2016 of the Devolution (Further Powers) Committee. I remind everybody to switch off their mobile phones.

Mark McDonald will join us during the morning. He is currently at the Finance Committee, where, I understand, the Chief Secretary to the Treasury is giving evidence.

I welcome our panel: John Swinney, the Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy, is supported by Sean Neill, who is acting deputy director of finance, and Gerald Byrne, who is the Scotland Bill team leader.

Deputy First Minister, I am sure that you will appreciate that we are tight for time this morning. I ask everyone to keep their questions and answers as brief as they can.

The Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy (John Swinney): I appeared before the committee shortly before we were able to conclude the negotiations on the fiscal framework, so we have covered some of the ground already. However, I am happy to cover it again today. Obviously, in light of the agreement on the fiscal framework last Tuesday, the Government has been able to submit to Parliament a revised legislative consent memorandum, in which the Government makes it clear that we are able to make a formal recommendation to Parliament that it consents to the Scotland Bill completing its parliamentary stages. In the period that lies ahead, we will submit a motion to Parliament that enables it to consider that question, once the committee has completed its scrutiny.

I am happy to answer questions from the committee on issues relating to the Scotland Bill and the fiscal framework.

The Convener: Thank you for coming before us this morning. The last time that you appeared before us it was a rather fast-moving day, which had quite a remarkable end. During the process, you have been pretty consistent in stressing the

importance of Parliament being able to scrutinise the fiscal framework. You have previously stated in writing to the committee that it is your

“intention to publish the key documents on the fiscal framework to support that scrutiny process.”

It would be useful to hear what you envisage those key documents to be and whether you still intend to publish them. Are there any factors outside your control—outside pressures—that would prevent you from publishing the documents?

John Swinney: Obviously, the key document is the agreement, which is now before Parliament and able to be scrutinised by members. We are working with the Treasury on the technical information that would support that, but I point the committee towards the agreement as the document that encapsulates the ground that we covered in the negotiations and the conclusions that we arrived at. A range of documents have been part of that process and I would like to be in a position to publish as many of those as I can, although, in the case of some documents, I will need to liaise with the Treasury about whether it is content for those to be published. I am actively exploring and discussing with the Treasury what documents we can publish to further enhance the scrutiny that the committee is able to undertake in this process.

The Convener: Do you have any feeling at this stage of the timescale in which these documents will become available?

John Swinney: That has to be done timeously. I am aware of the timescales under which the committee is operating, so if the committee wishes to consider any of these documents as part of the scrutiny process, that information will have to be available very swiftly. I am working very much within that context to try to publish material as soon as is practicable.

The Convener: Underpinning the heads of agreement is the technical agreement, which will be much more complex and, no doubt, full of algebraic formulae of some sort. Nevertheless, it will be important that that stuff becomes available, particularly in order that the committees of the Parliament and outside commentators understand the detail. Do you have a feel for when that might be published?

John Swinney: Again, I would like to see that done as soon as possible. I caution the committee about the sense that any new ground will be covered in the technical documents. There certainly will be more detail in the technical documents, but the substance of the agreement is encapsulated in the document that was published last Thursday evening by the Scottish Government and the UK Government. It captures the details of the agreement that we have put in place.

The Convener: I want to follow through on the general transparency issues. The fiscal framework makes reference to a range of processes and procedures, including such things as the independent review process, audit reports, the methodology of VAT assignment, the revised memorandum of understanding and the memorandum of understanding between the Scottish Fiscal Commission and the Office for Budget Responsibility, and obviously there are operational governance issues behind that. They will be on-going processes. What discussions have the Scottish Government and the Treasury had about ensuring that the appropriate committees in the Parliament are kept up to speed with this process as it unfolds?

John Swinney: All the documents to which you refer are material to the transparency and scrutiny process, so they have to be in the public domain. I have tried to be open on the fiscal framework process, but as I have conceded to the committee the process has not been perfect and I have not been able to be as open with the committee as I would have liked. It will be easier to make those documents available to committees as part of the on-going scrutiny process of the fiscal arrangements that will have to underpin the implementation of the Scotland Bill.

The Convener: Stewart Maxwell would be the natural person to go to at this stage, unless anyone has a supplementary question.

Duncan McNeil (Greenock and Inverclyde) (Lab): I have a supplementary on the information that could and should be made available. The committee was very considerate in its initial response, as we understood that during the process of negotiation it was difficult to give a running commentary. However, everybody would agree that we are now at a different stage.

We have had warm words from David Mundell and the Scottish Government about wanting to provide full disclosure. It is not just the committee that wants that. We know from the evidence that we have had in the past couple of days that academics and interest groups want to understand the detail, not just the heads of agreement—the principles under which it has been agreed that we will go forward.

Mr Mundell and Mr Hands are here today. Do you have any scheduled plans to meet them?

John Swinney: I have no plans to meet them today.

Duncan McNeil: They are here. You suggested that there may be obstacles and that there may not be agreement to disclose the key documents. We will put this question to them as well. Can we get you all together while you are in this building and ask you to deliver the key documentation that

has been hinted at and promised? You certainly have a will to provide that information. Can we clear this up today and provide that to the committees of this Parliament?

John Swinney: As I said publicly, I would be happy to set out the key documents that are involved in the process. It is not my business to direct the committee in the questioning that it may undertake, but it is a very legitimate issue to raise with me.

Duncan McNeil: What are the obstacles? Let us clear the way and get it done.

John Swinney: As I said, I have no plans to meet the chief secretary today. We had looked at the possibility of meeting, but because of the parliamentary commitments that I have and that Mr Hands has, in terms of his committee appearances and because of his travel arrangements, I think that it is not physically possible for us to meet today, although that might depend on how long the Parliament's committees run. We were unable to arrange a practical opportunity for us to meet.

I am very happy to publish the key documents and I am trying to secure the necessary agreement to enable me to do so.

Duncan McNeil: I suppose that my finishing remark would be: publish and be damned.

John Swinney: It may well come to that.

Stewart Maxwell (West Scotland) (SNP): Deputy First Minister, I would appreciate it if you could lay out your understanding—or rather the Scottish Government's understanding—of what has been agreed for the first five years leading up to review and for the review process itself and the arrangements, first, if there is an agreement at that point and secondly, if, unfortunately, there is no agreement. What do you expect to happen?

John Swinney: With regard to the delivery of the commitments around the block grant adjustment in the period between now and 2022, the agreement sets out in paragraphs 15 to 19 the exercise for undertaking the block grant adjustment. The key paragraph in that respect is paragraph 17, which makes it clear that the United Kingdom Government's comparability model will be run and will produce an outcome that will be reconciled with the outcome that would have been delivered with per capita indexed deduction, which is the model that I advanced in the negotiations. When we strip out all the text, we find that the outcome that has to be delivered on an annual basis is, fundamentally, per capita indexed deduction. That is secured by the agreement up to 2022.

As for the review, after the 2021 Scottish parliamentary elections, an independent report will

be commissioned jointly by both Governments; in other words, both Governments will have to consent to who will undertake that independent report and how that work will be undertaken. The review will report to both Governments at the same time; both Governments will consider it; and by the end of financial year 2021-22, both Governments will have to agree the steps to take as a consequence of receiving the report of the review that has been undertaken. That requires the agreement of both Governments at that time. The obligation in the agreement that has been reached is that both Governments have got to come to an agreement at that stage, and that is what we will endeavour to do.

Stewart Maxwell: Thank you very much. However, I want to be clear. If the review has to conclude by the end of calendar year 2021, and if the intention is for both Governments to reach an agreement by the end of financial year 2021-22, that gives roughly three months or 12 weeks. If that agreement cannot be reached within those 12 weeks, will the status quo—the no-detriment model that you have just laid out—carry on beyond that 12-week period until such time as both Governments have reached an agreement?

John Swinney: That would be a reasonable conclusion.

Stewart Maxwell: But is that what has actually been agreed by the two Governments?

John Swinney: There has been no prejudging of the agreement process to be undertaken in 2022.

Stewart Maxwell: Again, for clarity, do you think that it is possible for one or other of the Governments in effect to withdraw from the agreement? Will it just carry on automatically or, if no agreement is reached, can the UK Government say, "We've had enough. We're going to go ahead with a new model."

John Swinney: That could not happen.

Stewart Maxwell: That could not happen.

John Swinney: That could not happen, because paragraph 23 of the agreement says:

"The fiscal framework does not include or assume the method for adjusting the block grant beyond the transitional period. The two governments will jointly agree that method as part of the review. The method adopted will deliver results consistent with the Smith Commission's recommendations, including the principles of no detriment, taxpayer fairness and economic responsibility."

Stewart Maxwell: Thank you.

Alex Johnstone (North East Scotland) (Con): A cynical person might say that one of the conveniences of this arrangement is that it kicks the whole issue well into the future—into the long grass, so to speak. Am I right to think that the

relevant figures for both methodologies will be made available to us on an annual basis so that, as the years go by, we can draw comparisons?

09:15

John Swinney: I am absolutely stunned that Mr Johnstone is descending into cynicism. [*Laughter.*]

Once I have recovered from that, the first thing that I will say is that the issue is not being kicked into the long grass. This is the mechanism that will adjust the block grant when—

Alex Johnstone: What I mean is that the decision—

John Swinney: It is important that we do not glide past the next few years. We have a mechanism in place that will deliver the Smith principle of no detriment and ensure that the Scottish budget is not a penny worse off than it would have been had these powers not been devolved. That is a very significant assurance for the people of Scotland, which is in place until 2022.

