



The Scottish Parliament
Pàrlamaid na h-Alba

Passage of the
**Budget (Scotland) (No.3)
Bill 2009**

SPPB 127



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Pàrlamaid na h-Alba

Passage of the
Budget (Scotland) (No.3) Bill 2009

SP Bill 20 (Session 3), subsequently 2009 asp 2

SPPB 127

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Foreword

Purpose of the series

The aim of this series is to bring together in a single place all the official Parliamentary documents relating to the passage of the Bill that becomes an Act of the Scottish Parliament (ASP). The list of documents included in any particular volume will depend on the nature of the Bill and the circumstances of its passage, but a typical volume will include:

- every print of the Bill (usually three – “As Introduced”, “As Amended at Stage 2” and “As Passed”);
- the accompanying documents published with the “As Introduced” print of the Bill (and any revised versions published at later Stages);
- every Marshalled List of amendments from Stages 2 and 3;
- every Groupings list from Stages 2 and 3;
- the lead Committee’s “Stage 1 report” (which itself includes reports of other committees involved in the Stage 1 process, relevant committee Minutes and extracts from the Official Report of Stage 1 proceedings);
- the Official Report of the Stage 1 and Stage 3 debates in the Parliament;
- the Official Report of Stage 2 committee consideration;
- the Minutes (or relevant extracts) of relevant Committee meetings and of the Parliament for Stages 1 and 3.

All documents included are re-printed in the original layout and format, but with minor typographical and layout errors corrected.

Where documents in the volume include web-links to external sources or to documents not incorporated in this volume, these links have been checked and are correct at the time of publishing this volume. The Scottish Parliament is not responsible for the content of external Internet sites. The links in this volume will not be monitored after publication, and no guarantee can be given that all links will continue to be effective.

Documents in each volume are arranged in the order in which they relate to the passage of the Bill through its various stages, from introduction to passing. The Act itself is not included on the grounds that it is already generally available and is, in any case, not a Parliamentary publication.

Outline of the legislative process

Bills in the Scottish Parliament follow a three-stage process. The fundamentals of the process are laid down by section 36(1) of the Scotland Act 1998, and amplified by Chapter 9 of the Parliament’s Standing Orders. In outline, the process is as follows:

- Introduction, followed by publication of the Bill and its accompanying documents;
- Stage 1: the Bill is first referred to a relevant committee, which produces a report informed by evidence from interested parties, then the Parliament debates the Bill and decides whether to agree to its general principles;
- Stage 2: the Bill returns to a committee for detailed consideration of amendments;

- Stage 3: the Bill is considered by the Parliament, with consideration of further amendments followed by a debate and a decision on whether to pass the Bill.

After a Bill is passed, three law officers and the Secretary of State have a period of four weeks within which they may challenge the Bill under sections 33 and 35 of the Scotland Act respectively. The Bill may then be submitted for Royal Assent, at which point it becomes an Act.

Standing Orders allow for some variations from the above pattern in some cases. For example, Bills may be referred back to a committee during Stage 3 for further Stage 2 consideration. In addition, the procedures vary for certain categories of Bills, such as Committee Bills or Emergency Bills. For some volumes in the series, relevant proceedings prior to introduction (such as pre-legislative scrutiny of a draft Bill) may be included.

The reader who is unfamiliar with Bill procedures, or with the terminology of legislation more generally, is advised to consult in the first instance the *Guidance on Public Bills* published by the Parliament. That Guidance, and the Standing Orders, are available for sale from Stationery Office bookshops or free of charge on the Parliament's website (www.scottish.parliament.uk).

The series is produced by the Legislation Team within the Parliament's Chamber Office. Comments on this volume or on the series as a whole may be sent to the Legislation Team at the Scottish Parliament, Edinburgh EH99 1SP.

Notes on this volume

The Bill to which this volume relates - the Budget (Scotland) (No. 3) Bill - was the third Budget Bill introduced in the third session of the Parliament.

