



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# FINANCE COMMITTEE

Wednesday 29 January 2014

Session 4

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**FINANCE COMMITTEE**

**3<sup>rd</sup> Meeting 2014, Session 4**

**CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

**DEPUTY CONVENER**

\*John Mason (Glasgow Shettleston) (SNP)

**COMMITTEE MEMBERS**

\*Gavin Brown (Lothian) (Con)

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

\*Jamie Hepburn (Cumbernauld and Kilsyth) (SNP)

\*Michael McMahon (Uddingston and Bellshill) (Lab)

\*Jean Urquhart (Highlands and Islands) (Ind)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

John Swinney (Cabinet Secretary for Finance, Employment and Sustainable Growth)

**CLERK TO THE COMMITTEE**

James Johnston

**LOCATION**

The Robert Burns Room (CR1)



## Scottish Parliament

### Finance Committee

*Wednesday 29 January 2014*

[The Convener *opened the meeting at 09:30*]

### Decision on Taking Business in Private

**The Convener (Kenneth Gibson):** Good morning, and welcome to the third meeting in 2014 of the Scottish Parliament's Finance Committee. I remind everyone present to turn off mobile phones, tablets and any other electronic devices.

Agenda item 1 is to decide whether we will take item 3 in private. Do members agree to do so?

**Members** *indicated agreement.*

## Budget (Scotland) (No 3) Bill: Stage 2

09:30

**The Convener:** Item 2 is consideration of the Budget (Scotland) (No 3) Bill at stage 2. Members have a note by the clerk in their papers.

I warmly welcome to the meeting the Cabinet Secretary for Finance, Employment and Sustainable Growth, who is accompanied by Terry Holmes and Andrew Watson from the Government's finance directorate. I invite the cabinet secretary to make an opening statement.

**The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney):** Thank you, convener. This session will focus on the content of the budget bill as approved in principle by the Scottish Parliament. As members of the committee are aware, there are a number of differences in the presentation of budget information between the draft budget document and the budget bill.

To assist the committee, I will explain the main differences, with reference to table 1.2 on page 3 of the supporting document. Column A sets out by portfolio the 2014-15 budget as shown in table 2.01 of the draft budget document that was published last September. Column J in table 1.2 sets out the draft budget as it is required to be restated for budget bill purposes, and columns B to H provide details of the adjustments, including the necessary statutory adjustments, to meet the requirements of the parliamentary process.

There are three substantive funding changes to the spending plans that were outlined in the draft budget. Those are recorded at column H and detailed in the introductory section of the supporting document. In all cases, the additional funding reflects the deployment of available consequentials flowing from the United Kingdom autumn statement of 5 December 2013.

The budget reflects the deployment of £38.5 million of additional resource departmental expenditure limit in 2014-15 in respect of the business rates package that I announced to Parliament on 11 December 2013.

On 7 January, the First Minister announced to Parliament the deployment of additional funding of £28 million in 2014-15 for free school meals and the extension of childcare for two-year-olds. On 8 January, I announced to Parliament that £3.5 million would be available in 2014-15 for workforce expansion in respect of childcare.

In addition, £20 million has been provided through the budget bill to support our previously

announced commitment to tackle the implications of the bedroom tax in 2014-15. The other adjustments that are set out concern the exclusion of £143.2 million of non-departmental public body non-cash costs that do not require parliamentary approval. They relate mainly to charges for depreciation and impairments, and include bodies in our NDPB community such as the national institutions, Scottish Enterprise and Scottish Natural Heritage.

Judicial salaries and Scottish Water loan repayments to the national loans fund and the Public Works Loan Board, which do not require parliamentary approval, are excluded. The inclusion of police loan charges is to be approved as part of the budget bill. There are technical accounting adjustments to the budget of £132.7 million, which reflect differences in the way in which HM Treasury budgets for those items and how we are required to account for them under international financial reporting standards-based accounting rules. The system of IFRS-based accounting was introduced across central Government from 1 April 2009, and I remind the committee that the conversion to an IFRS basis is spending-power neutral.

The adjustments to portfolio budgets reflect the requirement that a number of direct-funded and external bodies require separate parliamentary approval. Those include National Records of Scotland, the Forestry Commission, teachers' and national health service pensions, the Food Standards Agency, the Scottish Court Service, the Office of the Scottish Charity Regulator and the Scottish Housing Regulator.

There is a restatement of specific grants that are included in the overall 2014-15 local authority settlement and which remain under the control of the appropriate cabinet secretary with policy responsibility. Full details of all grants that are treated in that way are included in the summary table on page 73. I again make it clear that those are essentially technical adjustments, and do not change in any way the budget that has so far been scrutinised by this committee and other committees and approved in principle by Parliament.