There are other provisions at section 111 of the fiscal agreement onwards. The concept of further review of fiscal arrangements was recommended by the Smith Commission, and it has been put into practice in the fiscal framework.

The Smith Commission did not recommend that we should be in constant revision mode about this type of agreement. It recommended that we should have agreements in place that are reviewed over a longer period of time. That is why that review mechanism is compatible with the thinking of the Smith Commission report.

Alex Johnstone: Being less cynical, my concern is that, at the end of the three-month period that we just described, we will find ourselves in a similar position to the one that we were in last Tuesday, in which the negotiations go down to the wire.

First, are you confident that understanding will grow and that, when we get to the mechanism described, we will be in a much more informed and proactive environment? Secondly, are you confident that the mechanism that you set out will not create a situation like the one we had last Tuesday, in which discussions go down to the wire?

John Swinney: I must first apologise to Mr Johnstone that I did not answer the final point in his first question, which was about whether the annual information will be available. The answer is yes, there will be an output from the comparability model that will show the information that the model shows, and there will be analysis from the per capita indexed deduction model. The per capita

indexed deduction model will drive our budget and the information will be available for scrutiny on an annual basis. That will, of course, inform the process. We will have a period of data to get us to 2022, which will enable that information to be part of the review.

I certainly cannot rule out discussions going down to the wire. My experience of this type of negotiation is that they tend to go to the wire. The fact that we have a relatively short window between the completion of the independent report at the end of the calendar year 2021, and the necessity for the review to be resolved by March 2022 at the end of the financial year 2021-22, places an obligation on both Governments to come to an agreement. Of course, public expenditure will be driven by those decisions, so it is important that we have assurance in place that enables us to plan and predict public expenditure in the light of that agreement.

Alex Johnstone: Thank you very much.

Tavish Scott (Shetland Islands) (LD): I have two brief supplementaries. The first is on the point that the Deputy First Minister just made to Mr Johnstone about the data that are to be published annually. Does that mean that comparable information on expenditure per capita on devolved services for Scotland and for services in the rest of the UK will be published annually, so that we might understand the detail?

John Swinney: Perhaps it would be better if I write to the committee to confirm that, but I am pretty sure that the statistics from the Treasury's public expenditure statistical analyses already provide that information. The process will certainly identify what would have been generated by the application of the comparability model and what would be generated by indexed per capita deduction.

Tavish Scott: I am sure that clarity on that would be helpful.

To be blunt, I still do not understand what model is being used. I strongly supported the approach that you and your Government took in relation to what I will describe loosely as a Scottish model. When I read paragraph 23 of the agreement, which you have already discussed with Mr Maxwell, it seems to me that the default position is whatever model we now have. I totally accept that there is no financial detriment whatsoever, but the mechanism is quite important. What model is now in place in the agreement?

John Swinney: The relevant paragraph is number 17, which sets out that

"the block grant adjustment for tax should be effected by using the Comparable Model (Scotland's share), whilst achieving the outcome delivered by the Indexed Per Capita (IPC) method for tax and welfare."

Tavish Scott: Is the model an amalgamation of both or am I just being stupid about this?

John Swinney: I think—[*Laughter.*]

Essentially, the Treasury model is being run, but it has to deliver the outcome that is delivered by per capita index deductions. In the interests of being absolutely crystal clear about it, when I came to the committee last Tuesday morning, I said that everything was sorted out apart from the block grant adjustment. During Tuesday, we reached an agreement whereby we were able to secure indexed per capita deduction. That is what enabled the Government to sign the fiscal framework.

Tavish Scott: I understand that. I am grateful for that.

The Convener: It will be interesting to ask Mr Hands what the comparability model is and how the outcome differs from the indexed per capita reduction. It is up to us to ask those questions, obviously.

An independent body will look at all this when we come to the review period. Has any decision been made on how we will appoint the independent advisers?

John Swinney: There has been no discussion of that question, convener. We have concentrated on getting the agreement in place and publishing it timeously so that the committee, the Scottish Parliament and the House of Lords can explore and examine the issues. We will address that question in due course.

The Convener: From the tenor of the agreement, I assume that, whoever the advisers are, they will have to be agreed jointly by ourselves and the United Kingdom Government.

John Swinney: Yes. The provision is that the review has to be put in place with the agreement of both Governments.

The Convener: Before we come to Malcolm Chisholm's questions, I have one more question to finish off this area. You have already said to others that the Scottish Parliament and its committees will see the appropriate documentation as we go through the process. Can we also have an assurance that, when we come to the independent review report, it too will be put before the Scottish Parliament for scrutiny at the appropriate time?

John Swinney: That process will require to be entirely, utterly and totally transparent. To go back to the question that Mr McNeil asked me earlier, it will not be a negotiated process. It will be a process of inquiry and research that should, for the benefit of public information and debate, be entirely transparent.

Duncan McNeil: Have both Governments agreed what will be published and how it will be published?

John Swinney: No. I am proffering my opinion of what should be required.

Duncan McNeil: There is no agreement yet.

John Swinney: There is no agreement yet, but I am making the distinction on the point that Mr McNeil raised earlier, which was a helpful acknowledgement that in a negotiation between two Governments it is difficult to provide a running commentary. It is much more practical and possible to have a more transparent process for a review.

The Convener: I have, just to make sure that we tie the issue down completely, a final question about the document that will be produced as part of the review.

In the interests of allowing the two Governments to work in a private space while coming to an agreement, Parliament and its committees were a bit left behind in terms of the information that they were able to receive. Can you give us the assurance that when the independent report is published it will come to the Parliaments and the parliamentary committees at the same time as the two Governments get it, so that Parliament can have an appropriate overview?

John Swinney: I cannot give a commitment on behalf of the United Kingdom Government, but I can give a commitment on behalf of the Scottish Government that our wish is that that would be the case.

Malcolm Chisholm (Edinburgh Northern and Leith) (Lab): Members are concentrating on the review because, in practice, the principle is done and dusted for the next five years.

The one question that remains for me is about the baseline adjustment. I take it that, for 2017-18, it will be based on the OBR's forecast for tax revenues in Scotland for that year. Is that right?

John Swinney: The baseline position will be a year-zero calculation, and that will be based on 2016-17. That will be the reference point for 2017-18.

Malcolm Chisholm: So, it will be the OBR's prediction for that year.

John Swinney: That is correct, but there will be a reconciliation of tax revenues.

Malcolm Chisholm: Is that for one year only?

John Swinney: Yes.

Malcolm Chisholm: The base year is the other thing that is important for the block grant adjustment. At what point will we know the real tax

outturn for 2016-17? Will the prediction still be used for 2018-19, or will we know the real tax revenues for that year at that point?

John Swinney: By 2018-19, the tax information for 2016-17 will be near to finalisation. It might not be quite there—it might be there in 2019-20—but it will not be far away.

Malcolm Chisholm: At a certain point, however, the real figure will be the baseline.

John Swinney: Yes.

Malcolm Chisholm: That is clear, and the rest is also quite clear.

We will come on to capital borrowing in a moment. The fiscal framework agreement states:

“A Scotland-specific economic shock is triggered when onshore Scottish GDP”—

I presume that it means “gross domestic product growth”—

“is below 1% in absolute terms on a rolling 4 quarter basis”.

Obviously, revenue borrowing is related to that. Does “absolute terms” mean in cash or real terms?

John Swinney: It means in cash terms.

Malcolm Chisholm: Right. The words “rolling 4 quarter basis” could mean at least two different things. What does it mean?

John Swinney: That could be quarter 1 to quarter 4 of any given year, or quarter 3, quarter 4, quarter 1 and quarter 2.

Malcolm Chisholm: Right. They would be successive quarters.

John Swinney: Yes.

Malcolm Chisholm: Thank you. That is fine.

The Convener: Stuart McMillan has questions about capital borrowing.

Stuart McMillan (West Scotland) (SNP): Good morning, Deputy First Minister. What considerations led the two Governments to consider that £3 billion would be a sufficient borrowing cap?

John Swinney: The figure is a product of a negotiation. The Smith commission required of us that whatever agreements and arrangements were put in place would have to operate within the United Kingdom's fiscal framework. That is a product of the fact that Scotland remains part of the United Kingdom in constitutional terms. It is therefore understandable that there should be a requirement that we operate within the UK's fiscal framework.

I had to be mindful of the fact that the UK Government has set out its own UK fiscal

framework, which requires that there will be no borrowing by 2019-20—obviously, we take a different philosophical view on that subject. Therefore, any borrowing facility that we as a Government would want has to be compatible with the wider fiscal framework of the United Kingdom.

I also had to be mindful of the fact that the UK Government would have to reach an agreement that would, in effect, contradict its wider fiscal framework. For that reason, I accepted that we could not have a prudential borrowing regime. I accepted that the Treasury requires to limit our borrowing so that it understands the extent to which we plan to borrow, so we negotiated a cap of £3 billion for the aggregate total of capital borrowing that would be available to Scotland.

Stuart McMillan: That is helpful. It also clarifies the prudential borrowing situation.

When I was reading the framework agreement, I was struck by paragraph 57, on capital borrowing, and paragraphs 73 to 76, on the reserve. They struck me in relation to a couple of cross-border agreements—in particular, the city deals. If, at some point down the line, the UK Government decided that it did not want to put in the level of expenditure that it had previously agreed, would the Scottish Government be compelled to fund that shortfall because of previous agreements between the two Governments and the fiscal framework agreement?