The Budget (Scotland) (No. 2) Bill fell on 28 January 2009 and the Bill to which this volume relates was introduced on the following day. Although this volume is intended to deal with proceedings on the Budget (Scotland) (No. 3) Bill, those proceedings need to be seen in the context of the Parliament's consideration of the Budget (Scotland) (No. 2) Bill. The No. 3 Bill was identical to the No. 2 Bill, apart from minor changes to reflect the change of name. This volume, therefore, includes material relating to the consideration of the No. 2 Bill.

At its meeting on 4 February 2009, the Parliament agreed to designate the Budget (Scotland) (No. 3) Bill as an Emergency Bill. Emergency Bill procedures are provided for by Rule 9.21 of the Scottish Parliament's Standing Orders.

Under the Emergency Bill procedure, Stages 1, 2 and 3 were considered by the Parliament on the same day. The Parliament agreed to the general principles of the Bill at Stage 1.

The Parliament then moved immediately to Stage 2 which was taken by a Committee of the Whole Parliament. A Marshalled List and groupings were not produced for this Stage as no amendments were lodged. There was, therefore, no 'As Amended' version of the Bill produced.

Stage 3 proceedings were held immediately after Stage 2. A Marshalled List and groupings were not produced for this Stage as no amendments were lodged. There was, therefore, no 'As Passed' version of the Bill produced. The Bill was passed in its 'As Introduced' form.

Although this volume deals only with proceedings on the Bill, those proceedings should be seen in the context of the overall Budget scrutiny process. That process consists of three phases:

- the budget strategy phase, during which subject committees examine and report to the Finance Committee on spending priorities in their policy areas and the Parliament debates the Finance Committee's report on the budget strategy. This phase takes place only once per Parliamentary session (i.e. once every four years);
- the draft budget phase, during which subject committees examine and report to the Finance Committee on the Scottish Government's draft budget and the Parliament debates the Finance Committee's report; and
- the Budget Bill phase.

No budget strategy phase took place in the budget process leading up to the introduction of the Budget (Scotland) (No. 2) Bill. The debate on the Finance Committee's report on the draft budget phase (7th Report, 2008 (Session 3) (SP Paper 179)¹) took place on 17 December 2008².

Once introduced, the Bill itself goes through the same three legislative stages as other Bills, but subject to special procedures under Rule 9.16 of the Parliament's standing orders. In particular, no Explanatory Notes or Policy Memorandum are required³, there is an accelerated timescale, no Stage 1 report is required and only the Scottish Government may lodge amendments to the Bill.

¹ The Report is available at:

<http://archive.scottish.parliament.uk/s3/committees/finance/reports-08/fir08-07-vol1.htm>

See also the Scottish Government's response to the Report, published on 7 January 2009:

http://www.scottish.parliament.uk/S3_FinanceCommittee/Reports/sgResponse09_10.pdf

² For the Official Report and Minute of Proceedings see:

<http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=4835&mode=pdf>

and <http://www.scottish.parliament.uk/parliamentarybusiness/16459.aspx>

³ Although the only accompanying documents formally required under the Parliament's Standing Orders are those reproduced in this volume, the Scottish Government also publishes its own document providing more detail on the Budget Bill. For the supporting document to the Budget (Scotland) (No. 2) Bill see: <http://www.scotland.gov.uk/Publications/2009/01/08095240/0>

Budget (Scotland) (No.2) Bill

[AS INTRODUCED]

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ACCOMPANYING DOCUMENTS
Accompanying Documents are printed separately as SP Bill 18-AD.

Budget (Scotland) (No.2) Bill

[AS INTRODUCED]

An Act of the Scottish Parliament to make provision, for financial year 2009/10, for the use of resources by the Scottish Administration and certain bodies whose expenditure is payable out of the Scottish Consolidated Fund, for authorising the payment of sums out of the Fund and for the maximum amounts of borrowing by certain statutory bodies; to make provision, for financial year 2010/11, for authorising the payment of sums out of the Fund on a temporary basis; and for connected purposes.