I remind members that, for the purposes of the budget bill, only spending that scores as capital in the Scottish Government's or direct-funded bodies' annual accounts is shown as capital. That means that capital grants are shown as operating in the supporting document. The full capital picture is shown in table 1.3 on page 4.

As I made clear to Parliament last week, I remain committed to an open and constructive approach to the 2014-15 budget process, and I continue to seek agreement on a budget that will meet the needs of the people of Scotland. I look

forward to addressing those issues with the committee this morning.

**The Convener:** Thank you, cabinet secretary. I invite questions from committee members and remind everyone that the cabinet secretary's officials are not allowed to speak during stage 2 deliberations.

**Gavin Brown (Lothian) (Con):** I have a few questions on the supporting document to which the cabinet secretary referred. About halfway down the table on page 55, there is a figure of £288 million for the Queensferry crossing in 2014-15. When I looked at the same entry in the draft budget document in September, there was a figure of £241 million. Has it been increased, or is there a technical reason for the difference in those two figures?

**John Swinney:** It is essentially an accounting issue that relates to the expected accounting release of the pre-payment element of the Forth replacement crossing, which was the arrangement that we reached with the United Kingdom Government in 2010, if my memory serves me correctly. That enabled us to bring forward elements of the costs of the Queensferry crossing, on the basis that they would be made good at a later stage to enable more spending capacity at that point.

**Gavin Brown:** Okay. The other issue is that, on page 60 of my copy of the supporting document, the only entry under the "Scottish futures fund" heading is the warm homes fund, whereas the draft budget listed a warm homes fund and a future transport fund under that heading. Can you explain that, cabinet secretary?

**John Swinney:** Regrettably, the future transport fund budget line was omitted when the printed document went to press. When we spotted the omission, we altered the online version of the document. I am sorry that we did not specify that to the committee as we should have done.

**Gavin Brown:** Okay.

**John Swinney:** Just for the record, the future transport fund was £7.7 million in 2013-14 and is shown as £18.7 million in 2014-15.

**Gavin Brown:** Further to that, are the figures for the warm homes fund in the printed document correct, or do they in fact combine the warm homes and future transport funds? Just for the record, what are the correct figures for the warm homes fund?

**John Swinney:** I will go through the detail. The warm homes fund in 2014-15 has an operating expenditure of £5.3 million and capital of £26 million, making a total of £31.3 million. The future transport fund has an operating expenditure of £18.7 million, which is the total for that fund. That

gives a global total of £24 million for operating expenditure and £26 million for capital expenditure, making £50 million in total.

**Jamie Hepburn (Cumbernauld and Kilsyth) (SNP):** Of the changes to the draft budget that the cabinet secretary outlined, one concerns the money that has been allocated for discretionary housing payments and one relates to the money for free school meals. I want to explore those a little further.

The £20 million that has been allocated has been welcomed by this committee, and by the Welfare Reform Committee in its budget scrutiny, but the amount that can be spent on discretionary housing is of course contingent on Department for Work and Pensions funding. The DWP has previously indicated that it is likely to cut the amount that it invests in discretionary housing payments this year but, as far as I am aware, there has been no final announcement. Is the cabinet secretary aware of whether there has been any contact from the DWP?

**John Swinney:** There is nothing that leads me to change my view about the available resources that we have and how that relates to the funding that is available from the Department for Work and Pensions. The one caveat that I would put in is that I have not yet had a read-out of the meeting that the Minister for Housing and Welfare had yesterday with Lord Freud—something may have come out of that that I am not yet aware of. However, the assumption that there is the capacity for us to allocate £20 million through discretionary housing payments, which of course is a product of how much the DWP is putting in, remains the position as set out in the budget.

**Jamie Hepburn:** Presumably you would join others in calling on the DWP not to cut the money that it is investing.

**John Swinney:** It would obviously increase our capacity to act in this area if the DWP increased the amount of money that it is prepared to put into this.

**Jamie Hepburn:** How many are likely to benefit from the free school meals policy and what would be the average cost saving for a family?

**John Swinney:** The average cost saving for a family will be of the order of £300 per annum per child. I do not have the number of individuals affected in front of me, but if I come across it I will write to the committee about it.

**Jamie Hepburn:** Part of the motivation for it is, presumably, that families are obviously under pressure at this time, given the cost of living. Part of the rationale is for the Government to help them out at this time. Do you think that the £300 will be of benefit to them?

**John Swinney:** It certainly contributes to assisting families at a time when they are under significant financial pressure. It also assists in removing some of the stigma that is associated with free school meals.