09:30

John Swinney: Is the question about city deals?

Stuart McMillan: Yes.

John Swinney: If the UK Government were to depart from its commitment to contribute to city deals, I would consider that to be a breach of contract.

Stuart McMillan: So, there should be no effect.

John Swinney: Mr McMillan's point about paragraph 57 is relevant in the sense that it makes reference to the fact that the

“capital borrowing limits are in addition to the Scottish Government's capital block grant.”

The limit, as the committee is aware, is £3 billion. That is an implicit part of our financial arrangement with the United Kingdom Government. If it were to change, that would be a substantial departure from the United Kingdom's existing financial arrangements and I would be entirely hostile to that approach.

If the UK Government were to tell us that it had decided not to fund the city deals any more, that would be a breach of contract and would be politically unacceptable.

Stuart McMillan: That is helpful.

Rob Gibson (Caithness, Sutherland and Ross) (SNP): In its submission, the Scottish Association for Mental Health welcomes the agreement and expresses its hope that the welfare powers can be devolved

“according to the proposed timetable.”

The joint exchequer committee was set up on a temporary basis to run the tax powers that were devolved under the Scotland Act 2012, but has fallen into disuse. Are there agreed terms of reference for the JEC's operation and will they be revised to accommodate the fiscal framework agreement? Will you commit to publishing the terms of reference for, and the outcomes of any meetings of, the JEC?

John Swinney: The JEC has not fallen into disrepair or disrepute—I think that is what Mr Gibson said.

Rob Gibson: “Disuse” was the word.

John Swinney: I apologise.

The joint exchequer committee has had 10 meetings on the fiscal framework. Although it might have been in abeyance, it has certainly been very active in the past nine months. Its remit will be published as an annex to the technical document that will support the agreement, which has already been published. The agreement sets out that the joint exchequer committee will consider the financial issues of devolution of welfare powers, and the joint ministerial working group on welfare will oversee the transfer of welfare responsibilities, which will have to be carefully managed, given individuals' dependence on particular benefits.

Rob Gibson: Will a similar role continue for the joint ministerial working group on welfare, beyond the implementation phase?

John Swinney: The joint ministerial working group on welfare will have to supervise the arrangements for devolution of welfare powers. No timetable is specified in the agreement for when that will be undertaken. The Governments will wish to do that as swiftly as possible, but we have to be mindful of the operational issues that will be involved in ensuring that that happens without in any way disrupting or interrupting access to payments and benefits for individuals in Scotland.

Rob Gibson: Will agreed terms of reference be published and reported to Parliament?

John Swinney: I am not sure whether there are published terms of reference. Let me check that point. I am pretty sure that there will be terms of reference for the group. I am not certain whether they are published, but I will endeavour to put them in the public domain, if they are not there yet.

Rob Gibson: Finally, can you confirm that your position is that all the intergovernmental arrangements that are set out in the fiscal framework will be covered in the written agreement between the Scottish Parliament and the Scottish Government that is currently being developed?

John Swinney: My objective is to reach a satisfactory agreement with Parliament on the agreement between the Government and Parliament on intergovernmental activity. I was looking at some papers on that just last night. My objective is to get an agreement that is acceptable to the committee.

Rob Gibson: Thank you for that.

Tavish Scott: Do you accept that the Scottish Fiscal Commission is an essential part of Parliament's ability to scrutinise properly the strategic framework and Government expenditure more generally?

John Swinney: The Scottish Fiscal Commission has, in legislation, a specified role to undertake a range of functions. Those functions will be expanded and given more authority as a consequence of the agreement that has been reached, particularly in relation to forecasting of tax, of non-domestic rates and of GDP in Scotland.

Tavish Scott's question included a broader question about scrutinising public finances. That is an issue that I have been pressed on by the Finance Committee, but I do not believe that it is part of the Fiscal Commission's role to undertake that activity; I believe that it is undertaken by Parliament and Audit Scotland.

Tavish Scott: That is why I asked the question. I wondered whether you accept that Parliament, through the Finance Committee and other parliamentary committees, is a stronger institution if it has effective independent analysis of—in this case—the public finances. That case is proved by Audit Scotland, through which the Public Audit Committee works really effectively. That happens only because Audit Scotland is independent. Does that apply equally strongly to the Fiscal Commission in relation to the public finances and to your fiscal rules?

John Swinney: Perhaps we are talking at cross-purposes. I do not want the Fiscal Commission to do what Audit Scotland is already constituted to do. Audit Scotland has a duty to examine management of the public finances, so it exercises its responsibilities in that regard. I do not want to see that being confused with the role of the Fiscal Commission, which is to give us—now official—independent forecasts of the amounts that will be raised by what are called the smaller

taxes and income tax, and forecasts of non-domestic rates and GDP.

Tavish Scott: I could not agree more that there is no benefit whatever to having two public bodies mixed up as regards their roles. However, my understanding is that the Finance Committee's remit is very different from the role of Audit Scotland in that what it is after is the long-term financial sustainability of the public finances. Having been on the Finance Committee for five years, my view is that that is not what Audit Scotland does.

John Swinney: I have had this discussion with the Finance Committee before and I dare say that I will have it again at stage 3 of the Scottish Fiscal Commission Bill, depending on what comes forward. However, I have asked some members of the Finance Committee—I do not think that the committee has a unanimous view on this—what they have in mind in terms of scrutiny of fiscal rules. I am very clear about the fiscal rules within which I operate. I know that some people criticise me for having an underspend, but there would be a queue of people to demand my head if I had an overspend. To me, an underspend is a consequence of not having an overspend—it is a rather symmetric equation. So, fiscal rule number 1 is that we have to live within our means.

Fiscal rule number 2 is that our capital borrowing cannot, under the agreement, be more than £450 million; if we try to borrow more, we will be in breach of our fiscal rules. That is another fiscal rule that is quite easily tested. There is a variety of rules like that. For example, I have an internal rule about the degree to which we will support long-term investment by revenue-finance mechanisms. That is clearly auditable and reported on within the budget document annually.

That is what I have in my mind about fiscal rules. I have asked Finance Committee members whether they have any other rules in mind; I will obviously consider what shape they take. However, the rules are tangible and transparent, and can be scrutinised by Parliament.

Tavish Scott: I have to confess that I remember other people criticising underspends in previous Administrations.

John Swinney: Unfortunately, that is what people are like, Mr Scott. [*Laughter.*]

Tavish Scott: I wish that I had brought the *Official Report* from 2005, but there we are.

Given your earlier remarks about the Fiscal Commission's role and responsibilities in relation to independent forecasting, will it have a greater call on public resources? Does it need to be augmented as a public body with specialist staff such as statisticians and others? Maybe those

things are yet to be resolved, but is the plan to boost the organisation in that respect?

John Swinney: Those issues are yet to be resolved and finalised, but I accept the principle of Mr Scott's question. There will have to be independent capacity within the Scottish Fiscal Commission to undertake what is going to be a very significant role. Essentially, the Fiscal Commission will be responsible for forecasts of GDP that will have a significant effect on the testing of the triggers for resource borrowing in relation to a Scotland-only economic shock—Mr Chisholm questioned me about that—and the forecasting of taxes, on which public expenditure will be dependent.

The Fiscal Commission has been quite resistant to undertaking the role of official forecaster and has raised the fair question, "If we make the forecast, who challenges it?" What is in my mind—and what I am discussing with the Fiscal Commission—is that there will be a professional staff within the commission, which will be appointed by it, and that staff will do the detailed work to formulate the forecast. It will then be challenged by the members of the commission, who are appointed by Parliament. They will scrutinise the professional forecast that comes from individuals who are appointed for that purpose by the Fiscal Commission's agreement.

I told the Finance Committee yesterday that I think it is unlikely that those arrangements can credibly and dependably be in place for the 2017-18 budget, because the process for that will have to be concluded by 20 September this year. It would be a tall order to ask the Fiscal Commission to be equipped to handle those arrangements in such a short timescale. I am sure that Parliament will understand that some form of interim arrangement will have to be put in place for 2017-18. However, I want us to be in a position where that independent capacity is available as soon as possible thereafter to undertake those tasks.

Tavish Scott: I observe that Brian Ashcroft will not go away and that he will still be independently forecasting GDP.

John Swinney: Yes, of course, and that is as it should be, because it will give some wider context to the forecasts of GDP that are produced by the Fiscal Commission.

Tavish Scott: Absolutely.

John Swinney: I add that the agreement envisages significant interaction between the Scottish Fiscal Commission and the OBR. That is important given that we have had quite significant deviations in forecasts about taxation where we have stated what we believe could be raised in Scotland but the OBR has thought that it could be higher. I think that, in the current financial year, we

will see that the Scottish Government's forecasts have been much closer to what is envisaged.

The Convener: Before I bring in Linda Fabiani, Malcolm Chisholm has a question on comparability factors.

Malcolm Chisholm: I just wonder how the comparability factors were decided on. Was there much dispute about them or was it fairly straightforward?

John Swinney: They are a product of the comparison of tax contributions that are generated by Scotland. That is, in essence, what drives those factors.

Malcolm Chisholm: It was quite easy for VAT as well as for the other ones, was it?

John Swinney: The issues around VAT are slightly uncertain given that we are yet to agree the methodology that will underpin all the analysis. However, I felt that it was a reasonable basis on which we could conclude the issues.