PART 1

FINANCIAL YEAR 2009/10

Use of resources

1 The Scottish Administration

- (1) Resources other than accruing resources may, in financial year 2009/10, be used by the Scottish Administration for the purposes specified in column 1 of schedule 1—
 - (a) so far as the use of resources consists of incurring liability in respect of recoverable VAT, without limit as to amount, and
 - (b) in any other case, up to the amounts specified in the corresponding entries in column 2.
- (2) Accruing resources of the types specified in column 3 of schedule 1 may, in financial year 2009/10, be used by the Scottish Administration for the purposes specified in the corresponding entries in column 1 up to the amounts specified in column 4.
- (3) Accruing resources in respect of recoverable VAT may, in financial year 2009/10, be used, without limit as to amount, by the Scottish Administration for any purpose for which resources are authorised to be used by virtue of subsection (1).
- (4) Accruing resources of the types specified in column 1 of each Part of schedule 2 may, in financial year 2009/10, be used by the Scottish Administration for the purposes specified in the corresponding entries in column 2 up to the overall amount specified at the end of that Part.
- (5) Accruing resources authorised to be used by virtue of subsection (3) or (4) may be so used only through the part of the Scottish Administration through which they accrue.

(6) The Parts of schedule 2 set out the types of accruing resources, purposes and overall amounts by reference to the parts of the Scottish Administration through which the resources accrue and may be used.

(7) In this section, references to recoverable VAT are to value added tax in respect of which a claim for a refund may be made by the Scottish Administration under section 41(3) of the Value Added Tax Act 1994 (c.23).

2 Direct-funded bodies

(1) Resources other than accruing resources may, in financial year 2009/10, be used by the direct-funded bodies mentioned in column 1 of schedule 3 for the purposes specified in that column—

(a) so far as the use of resources consists of incurring liability in respect of recoverable VAT, without limit as to amount, and

(b) in any other case, up to the amounts specified in the corresponding entries in column 2.

(2) Accruing resources of the types specified in column 3 of schedule 3 may, in financial year 2009/10, be used by those bodies for the purposes specified in the corresponding entries in column 1 up to the amounts specified in column 4.

(3) Accruing resources in respect of recoverable VAT may, in financial year 2009/10, be used, without limit as to amount, by any direct-funded body mentioned in column 1 of schedule 3 for any purpose for which resources are authorised to be used by that body by virtue of subsection (1).

(4) Accruing resources of the types specified in column 1 of each Part of schedule 4 may, in financial year 2009/10, be used by the direct-funded body to which that Part relates for the purposes specified in the corresponding entries in column 2 up to the overall amount specified at the end of that Part.

(5) In this section, references to recoverable VAT are to value added tax in respect of which a claim for a refund may be made by the direct-funded body concerned under section 41(3) of the Value Added Tax Act 1994 (c.23).

The Scottish Consolidated Fund

3 Overall cash authorisations

For the purposes of section 4(2) of the 2000 Act, the overall cash authorisations for financial year 2009/10 are—

(a) in relation to the Scottish Administration, £28,507,402,000,

(b) in relation to the Forestry Commissioners, £77,400,000,

(c) in relation to the Food Standards Agency, £10,900,000,

(d) in relation to the Scottish Parliamentary Corporate Body, £89,665,000,

(e) in relation to Audit Scotland, £6,577,000.