**Malcolm Chisholm (Edinburgh Northern and Leith) (Lab):** We have had this conversation before. I welcome free school meals, but I have one question about the policy, which has been raised by people in Edinburgh. The problem is that there are some practical difficulties, certainly in one school that is local to me—although I imagine that this must be the case in other schools across Scotland that have small dining rooms—which is struggling at present to provide meals to the limited number of children who have free school meals. Given that, presumably, the number will increase significantly because of the free school meals policy, has the Government had any representation on that issue or given any thought to the problems that might arise for some local authorities?

**John Swinney:** We certainly acknowledge the issue that Mr Chisholm raises. It is an issue that will be discussed by the Government and the Convention of Scottish Local Authorities as we take forward the implementation of the free school meals policy. Clearly we will need to work very closely with local government on taking forward this part of the agenda. We have not had any formal representations from COSLA on that point. On-going discussions are taking place.

**Jean Urquhart (Highlands and Islands) (Ind):** I want to ask about the £20 million that has been allocated to welfare reform mitigation. I know that this issue has been raised a couple of times in the chamber, where you have been challenged to spend £50 million. Your response has always been that there is a clear line in either guidance or legislation that allows for £20 million. How is the £20 million calculated and disbursed? What restricts you from spending the £50 million that, according to the main Opposition party, you are able to spend if you so wish?

09:45

**John Swinney:** Essentially, the sum of £20 million is a product of what I and the Government believe is the only legal route that we have to act in this area of policy. Benefits are a reserved matter. If we act in reserved areas, we must do so with a legal foundation for our ability to spend. That opportunity exists through discretionary housing payments. Essentially, we are entitled to spend a sum of money that is a product of the amount of money that the DWP is prepared to allocate to discretionary housing payments. That formula gets us to a maximum of £20 million. I think that the legal framework is very clear. It is

permissible and acceptable for us to spend to that maximum and the guidance from the DWP supports that.

Clearly, if there is demand beyond that for discretionary housing payments, we have a challenge on our hands, given that there is a legal limit on what we can allocate. I have made it clear to Parliament that I am exploring with the other parties whether there is any other available route beyond that. I am very open to considering what such a route might be. However, Parliament will understand that, for me to be able to authorise spend, there has to be a legal route. That work is still on-going, the discussions are still under way and I remain committed to trying to find any other way of taking the matter forward.

Of course, the spend could be increased if the DWP either put in more money itself, which would inflate the amount of money that we could put in and put us closer to the £50 million total, or removed the cap on how much additional resource we can put in and enabled us to act further. Although I should be very careful in my use of the words that I am about to use to the committee, I suppose that it is less about the money and more about the mechanism.

If Parliament wishes to put more money into discretionary housing payments, I would meet the challenge of finding that money; it would mean taking money from A to give to B. There are always choices that can be made but, crucially, it hinges on the identification of a mechanism that would enable us to do something quite precise, which is to make a regular payment to an individual to meet a particular liability. If we do that, we have to have a means of making that payment legally, because the legal entitlement in statute—in the main—for the payment of regular payments to individuals is the benefits system, which is entirely reserved, with the exception of discretionary housing payments. The best way to sum up the situation is to say that it is less about the money and more about the mechanism.

**Michael McMahon (Uddingston and Bellshill) (Lab):** Is the £20 million that is being made available for DHPs under the current criteria ring fenced? How can we ensure that the DHP funding that you have provided for that specific purpose is put to supporting those who need it most?

**John Swinney:** The money for DHPs is not ring fenced, but we have tried to agree a mechanism for its distribution that reflects the areas of greatest need for the payment of DHPs. We should constantly monitor that process to ensure that the distribution arrangement is correct to ensure, as effectively as we can, that the resources are going to the individuals who require that assistance.

**The Convener:** That concludes the questions from committee members, so we turn to the formal proceedings on the Budget (Scotland) (No 3) Bill.

We have no amendments to deal with, but we are obliged to consider each section and schedule of the bill and the long title and to agree to each formally. We will take the sections in order, with schedules being taken immediately after the section that introduces them, and the long title last. Fortunately, standing orders allow me to put a single question where groups of sections or schedules are to be considered consecutively. Unless members disagree, that is what I propose to do. Do members agree?

**Members indicated agreement.**

*Section 1 agreed to.*

*Schedule 1 agreed to.*

*Section 2 agreed to.*

*Schedule 2 agreed to.*

*Section 3 agreed to.*

*Schedule 3 agreed to.*

*Sections 4 to 11 agreed to.*

*Long title agreed to.*

**The Convener:** That ends stage 2 consideration of the bill. I thank the cabinet secretary for his participation. I will allow a couple of minutes for the cabinet secretary and his officials to leave.

At the start of the meeting, the committee agreed to take the next item in private. I therefore close the public part of the meeting.

09:50

*Meeting continued in private until 09:57.*

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