09:45

Linda Fabiani (East Kilbride) (SNP): I would like to go back to where we started the conversation. It was clear during the Smith commission that everyone who was involved felt that, in any negotiation, the two Governments should be treated as equal partners. What is your view on how that will apply in the run-up to the negotiations that will come after the agreed period, during the negotiations and beyond them? Generally, how will it apply to any dealings around the entire process?

John Swinney: The Smith commission was clear that a process had to be entered into that would lead to a fiscal agreement being arrived at by both Governments on a mutual and equal basis, and that is exactly what has happened.

The First Minister and I were determined to ensure that the same dynamics exist for the Scottish Parliament and the Scottish Government when it comes to the review in 2022 so that we will have that ability to secure agreement on an equal basis, just as we have been able to exercise that approach, in line with the Smith commission's recommendations, in formulating the fiscal framework.

Linda Fabiani: I feel that that approach should also apply to a couple of issues within the framework, and I would like some reassurance on them. One is the dispute resolution process. There is an element in the process where senior staff, as opposed to ministers, try to sort out the dispute. Does that parity of esteem extend directly from ministers to senior staff who are acting on their behalf?

John Swinney: The aim of the dispute resolution mechanism is to try to get to agreement as quickly as possible. In my experience of intergovernmental disputes, the longer that they go on, the more difficult they are to resolve and the more protracted they become. If disputes can be resolved at official level—if some agreement can be put in place that addresses the dispute—that is advantageous. A focus on ensuring that early intervention is delivered to try to resolve disputes on an agreed basis is implicit in the dispute resolution mechanism.

Linda Fabiani: Would that be done with parity of esteem?

John Swinney: If one of my officials is trying to resolve a dispute with their UK Government counterpart, they will be able to close the dispute down only if they can come to me and say that they have managed to get something they believe is a reasonable level of agreement. If they cannot do that, the dispute will just go up the ladder until it gets to ministers. If it gets to ministers, sometimes it will be easier to resolve and sometimes it will be more difficult. The moral of the story for me is that, the earlier we can resolve these questions, the better.

Linda Fabiani: The other thing that I am interested in is “no detriment 2”, as it has been referred to. That relates to policy spillover effects. Can you give us a rough outline of how you see that kind of discussion taking place?

John Swinney: We aim to address the question of policy spillovers on the basis of evidence. Within the agreement, we tabulate the categories of policy spillovers between direct effects and behavioural effects. We specifically ruled out second-round or indirect effects from the process, which is helpful.

Direct effects will be much more tangible to determine and there will be sufficient data to inform an assessment of behavioural effects. As part of the process, we can draw on information from the OBR and the Scottish Fiscal Commission to try to help us to resolve any outstanding questions in that respect.

Malcolm Chisholm: I am looking at the written evidence. Professor Muscatelli said:

“The main issue will be whether the two governments will always agree what a direct effect is and what a behavioural effect is, or what ‘material’ represents in the context of behavioural effects.”

Are there some issues there that might become contentious?

John Swinney: There could be. The fact that we have ruled out second-round or indirect effects helps this area significantly because it clears away a lot of territory that could be the subject of

speculation over the areas that may result in policy spillovers.

Some direct effects will be tangible. If the Scottish Government expands access to a benefit that is a passport benefit within the United Kingdom and that leads to an disproportionate upsurge in Department for Work and Pensions claims, that will be pretty demonstrable. That is why I cite evidence as part of that process. There will be examples where it will be possible to put together evidence that substantiates a position.

The two Governments entered into the agreement in good faith, and we should be aware of the potential implications of any of our decisions as we take them, and of how they may affect other parts of the United Kingdom.

The Convener: Paragraph 50 of the agreement says:

“Behavioural effects that impact tax revenues can be taken into account where, in exceptional circumstances, they are demonstrated to be material”.

Who would decide what “exceptional circumstances” are?

John Swinney: That would be decided by agreement between the two Governments.

Paragraph 50 can be read only as setting a high bar. It includes the terms “material”, “demonstrable” and “exceptional”. It does not refer to an everyday occurrence; rather, it would be a very rare occasion on which those effects might happen. There would have to be acceptance of the exceptional nature of circumstances that would give rise to such a claim, and that would have to be agreed between both Governments.

The Convener: What if there was no agreement about whether an exceptional circumstance or a material change was in play?

John Swinney: Paragraph 42 says:

“Any decision or transfer relating to a spillover effect must be jointly agreed by both Governments. Without a joint agreement, no transfer or decision will be made.”

The Convener: That is quite clear.

Duncan McNeil: Has any work been done by the two Governments on how we could reduce disputes in and around that high bar? Has a dispute resolution mechanism been developed? Are there terms of understanding about when a situation would be escalated and when it could be resolved at an earlier stage?

John Swinney: The dispute resolution mechanism does not automatically involve the issues being escalated to the Prime Minister and the First Minister as the first port of call. There is a gradation of involvement. The presumption is that we should try to resolve the issues at official level

as quickly as we can in order to avoid them becoming issues of greater significance. The presumption in the agreement is to try to resolve such matters early.

The second issue is about the wording of paragraph 50. It has been worded in such a way as to create that very high bar, so a rudimentary issue would not be dealt with under the mechanism. Part of why I have explained—

Duncan McNeil: From a previous life, I understand the principle of a heads of agreement. That is why I am concentrating on the detail. Has a process been developed to ensure that a dispute is clearly defined and within a certain scale and that, if you fail to agree early in the process, you are taken to the next stage? Has that detail been left out? Is it necessary?

John Swinney: That last point is the key one. There will be no further definition of what “material” means.

Duncan McNeil: Right, so you can declare that yourself, if you wish.

John Swinney: We have to agree what is material. I am satisfied with that approach, because I think that we would find it difficult to agree long-term parameters for what we consider to be material, demonstrable or exceptional. I think that we will know it when we see it, and we will have to make a judgment about what we believe we need to argue for given the development of certain circumstances.

Alison Johnstone (Lothian) (Green): On welfare, Professor Spicker points out in his submission that the framework document states:

“The Governments have agreed that any new benefits or discretionary payments introduced by the Scottish Government must provide additional income for a recipient and not result in an automatic offsetting reduction by the UK government in their entitlement elsewhere in the UK benefits system.”

He believes, as others do, that it is not yet clear how that effect will be achieved, and that the situation is a bit unclear. Can the Deputy First Minister provide some clarity on that?

John Swinney: I think that that paragraph in the agreement gives all the necessary clarity. Essentially, it makes the point—which was crucial in the Smith commission deliberations—that, if the Scottish Government enhances a benefit or creates a new one, the impact of that on an individual cannot be clawed back by any other intervention of the UK system or its interaction. That puts the onus on the United Kingdom Government to ensure that it does not act in a fashion that could contradict the impact of a benefit change that the Scottish Government decides to make.

Alison Johnstone: Professor Spicker is obviously concerned about how this will work in practice. He believes that, as things stand, if the Scottish Government was to introduce a top-up to the state pension, that might reduce entitlement to pension credit and housing benefit. Is work being done to ensure that such systems will be in place when they need to be?

John Swinney: In any exercise of its reserved responsibilities, the UK Government would have to take into account the paragraph in the fiscal framework that takes forward the conclusions in paragraph 55 of the Smith commission report, to ensure that the value for the individual of the change that was delivered by the Scottish Government was protected. We are not at that point yet, but if we get to it, that is what will be required by virtue of the agreement.

Alison Johnstone: On the topping up of reserved benefits, the Child Poverty Action Group asks in its submission whether it is feasible that,

“if the Scottish Government decided to top-up a reserved benefit (such as child benefit or child tax credit) it might ask that this top-up be administered by the UK department ... in return for a reasonable and proportionate administrative charge”.

Has that been considered?

John Swinney: I am sure that that is a possibility to be considered, but no decision has been made and no consideration has been given to that question.

Alison Johnstone: Thank you.

The Convener: The one other area that I would like to have a quick chat about is the Sewel convention issue. In paragraph 32 of the supplementary legislative consent memorandum, there is a suggestion from the Scottish Government that the Sewel convention could be more fully implemented than it has been, but there is no real explanation of what is meant by that. I would like to understand why that was included in the memorandum.

John Swinney: We had hoped that the Scotland Bill would contain a stronger and more comprehensive explanation of what the Sewel convention actually involves—what happens, what is required and what the obligations are—in order to preserve and put into statute the arrangements that have existed as a convention since Lord Sewel gave the commitment in the House of Lords in 1997. Essentially, the bill restates the words that Lord Sewel used at that time. We would have preferred there to be a greater description of what is involved in the process to provide more emphatic protection for the Scottish Parliament’s interests on an on-going basis. The UK Government has chosen not to include that.

10:00

The Convener: I assume that such an approach would also have provided more clarity on which issues are and are not in play in the LCM process.

John Swinney: Essentially, it would have provided a more visible statutory anchoring for the process and therefore created a greater obligation to be mindful of the implications of the Sewel convention.

The Convener: Is there any hint from the UK Government at this stage that it might be prepared to move on that?

John Swinney: My judgment is that the UK Government believes that consideration of the Scotland Bill issues is now complete. I think that that would be a fair summary of its view. I think that you will be seeing the Secretary of State for Scotland later.

The Convener: Yes, and a reply from him came in late last night.