4 Contingencies: payments out of the Fund

- (1) This section applies where, in financial year 2009/10, it is proposed to pay out of the Scottish Consolidated Fund under section 65(1)(c) of the Scotland Act 1998 (c.46), for or in connection with expenditure of the Scottish Administration or a direct-funded body, a sum which does not fall within the overall cash authorisation specified in section 3 in relation to the Scottish Administration or, as the case may be, that body.
- (2) The sum may be paid out of the Fund only if its payment is authorised by the Scottish Ministers.
- (3) The Scottish Ministers may authorise payment only if they consider that—
- (a) the payment is necessarily required in the public interest to meet urgent expenditure for a purpose falling within section 65(2) of the Scotland Act 1998, and
- (b) it is not reasonably practicable, for reasons of urgency, to amend the overall cash authorisation by an order under section 7 of this Act.
- (4) But the Scottish Ministers must not authorise payment of the sum if it would result in an excess of sums paid out of the Fund over sums paid into the Fund.
- (5) The aggregate amount of the sums which the Scottish Ministers may authorise to be paid out of the Fund under this section must not exceed £50,000,000.
- (6) Where the Scottish Ministers authorise a payment under this section they must, as soon as possible, lay before the Scottish Parliament a report setting out the circumstances of the authorisation and why they considered it to be necessary.

Borrowing by certain statutory bodies

5 Borrowing by certain statutory bodies

In schedule 5, the amounts set out in column 2 are the amounts specified for financial year 2009/10 for the purposes of the enactments listed in the corresponding entries in column 1 (which make provision as to the net borrowing of the bodies mentioned in that column).

PART 2

FINANCIAL YEAR 2010/11

6 Emergency arrangements: overall cash authorisations

- (1) This section applies if, at the beginning of financial year 2010/11, there is no overall cash authorisation for that year for the purposes of section 4(2) of the 2000 Act.
- (2) Until there is in force a Budget Act providing such authorisation, there is to be taken to be an overall cash authorisation for each calendar month of that year in relation to each of—
- (a) the Scottish Administration, and
- (b) the direct-funded bodies,
- of an amount determined in accordance with subsection (3) of this section; and section 4 of the 2000 Act has effect accordingly.
- (3) That amount is whichever is the greater of—

- (a) one-twelfth of the amount specified in section 3 in relation to the Scottish Administration or, as the case may be, the direct-funded body in question, and
 - (b) the amount paid out of the Scottish Consolidated Fund under section 65(1)(c) of the Scotland Act 1998 (c.46) in the corresponding calendar month of financial year 2009/10 for or in connection with expenditure of the Scottish Administration or that body.
- (4) Subsection (2) is subject to any provision made by Budget Act for financial year 2010/11.

PART 3

MISCELLANEOUS AND SUPPLEMENTARY

Budget revisions

7 Amendment of this Act

- (1) The Scottish Ministers may by order made by statutory instrument amend—
 - (a) the amounts specified in section 3,
 - (b) schedules 1 to 5.
- (2) No order may be made under subsection (1) unless a draft of it has been laid before, and approved by resolution of, the Scottish Parliament.

Supplementary

8 Repeal

Part 2 (financial year 2009/10) of the Budget (Scotland) Act 2008 (asp 2) is repealed.

9 Interpretation

- (1) References in this Act to “the 2000 Act” are references to the Public Finance and Accountability (Scotland) Act 2000 (asp 1).
- (2) References in this Act to accruing resources in relation to the Scottish Administration or any direct-funded body are to such resources accruing to the Scottish Administration or, as the case may be, that body in financial year 2009/10.
- (3) References in this Act to the direct-funded bodies are references to the bodies mentioned in section 3(b) to (e) of this Act; and references to a direct-funded body are references to any of those bodies.
- (4) Except where otherwise expressly provided, expressions used in this Act and in the 2000 Act have the same meanings in this Act as they have in that Act.

10 Short title

This Act may be cited as the Budget (Scotland) Act 2009.