John Swinney: I would be surprised if the UK Government took that approach.

On the wider question, the legislative consent memorandum is worded in such a fashion that it says to the committee and to Parliament that the Scottish Government has not got all that it wanted out of the Scotland Bill. We think that there are a number of other areas where the bill could have been strengthened, and that includes the provisions around the Sewel convention.

However, if we step back and look at the Scotland Bill and the fiscal framework in the round, the Scottish Government has taken the view that the Scotland Bill as it is currently drafted is worthy of legislative consent from Parliament. It has been significantly enhanced since it started its parliamentary journey in the House of Commons some time ago, and we welcome the changes that the United Kingdom Government has made to the bill. They have made it easier for the Scottish Government to recommend legislative consent for the bill.

The Convener: I have one last request for you, Deputy First Minister. There is on-going discussion between the UK Government and the Scottish Government across a range of areas, some of which I mentioned earlier. It would be useful if you could write to us and tell us, in your view, the menu of remaining areas that our successor committee will need to be aware of as part of the continuing process over the coming years.

John Swinney: I am happy to do that, convener. I will give the matter some thought.

Parliament needs to consider how the implementation of the Scotland Bill will be

overseen, but that will be an issue for consideration in the next session of Parliament. There will be significant issues around the implementation of all the provisions that will require extensive parliamentary scrutiny, and those issues will be for Parliament to resolve.

The Convener: Okay. Thank you for coming along and giving evidence today—we are most grateful.

10:03

Meeting suspended.

10:30

On resuming—

The Convener: I welcome our second panel of witnesses: the Rt Hon David Mundell, the Secretary of State for Scotland, and the Rt Hon Greg Hands, the Chief Secretary to the Treasury. The official supporting them is Francesca Osowska, who is the director of the Scotland Office. Have I got that right, Francesca?

Francesca Osowska (Scotland Office): Yes.

The Convener: There are quite a lot of things to get through, so I ask my colleagues to keep questions as tight as they can and witnesses to keep answers as tight as they can.

Does anyone want to make an opening statement?

Rt Hon David Mundell (Secretary of State for Scotland): Thank you for accommodating us this morning, and for accommodating me by using a videolink last week. I am pleased to be here in person today, rather than on a screen on the floor as I was last week. Mr Hands has already given an opening statement as he has spent more than an hour before your colleagues in the Finance Committee, including Mark McDonald, who is getting a double helping this morning.

I will give you a short update on the parliamentary process of the Scotland Bill. On Monday, the bill completed its report stage in the House of Lords. At that stage we were able to make the amendments on the borrowing powers as a result of the fiscal framework agreement. We await the Scottish Parliament's deliberation on and consideration of the legislative consent motion, in which the committee's report will play an important part. I welcome the fact that the Scottish Government recommends that an LCM is agreed.

Subject to the Parliament agreeing the LCM, the bill will proceed to third reading in the House of Lords. At that stage, proposals for some technical amendments would be agreed with the Scottish Government, as well as a proposal to include

powers in relation to irresponsible parking; that matter is being taken forward by the Scottish Parliament. The bill would then need to come back to the House of Commons to confirm the amendments that had been made in the Lords. I would not anticipate any significant challenge to those amendments. The bill would then proceed to royal assent.

In my letter of yesterday, I set out a timetable for the implementation of specific parts of the bill, which was one of the issues that we discussed at our previous meeting.

The Convener: Thank you. I begin with a question to the Chief Secretary to the Treasury. You will be aware that the Deputy First Minister has said, quite clearly, that he wants to publish all the key documents on the discussions that preceded the fiscal framework agreement, prior to the dissolution of the Scottish Parliament, in order to aid the scrutiny undertaken by the committee and the wider Parliament. Do you support the publication of those documents?

Rt Hon Greg Hands MP (Chief Secretary to the Treasury): First, convener, let me thank you for inviting me to the committee this morning. I will not make a statement, because the secretary of state has already made one. Thank you for the opportunity to come along and answer questions about the fiscal framework.

There is already a lot of documentation out there. There is the framework itself, the technical annex that will follow, and the communiqués from the 10 meetings of the joint exchequer committee. There has been a reasonable amount of documentation to allow one to see the progress and the issues that have been debated. However, first, the two Governments agreed not to have a constant running commentary on the negotiations, and secondly, to be consistent with previous negotiations, it is important for the two Governments to be able to negotiate in a space where they have confidence that the papers or matters under discussion will not be released.

Given that the negotiation on the fiscal framework was not the first and certainly will not be the last negotiation between the two Governments, I think that it is important that the papers remain confidential. There has been a lot of commentary, and I am very happy to talk about things such as the different models that have been proposed, but I think that, in the long run, it would be unhelpful to release the papers.

The Convener: All the way through the process, the committee understood the need for space to be made available to the two Governments to discuss these matters. We understood that there should not be a running

commentary; in fact, I think that we were pretty patient.

However, there is now an agreement in place. You have laid out some of the broad areas of documentation, but the committee has never had the opportunity to see the detail of the process that allowed the final outcome to be arrived at. Would you object to that level of detail being published? We would certainly like it to be published.

Greg Hands: I think that that would be very unhelpful for the integrity of intergovernmental negotiations in this area. The committee should not forget that the UK Government holds negotiations with other devolved Administrations.

The most important thing now is to start talking about how the powers will be deployed, rather than how we got to the agreement. The agreement is in place, and both Governments are happy with it. Both Governments have said that it is a major step forward and both Governments feel that it can be defended and justified to their Parliaments, because it is fair on taxpayers in Scotland and fair on taxpayers in the rest of the UK. Now is the time for us all to move forward and debate how the powers should be used.

The Convener: Yes, but we are not talking only about an agreement between two Governments; we are also talking about the Scottish Parliament being able to clearly understand what has been agreed. It is our responsibility to make a recommendation on whether a legislative consent motion should be agreed to by the Scottish Parliament. The committee has still to decide that; we will do that in the course of the next week or two.

In those circumstances, it would aid us significantly to be able to see the key documents before the committee has to sign off its report. In that light, would you object to the key documents being published?

Greg Hands: I will stick to my position, Mr Crawford. If you are asking whether it is necessary to have more information to understand what has been agreed, I think that that is essential, but all the information that is necessary is in the fiscal framework. I do not think that one needs to see the papers that have flown around between the two Governments to understand what has been agreed and what is in front of us. Ultimately, what has been agreed is in the agreement.

Tavish Scott: I have a slight problem with that line of argument. An agreement has been reached, but we will be back in the same position in five years' time, so the information that the convener is rightly asking to be published so that we can scrutinise what has been agreed will be needed in five years' time anyway. The Deputy First Minister said earlier—you might want to

confirm this on behalf of the UK Government—that you are committed to providing detailed evidence, on an annual basis, on how the fiscal framework will work. Does not the fact that everyone will be round the same table discussing the issue again in five years' time support the point that the convener is making about publishing the full information now?

Greg Hands: I will try to deal with the two parts of that. As regards information on the workings of the fiscal framework, you are correct in what you say, as Smith states that an annual report will be provided on that.

As far as the review in five years' time is concerned, I think that we are forgetting two important things, the first of which is that it will be an independent review—that is written into the agreement. There will be an independent report on the workings of the block grant adjustment, which will be followed by a review of the whole fiscal framework.

Secondly, the review will be informed by five years of experience of the fiscal framework. Whereas today we can debate hypotheticals such as different models and how they might perform in the future and how they would have performed in the past, by that point we will be dealing with real-life experience over five years.

That is why I have a lot of confidence in the ability of the independent review to come up with a solution that will suit both Governments. Ultimately, both Governments will have to agree on the precise model that is taken forward from that time.

Tavish Scott: I understand that, but we are interested in what suits Parliaments, not so much Governments, because we are here to scrutinise what you are doing. The convener is asking you to give us information that would help us to do that, and I hear what you say on that.

Since you have mentioned the models, can you clarify something about paragraph 23 of the agreement? I understand that

“It will be open to either government to propose changes to the fiscal framework”,

and the agreement goes on to make other points about that. An hour ago, the Deputy First Minister said that we now have a Treasury-run model that delivers no financial detriment. Is that fair? Does the Treasury-run model that is now in place—as we clearly know, that is what the agreement says—in effect ensure that there is no financial detriment to the Scottish Government or the Scottish Parliament?

Greg Hands: Let me try to answer the different parts of your question.

I return to the original point about documentation. If the committee has questions about how the fiscal framework will work, those questions could be addressed to both Governments without the need to have access to the papers. I cannot really speak on behalf of the Deputy First Minister, but if members have questions for me about the Treasury view on how the fiscal framework works, I would be happy to answer them.

The most important thing is that at all points we have proposed things that are consistent with Smith. I think that it has been incredibly important in the whole process to be correct and aligned with Smith.

The agreed model—the comparability model—works in a very similar way to Barnett. You take the change in the comparable UK tax, multiply it by a population share for Scotland and then multiply it by a comparability factor. The comparability factor takes what is paid by the average person in Scotland in those particular taxes now, so for income tax the percentage is 89 per cent, because the average Scot pays 89 per cent of what the average UK taxpayer pays in income tax. The figure rises up to 189 per cent, for example, for the aggregates levy. All the different comparability factors, rather like Barnett on spending, reflect the amount of tax that is paid by Scots in these areas.

Tavish Scott: You said earlier that you do not want to publish the information because you also negotiate with other areas of the UK. Would it not be fair to say that our Welsh and our Northern Irish colleagues—never mind metropolitan Manchester and others that you are dealing with in England—would be very keen to see the information? In effect, you are in rolling negotiations on lots of aspects of finance and all these formulas are important for all the parts and nations of the United Kingdom, never mind the Treasury and the Scottish Parliament.

Greg Hands: Again, I think that the integrity of intergovernmental negotiations is the most important thing to preserve, and I think that that is in the best interests of both Governments in trying to reach a deal. I will not let you in on any secrets by saying that it has not always been straightforward to get to the fiscal framework agreement. We have had 10 meetings over—I think—about nine months. I would not want to do anything that would make it any more difficult to reach this sort of agreement.

The Convener: I need to tease this out a bit more. There will be papers that have been jointly put together by the Treasury and the Scottish Government—that is inevitable as part of the process that has been going on. If I understood correctly the sense of what the Deputy First

Minister was telling us earlier, he would be content for such papers to be published. He did not say that, but I am sure that that was the intent behind what he said. In those circumstances, if the Scottish Government wanted to publish those joint papers, would you object to them being published?

Greg Hands: You are asking me about a hypothetical situation, on which it would be difficult for me to comment. I think that I have given my view clearly on the merits or demerits of publishing the papers in the negotiations, and I will stick to that.

10:45

The Convener: That concerns me, because we are not talking only about this committee. Over the past months, experts from across Scotland have given evidence and guidance to the committee. Effectively, not only this committee but those who have discussed the issues with the committee will be denied access to the information that will enable us all to decide whether the deal was the appropriate deal for Scotland and, in the longer term, what the appropriate arrangements might be. We start off from a difficult position, in that case.

Duncan McNeil: I apologise for returning to this question, chief secretary, but what you have told us is a complete departure from the narrative that we have had from the Secretary of State for Scotland and the Deputy First Minister of Scotland. As the convener said, we in this committee have been patient with regard to the desire not to have a running commentary about the negotiation. However, the heads of agreement have been signed and, until today, we fully expected that we would have sight of those key documents, as promised.

We are entering a new era, as we move on from devolution and into a situation in which we further share powers. I am sure that the briefing papers that you have seen have indicated how important we believe the shared information to be with regard to the success and stability of the new shared powers. Today, however, it is clear that you are putting an embargo on the information that this Parliament and this committee can have. That is not acceptable. I do not expect you to say right now, "Oh, I have changed my mind", but I expect you to go back and think seriously about what this committee needs in order to evaluate the workings of Government in the context in which we find ourselves, in order to make an appropriate recommendation to this Parliament. Currently, the information that we have is not acceptable. We need to get what we expected to get. If we do not, that is not acceptable by any manner of means.

Greg Hands: I will try to answer your point in three ways. First, any promises that have been made at this committee have not been promises that were made by me. The Scottish Affairs Committee in the House of Commons has made a similar request of me and I have not made such a promise to it, either.

Secondly, I am not aware of documentation in this kind of negotiation having been published before. If you were to tell me that joint papers on the Scottish rate of income tax negotiations have been published, I would be all ears.

Thirdly, and most important, moving on from here, I have stated my willingness, on behalf of the UK Government to give you whatever information you need in order to allow you to understand the workings of the fiscal framework—the agreement that has been signed and agreed. Surely the most important thing is understanding how the fiscal framework will operate in practice. The most important thing that we can move on to now is having the debate about the use of the powers and how those powers will work. I am happy to answer any questions on how the fiscal framework, as agreed between the two Governments, will work.

The Convener: Okay, we are not going to make any progress on that. Stewart Maxwell has another question.

Stewart Maxwell: It is disappointing that that is the position that the Treasury has taken on the publication of information that this Parliament expects and which this committee, and, I am sure, other committees, would find useful, but let us move on from that.

Given the publication of the agreement between the two Governments, we now know what will be in place for the next five years. However, could you take us through the Treasury's understanding of the review process, with particular regard to what would happen if an agreement is reached by the end of the financial year 2021-22 and, perhaps more importantly, if an agreement is not reached at that point?

Greg Hands: There are two parts to the review process, as set out in the agreement that was signed up to by both Governments, which are happy with the process. By the end of 2021, there will be a report on the block grant adjustment mechanism. An independent report will be produced by a person, persons or bodies who will be agreed by both Governments.

I have a lot of confidence in the process of finding the right people or bodies to do that independent report. Early in 2022, the two Governments will work on a review of the whole fiscal framework, which will inform the whole process.

Going beyond that, there is no default option. There is no prejudice in favour of one model or another, or whether other new models may come along. It is no secret that a variety of models has been looked at during the process over the past nine to 10 months, but there is genuinely no prejudice for or against any particular model this far in advance.

What is probably most important, however, is that the review process will be informed by real experience over those five years in a way that would be impossible today. I have seen different numbers flying around, and I have seen different graphs produced by different academics and different outside bodies, but when we get to 2021-22, there will be real experience to draw on and that should make the process much easier.

Stewart Maxwell: Thank you. That is clear, and I do not think that anybody is suggesting anything different. However, when we have had that five years of experience that you have just made great play of, when we have had the independent review and the report and the two Governments have to reach an agreement, should agreement not be reached at that point, I presume that the model that will have been in place for those five years will carry on.

Greg Hands: As I have said, there is no prejudice in favour of or against any particular model. More importantly, I am confident that the two Governments will come to an agreement. We have done it time and again. We did it over the Scottish rate of income tax, and we have just done it over the fiscal framework. I am confident and upbeat that, informed by an independent review and by five years of experience, the two Governments will have the will to make that agreement when that time comes.

Stewart Maxwell: I am sure that we all hope and expect that that will be the case, but I am not sure why you are having difficulty with the question. The Deputy First Minister was clear this morning that, in the Scottish Government's view, the no-detriment model that is in place for the next five years will carry on until such time as an agreement is made.

When I asked the Secretary of State for Scotland last week

"is it your understanding that the no-detriment arrangement will carry on after that period?",

he said:

"I confirm that no mechanism would be imposed at the end of that period without agreement."—[*Official Report, Devolution (Further Powers) Committee, 23 February 2016; c 7.*]

Therefore, if there is no agreement, it must surely be the case that the model that is in place and that

has been agreed for the next five years—the no-detriment model—will carry on until such time as there is an agreement between the two Governments. Is that not the case?

Greg Hands: Let me try to answer both parts of that question. First, the model that has been agreed for the next five years is the comparability model. Before the transitional period, should Scotland's population grow differently to the growth in the rest of the United Kingdom, it will be reconciled to what PCID would have delivered. That is what the status quo is.

Secondly, going into the independent review, there is no default option. There is no prejudice in favour of the continuation of any particular model. I am confident that the Governments will be able to deal with that when they get there, as they will be informed by a lot of experience and an independent review that is entirely the right and proper way to proceed.

Stewart Maxwell: I am sorry, chief secretary, but I do not think that anybody has suggested that a particular model will be in place after the agreement; that model is to be agreed. What I am trying to understand is why you are having a difficulty in answering what I thought was a straightforward question.

If there is no agreement, it cannot be that nothing happens after the end of March 2022. There must be a fiscal framework that underpins the transfer of powers over income tax, welfare and all the other things that have been agreed in the Scotland Bill. Something must be in place. If it is not to carry on with the model that has already been agreed—the comparability model with the no-detriment effect, which equals the per capita indexed deduction model—what will replace it?

Greg Hands: There is an unprejudiced position; there will be no default indexation model. Both Governments are clear on that. Part of the agreement is that we will put the issue to the independent review after we get the independent report; there will be a review process at the time when we get there.

I remain confident. I have a lot of confidence in John Swinney and the UK Government's ability to come to agreement. That is the most important thing.

Stewart Maxwell: I am not questioning your confidence, that of John Swinney or whoever is in post at that time, but surely it must be extremely easy for you to say that, if no agreement were in place by the end of March 2022, then the model that is being used at that point will carry on until such time as both Governments agree? That surely must be the case. There cannot be nothing in place at that point, so if it would not be the model that is in place, what model would it be?

Greg Hands: The model that will be in place over those years is the comparability model, subject to reconciliation with PCID.

Stewart Maxwell: Will that model carry on?

Greg Hands: That model is in place between now and the review—for the transitional period. There is genuinely no prejudice—no preconception—of which model will be used beyond that. That is the purpose of the independent report and the review process that both Government will do in those years.

Stewart Maxwell: I am sorry, convener, but I cannot understand why the Chief Secretary to the Treasury cannot answer an absolutely straightforward question on what would happen in the event of no agreement being reached at that point.

The Convener: Let us see whether Alex Johnstone can get there, then I will come to Mark McDonald.

Alex Johnstone: Stewart Maxwell's position is one that would surely allow whichever side thought itself to be in a position of strength at that point in five years' time to not agree and simply to use the opportunity to default on the negotiations to the position that benefited them. Surely, if there is to be a serious negotiation and settlement, it is essential that we keep the area beyond that time blank and do not commit to any default position as suggested by Stewart Maxwell?

Greg Hands: That is a reasonable view; it is why we have agreed a no-prejudice approach to the model.

Given that both Governments will commission the independent review, by definition, they will be happy with that process. That is what we have agreed now; that will be the process that will be agreed when we set up the independent review.