SCHEDULE 1
(introduced by section 1)

THE SCOTTISH ADMINISTRATION

<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
<p>1. For use by the Scottish Ministers (through the First Minister's portfolio) on support for the cultural heritage of Scotland, including the Gaelic language; cultural organisations and cultural development; Historic Scotland; central government grants to non-departmental public bodies, local authorities and other bodies and organisations; international relations and development assistance; expenditure on corporate and central services; expenditure in relation to running costs of Her Majesty's Chief Inspector of Prosecution in Scotland</p>	£265,145,000	Sale of land, buildings and equipment	—
<p>2. For use by the Scottish Ministers (through their Finance and Sustainable Growth portfolio) on running and capital costs of the Scottish Public Pensions Agency; expenditure on committees, commissions and other portfolio services; expenditure and grant assistance in relation to public service reform and efficiency; data sharing and standards; support for the running costs of Scottish Futures Trust Limited; support for passenger rail services, rail infrastructure and associated rail services; support for the development and delivery of concessionary travel schemes; funding for major public transport projects; the running costs of Transport Scotland; funding for the Strategic Transport Projects Programme; funding for travel information services; the maintenance and enhancement of the trunk road infrastructure; support for ferry services, loans for vessel construction, grants for pier and other infrastructure and funding for a pilot of road equivalent tariff; support for Highlands and Islands Airports Limited, support for air</p>	£3,394,657,000	Repayment of voted loans (capital) by Scottish Enterprise and Caledonian Maritime Assets Limited; repayment of loans by Independent Piers and Harbours Trusts; repayment of loans by Scottish Water; repayment of public dividend capital; sale of buildings, land and equipment	£32,900,000

	<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
5	services and funding for the Air Discount Scheme; support for the bus industry; support for the Forth Estuary Transport Authority and Tay Road Bridge Joint Board; support for the freight industry; support for British Waterways Scotland; funding to promote sustainable and active travel; contributing to the running costs of Regional Transport Partnerships and of other bodies associated with the transport sector; funding for road safety; costs in relation to funding the office of the Scottish Road Works Commissioner; loans to Scottish Water and Scottish Water Business Stream Holdings Limited; climate change activities; grants in respect of third sector development and the Scottish Investment Fund; planning; architecture; building standards; tourism; grant in aid for Scottish Enterprise and Highlands and Islands Enterprise; Regional Selective Assistance including Innovation and Investment grants; telecommunications infrastructure; European Structural Fund grants to public corporations, non-departmental public bodies, local authorities and other bodies and organisations and EU programme administration costs; energy related activities; central government grants to local authorities; sundry enterprise related activities			
40	3. For use by the Scottish Ministers (through their Health and Wellbeing portfolio) on hospital and community health services; family health services; community care; central government grants to local authorities; social care; welfare food (Healthy Start); the Mental Health Tribunal for Scotland; payments to the Skipton Fund; other health services; sportscotland and the delivery of the 2014 Commonwealth Games; housing subsidies; Scottish Housing	£10,435,534,000	Sale of property, land and equipment; repayment of loans	£300,000,000

	<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
5	Regulator running costs; Energy Assistance Package; repayment of debt and any associated costs; other expenditure, contributions and grants relating to housing; activities relating to homelessness; research and publicity			
10	and other portfolio services; sites for gypsies and travellers; grants to housing associations; grants for the Fairer Scotland Fund and other services;			
15	community engagement; regeneration programmes; grants for Vacant and Derelict Land Fund; programmes promoting social inclusion; expenditure relating to equality issues			
20	4. For use by the Scottish Ministers (through their Education and Lifelong Learning portfolio) on schools; training and development of teachers; educational research, development and promotion; international and other educational services; qualifications assessment and skills; funding of the Additional Support Needs tribunal and HM Inspectors of Education; Disclosure Scotland and Social Work Inspection Agency; childcare, including care for vulnerable children; youth work, including youth justice and associated social work services; central government grants to local authorities; grant in aid for the Scottish Further and Higher Education Funding Council, Skills Development Scotland Limited, Scottish Qualifications Authority, Learning and Teaching Scotland, Scottish Children's Reporter Administration and Scottish Social Services Council; funding for the Student Awards Agency for Scotland and related costs, including the Student Loan Scheme; Enterprise in Education; funding activities associated with young people Not in Education, Employment or Training; research related activities and science related programmes	£2,786,887,000	Sale of surplus land, buildings and equipment; the repayment of student loans	£68,000,000
25				
30				
35				
40				
45				
50				