When the independent review is established in 2021, it will be hard for either Government to go against the centrality and the substance of it. Without in any way trying to speculate on how the independent review might happen, the two Governments might sit around and discuss one or two things. However, on the centrality of the recommendations, given that the independent review will have the confidence of the two Governments and it will be based on real-life experience over five years, it will be extremely difficult for either Government to say that it is going to completely ignore it and instead impose something or carry on in one way or the other. Therefore, I have confidence in the ability of the two Governments. We have done it before; time and again, we have found agreement and moved forward on that basis.

Alex Johnstone: Do you interpret the agreement as meaning that nothing will happen until the review process kicks in or do you believe that a common view might emerge in the intervening five years?

Greg Hands: On whether the fiscal framework could be changed, if both Governments thought that there were serious issues and came to an agreement, then I do not see why there should not be the ability to temper its effects in some way or another.

Mark McDonald (Aberdeen Donside) (SNP): I am keen for this not to feel too much like groundhog day, so I just want to wind back ever so slightly. Greg Hands mentioned at the Finance Committee and here that the Treasury went into the negotiations with a position that met the Smith commission's recommendations, but his model has been adjusted to give effect to that which the Scottish Government wanted. However, he is still telling us that the outcome meets the Smith commission's recommendations. How can those two positions possibly be reconciled?

11:00

Greg Hands: The Smith principles, particularly as laid out in paragraphs 94 and 95 of the agreement, are subject to differing interpretations. In my view, the Smith principles are clear. Nevertheless, the two Governments negotiated and compromises were made. The funding model is essentially a compromise between the two Governments. We think that it fulfils Smith and that we can defend the model and the arrangements—the fiscal framework—that has been signed and agreed.

Mark McDonald: I just want to go back to Alex Johnstone's point, which I find difficult to fathom. As we discussed at the Finance Committee, if no agreement had been reached, the simple fact is that the Scottish Government would be recommending that we do not agree a legislative consent motion. In six years, the powers will have been in place and exercised and people will be in receipt of welfare payments and so on. We cannot have a void at that time.

Stewart Maxwell's questions and my questions in the Finance Committee were not about asking what will happen after the review—we are not looking for that information, because the review will take place. Rather, we are pointing out a perfectly legitimate hypothetical scenario in which the Governments are unable to come to an agreement after the outcome of the review. We need to have assurance that something will be in place post March 2022, during which time negotiations would undoubtedly continue.

The point is that individuals who will be relying on receipt of benefit, other services or payment of taxation underpinned by the fiscal framework will need to be sure that something will be in place beyond 2022. If at that point in 2020 there needs to be on-going negotiations because something must be in place, will the transitional model simply continue until such time as an agreement can be arrived at? That is that we are asking.

Greg Hands: Again, there will be no prejudice on the use of the model going into that independent review process. Both Governments are satisfied with the arrangements that we have signed up to in the fiscal framework—

Mark McDonald: If you will forgive me, you are conflating two different issues. Let us park the issue of what the review comes up with. I appreciate that there will be no prejudice on which model will be used; that is for the review to determine. The point is that, if there is disagreement on what the review comes up with that cannot be resolved in time for the end of March 2022, there must be some kind of a bridging mechanism to ensure that the fiscal framework can continue and the powers can continue to be exercised until such time as whatever the review's outcome is results in an agreement between the Governments. I am not asking you to prejudice the review, its outcome, or anything like that; I am simply asking you to confirm to us that, in that instance, something would be in place and to confirm whether that something would be the continuation of the transitional model, which the Deputy First Minister has said is his interpretation of what would happen.

Greg Hands: It is clear that there will be no default model; there will be no prejudice going into the review process. The process—the independent report, followed by the review—is also clear. It is written into the agreement signed by our Governments—

Mark McDonald: I am not asking about the independent review.

The Convener: Mark, let the chief secretary answer.

Mark McDonald: But I am not asking about the independent review.

Greg Hands: The independent review is a crucial part of the process.

The Convener: We will move on from that area, because we have got as far as we can on it.

I have a couple of questions on the detail of the independent adviser process. From what we have heard so far, we are assuming that, whoever the independent advisers are and whatever the body is and how it is made up, that will be agreed jointly

between the Treasury and the Scottish Government. Is that correct?

I asked the Deputy First Minister about the independent report and the Parliament here having the chance to examine it in detail and scrutinise it at the appropriate time. As it is published and both Governments get a copy, will you assure us that the Parliament will get a copy at that time, too?

Greg Hands: I am sorry, but could you repeat that?

The Convener: When the independent report is produced, it will go to both Governments. Will this Parliament be provided with a copy of the report at the same time so that it can scrutinise it properly? I know that that is looking a bit further forward, but it is quite important to us.

Greg Hands: Gosh! It is slightly difficult for me to predict. Obviously, the two Governments in the future would have to agree on the basis of the independent review and report, and I do not want to prejudice in any way the procedure that future Governments might use for that report. Can I think about that and write to you about it?

The Convener: Yes. If it is going to be published in those circumstances, it would be helpful if you would take that into account when you write to us.

Malcolm Chisholm: As someone who congratulated the Scottish Government at First Minister's question time last week on its part in the agreement, I thank the UK Government for being willing to move from some of its original positions and for being party to a document that is, in many ways, very impressive.

I want to home in on an area that might benefit from more clarity and less ambiguity, which is the spillover effects. Professor Muscatelli said:

"The main issue will be whether the two governments will always agree what a direct effect is and what a behavioural effect is, or what 'material' represents in the context of behavioural effects."

David Phillips, who, as you know, is from the Institute for Fiscal Studies, along with the two Davids—Bell and Eiser—who are professors at Stirling, say in their submission:

"The Agreement provides no indication as to what level of financial spillover effect might be considered 'material', so this will be entirely a matter for each Government to decide on a case-by-case basis. This could open the door to further dispute".

The issue of spillover effects seems to be the area where there is the most likelihood of disagreement in the next five years. Will you provide more detail about the terms "direct", "behavioural" and "material"? Indeed, there is also reference in the

fiscal framework to “Other ... second-round effects”.

Greg Hands: Let me try to explain the three kinds of effects, which are the direct effects, the behavioural effects and what are called the second-round effects. Second-round effects, which will be entirely discounted, are purely speculative connections between different things that may have no causality between them at all.

The direct effects are pretty clear. They happen where, for example, one Government changes something that has an impact on the other. For example, in welfare, a change to a devolved benefit in Scotland might have an impact on a reserved benefit or tax that is run by the UK Government. Such direct effects, which would be predictable and easily quantifiable, will definitely come under the agreement on spillover effects.

The questions really revolve around the behavioural impact. I am clear—and I think that John Swinney is clear, too—that we are talking about something that will generally be pretty exceptional and likely to have been unforeseen. At the end of the day, we want to have an element of flexibility and we want the Scottish Government to be able to set its own tax rates. That is the purpose of income tax devolution. We want to ensure that the behavioural impact does not effectively negate the purpose of doing tax devolution in the first place. If the Scottish Government was to make a decision on tax that would have an impact on the rest of the UK, we would in no way want to prevent that from happening merely because it might have a behavioural impact.

I think that the provision would be used in exceptional cases. It would need to be shown that something had had a material impact, too, and then we would deal with it using an appropriate mechanism, which would have to be agreed by the two Governments. It is a kind of a backstop position that allows the two Governments to look at something that perhaps had not been foreseen and assess its impact. As I said, I see that being used in fairly exceptional cases.

Malcolm Chisholm: Would you like to give an example of where it might be used?

Greg Hands: It must be material and it must have been exceptional and probably unforeseen. It is difficult to speculate on what might be an unforeseen impact because, by definition, it is unforeseen.

Rob Gibson: Good morning, chief secretary. The joint exchequer committee has been very busy, and it will have new powers to take forward matters relating to the fiscal framework. The Scottish Association for Mental Health has said:

“We are pleased that an agreement has been reached, and that the powers agreed through the Scotland Bill can now be devolved according to the proposed timetable.”

SAMH is keen to see how the framework will work in terms of welfare. Are there agreed terms of reference for the operation of the JEC?

The Convener: Will you explain to the chief secretary what SAMH is?

Rob Gibson: As I said, it is the Scottish Association for Mental Health. We have received a submission from SAMH, which is keen that the proposed timetable for the devolution process works out.

David Mundell: I will make an initial remark, because I jointly chair the committee with Alex Neil. It has been agreed that the committee will be the conduit through which decisions on the timing of welfare devolution take place. The committee has terms of reference—if this committee does not already have them, I will share them with you. As Mr Gibson alludes to, there will need to be some enhancement of those terms. I am committed to the transparency of that process and, as I think I said in my remarks last week, both Governments absolutely agree that the prime concern in relation to the welfare changes is the end user. We cannot have a process that in any way prejudices the end user or leaves them between the two Governments. We are absolutely clear about that. From our perspective, there is no impediment on a timescale, but it will be an agreed timescale.

It is worth putting on the record that there has been extensive engagement between officials in the two Governments on the relevant areas. There have been secondments from the UK Government to the Scottish Government. At official level, the process is working extremely well. I welcome Mr Neil's announcement this week. However, we have a long way to go in understanding further detail of what measures might be brought forward and therefore what the transitional measures will require to be.

Rob Gibson: So the terms of reference are available—that is fine. What about the outcomes of any meetings of the JEC? Will they be made available?

David Mundell: At the moment, that is not the case, because it is a ministerial group. I am happy to commit to engage with the third sector in Scotland on that. In fact, we have already done so. Following one of the meetings here in the Scottish Parliament, Mr Neil and I co-chaired, or co-met—however one wants to put it—various representatives of the third sector in Scotland. We would want to ensure that liaison with the third sector in Scotland, and with other representatives and end users, was part of the process.

Rob Gibson: In order to scrutinise what the JEC does, it would be helpful to this Parliament to have an idea of the outcomes of those meetings.

David Mundell: Mr Neil, Ms Cunningham and Mr Swinney, who are the Scottish Government representatives, have been available before committees in the Parliament. I am happy to continue to make myself available to Parliament in relation to the work of the JEC.

Rob Gibson: The agreement notes an on-going role for the JEC in overseeing the fiscal framework. Is a similar on-going role envisaged for the joint ministerial working group on welfare, beyond the implementation phase?

David Mundell: I do not want to pre-empt a decision of the group but, where the powers that are being devolved allow joint working, for example on reserved benefits and the topping up of benefits, there would be value in the continued existence of the group beyond the simple implementation of the powers that will be devolved exclusively to the Scottish Parliament.

I stress that that is my view. I do not know whether the Scottish Government shares it, but there would certainly be benefit in continuing that because the Smith commission agreed that certain parts of welfare would be a shared space for an indefinite period.

11:15

Rob Gibson: Does the UK Government agree that the terms of reference for the joint ministerial working group should be published? Will they be able to be reported to the Parliament once they are published and will the on-going business be reported to the Parliament?

David Mundell: There are terms of reference, as I have said. I am happy to commit to addressing that issue at the next meeting of the group—which will probably be in the next session of the Scottish Parliament, because of the purdah period—so that the revised terms can be published. It is a perfectly legitimate issue.

Rob Gibson: Thank you for that.

Malcolm Chisholm: My understanding is that the baseline adjustment for the first year will be based on the OBR's tax predictions for 2015-16. When will the real tax receipts be published? I presume that the baseline will become the actual tax receipts, but the first year tax adjustment will be based on the OBR's predictions for 2015-16. Is that right?

Greg Hands: It would depend on which tax.

Malcolm Chisholm: I am sorry—I mean income tax.

Greg Hands: Income tax will be done by looking back at the outturn of the year before devolution.

Malcolm Chisholm: Will that be 2015-16?

Greg Hands: According to the agreement, devolution will be effective in April 2017.

Malcolm Chisholm: However, only the figure for 2015-16 will be able to be used to work out the assumptions for 2017-18. Is that correct?

Greg Hands: I will write to the committee on that point. Given the different starting dates for the different taxes, it would be helpful if we were absolutely clear about precisely when the baseline for each tax will be assessed. VAT is also different, because that will be assigned in 2019-20.

Malcolm Chisholm: In general, after the first year, will the block grant adjustment be done on the OBR predictions for the relevant year—the actual year rather than the previous year?

Greg Hands: The right way to answer that question would be to write to the committee.

Stuart McMillan: What considerations led the two Governments to consider that £3 billion would be a sufficient borrowing cap?

Greg Hands: Is that the capital borrowing cap?

Stuart McMillan: Yes.

Greg Hands: The Smith commission report is interesting in that regard. Paragraph 95 of the report was clear that there should be sufficient capital borrowing powers and “sufficient, additional” resource borrowing powers. The use of the word “additional” in relation to resource rather than capital was distinctive and is a clear part of the agreement.

If one were to interpret the report strictly, one would say that it does not say anything about additional capital borrowing powers. However, in our willingness to get an agreement and find something with which both Governments could work, the two Governments agreed to increase the capital borrowing limit from £2.2 billion under the previous arrangements—that is, the Scotland Act 2012—to £3 billion and to increase the amount that could be borrowed in each year from the previous 10 per cent of capital departmental expenditure limit to 15 per cent of the limit. That is a £450 million annual borrowing power as long as the Scottish Government does not exceed the £3 billion limit. It will make a significant difference.

By the way, the Scottish Government already has a generous CDEL settlement over the spending review period. It is up significantly from the previous spending review period. I think that it is 14 per cent higher, so there is a lot of generosity

there. I look forward to seeing the Scottish Government deploying that generosity well in capital projects and infrastructure projects that will make a real difference to the Scottish economy.

The Convener: As a matter of interest, a report last week showed quite clearly that infrastructure spend and public sector spending in that area in Scotland were ahead of that of any other part of the UK per head of population.

Stuart McMillan: Why did the two Governments decide not to opt for a prudential regime for capital borrowing?

Greg Hands: Again, that is a very good question. Smith was clear that a prudential borrowing regime should be considered, although he did not necessarily recommend that a prudential borrowing regime should be adopted. Therefore, we considered and discussed that, but both Governments were content to adopt the arrangements that we have made—that is, an increase in borrowing based on the existing arrangements.

Stuart McMillan: I will put a question to you that is similar to one that I posed to the Deputy First Minister. I refer to paragraphs 57 and 73 to 76 of the fiscal framework agreement, and particularly paragraph 74, on the payments to the capital reserve. Can you confirm that, with the fiscal framework and greater borrowing powers coming to the Parliament, the UK Government will pay its previously agreed contributions to the city deal projects in Scotland and not expect the Scottish Government to contribute more?

Greg Hands: I am sorry, but are you talking about future city deals?

Stuart McMillan: I am talking about current and proposed city deal projects.

Greg Hands: City deals are always bespoke, and it would be difficult to predict exactly how they would be financed. However, as you know, the UK Government is committed to delivering city deals, and it has a very good record on the city deals that have been done for Glasgow and in Aberdeen back in January this year, when the Prime Minister came up. Therefore, one should have confidence in our ability to deliver city deals. They have been a big success.

Stuart McMillan: I am seeking confirmation that the UK Government will not reduce its contribution to the city deal projects and expect the Scottish Government to pick up the shortfall as a result of the new fiscal framework and the powers that the Parliament will have.

Greg Hands: I am not aware of any reason why any funding for city deals should be affected by the fiscal framework. I cannot foresee any reason for that.

The Convener: Let us move on.

Linda Fabiani: I have a couple of questions for the chief secretary. It was very clear during the Smith commission process that all the parties involved felt very strongly that both Governments should be of equal status in any negotiations. I would appreciate your view on that in relation to how the negotiations went to reach the agreement that we now have and how the approach will carry on in the future.

Greg Hands: We have been scrupulous in ensuring equal status in the negotiations. Almost without exception, we have alternated the venues for the meetings between Edinburgh and London, and we have alternated the chairs of the joint exchequer committee meetings. The papers that have been produced have been joint papers or they have been Scottish Government or UK Government papers, and the officials have worked very well together in a good spirit and in a good, collaborative way on the basis of parity of esteem between the two Governments. That has worked well.

I look forward to working with John Swinney on the same basis in the future. I have spent quite a bit of time in Edinburgh over the past year—I think that today's visit is my fifth—and I know that John Swinney is down in London quite a bit. I expect things to continue on that basis.

Linda Fabiani: I want to raise two issues that relate to that. You mentioned the papers and parity of esteem. Mr Swinney was fairly diplomatic in talking about the publication of papers, but I seem to remember that he expressed positivity last week about giving papers to this committee to scrutinise. You have clearly said that you would not like to do that. Could your respective teams discuss that now, as there is parity of esteem in views? Perhaps we can reach a compromise.

Greg Hands: That question is slightly different from the issue of parity of esteem. To release the confidential discussion papers would—or should—require agreement from both Governments. That does not, in my view, reflect in any way a question around the parity of esteem between the two Governments. On intergovernmental negotiation, by definition, both Governments should agree.

Linda Fabiani: On a similar issue, if I remember rightly, the First Minister has made quite clear her view that the default position at review time is the status quo, which means what is happening now, with absolutely no detriment to Scotland. Do you agree that that view and your view—that there is no default position—are equally valid?

Greg Hands: The most important thing is what is in the agreement, and it is up to both sides to justify their statements in their respective Parliaments. In that sense, there is equality. We all

have to justify what we say and abide by what is in the agreement.

Linda Fabiani: I have a quick question for the secretary of state. First, I very much appreciated the attachment that you sent with your letter, which made for interesting reading. I would also appreciate some dates with regard to your explanation in your opening statement about the process in the House of Commons, and I would like confirmation that the Scotland Bill will go through before this Parliament is dissolved, assuming that the LCM is passed here.

David Mundell: As you will appreciate, the one thing that I did not want to do in my opening remarks was pre-empt the report of this committee or the sitting schedule of this Parliament. My understanding from informal sources is that the debate on the LCM might take place around 17 March. If that was the date, I would be hopeful that we would be able to complete the House of Commons stages of the bill the following week.

However, I make it clear that I am not in control of the House of Commons timetable. I will hear from the whips about the timing—Mr Crawford has previously played that role in this Parliament, so he will know that it is not for ministers to set the timetable for Parliament. If that is the timetable on which you are operating and if the Parliament chooses to pass the LCM, I will certainly endeavour to do everything possible to complete the two outstanding stages of the bill prior to the beginning of the purdah period.

Linda Fabiani: Thank you very much.

The Convener: I always found that force of personality can achieve much more than one sometimes expects in these circumstances.

Linda Fabiani: Now there is a challenge.

The Convener: I thank the secretary of state and the chief secretary for coming along and giving evidence. I now close the meeting, as we do not have time for item 2, which we were going to take in private.

Meeting closed at 11:28.

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