	<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
5	delivered by the Chief Scientific Adviser for Scotland, including the funding of fellowships (including those funded by the Royal Society of Edinburgh); sundry lifelong learning activities including the provision of Education Maintenance Allowances and funding for International Students			
10				
15	5. For use by the Scottish Ministers (through their Justice portfolio) on legal aid (including the running costs of the Scottish Legal Aid Board); the Scottish Legal Complaints Commission; criminal injuries compensation (including administration); certain services relating to crime including the Parole Board for Scotland; the Scottish Prison Service; the Scottish Prisons Complaints Commission; the Scottish Criminal Cases Review Commission; the Risk Management Authority; the Police Complaints Commissioner for Scotland; the Scottish Police Services Authority and other police services and superannuation of police on secondment; police loan charges; Scottish Resilience; central government grants to local authorities; measures in relation to antisocial behaviour; measures in relation to drug abuse and treatment; miscellaneous services relating to administration of justice; community justice services; court services, including judicial pensions; the Accountant in Bankruptcy; certain legal services; costs and fees in connection with legal proceedings	£1,844,703,000	Sale of police vehicles; sale of prison land, buildings, staff quarters, vehicles, equipment and property	£2,700,000
20				
25				
30				
35				
40				
45	6. For use by the Scottish Ministers (through their Rural Affairs and the Environment portfolio) on market support; support for agriculture in special areas including crofting communities; rural development, agri-environmental and farm woodland measures; compensation to sheep	£545,766,000	Sale of surplus land, buildings and equipment; sale of holdings to existing tenants	£256,000

	<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
5	producers; animal health; agricultural education; advisory, research and development services; botanical and scientific services; assistance to production, marketing and processing;			
10	administration, land management and other agricultural services; assistance to the Scottish fisheries sector; fisheries protection; other services including fisheries research and development and special services; marine management;			
15	natural heritage; environment protection; rural affairs; other environmental expenditure; flood prevention; coastal protection; air quality monitoring; water grants (including the Drinking Water Quality Regulator for Scotland and Water Industry Commission for Scotland)			
20				
25	7. For use by the Scottish Ministers on administrative costs and operational costs; costs of providing continuing services to the Scottish Parliament; costs associated with the functions of the Queen's Printer for Scotland	£273,177,000	Income from sale of surplus capital assets	£35,000
30	8. For use by the Lord Advocate (through the Crown Office, the Procurator Fiscal Service and the office of Queen's and Lord Treasurer's Remembrancer) on administrative costs, including costs relating to the office of Queen's and Lord Treasurer's Remembrancer (including special payments made in relation to intestate estates which fall to the Crown as ultimate heir); fees paid to temporary procurators fiscal; witness expenses; victim expenses where applicable and other costs associated with Crown prosecutions and cases brought under the Proceeds of Crime Act 2002	£118,730,000	Sale of surplus assets	£100
35				
40				
45				
	9. For use by the Scottish Ministers (through their Local Government portfolio) on revenue support grants and	£10,300,663,000	—	—

	<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
5	payment to local authorities of non-domestic rates in Scotland; other local authority grants and special grants relating to council tax and spend-to-save scheme; housing support grant; other services including payments under the Bellwin scheme covering floods, storms and other emergencies			
10				
15	10. For use by the Registrar General of Births, Deaths and Marriages for Scotland (through the General Register Office for Scotland) on administrative costs and operational costs	£15,697,000	—	—
20	11. For use by the Scottish Ministers and the Keeper of the Records of Scotland (through the National Archives of Scotland) on administrative costs and operational costs (including costs associated with running the ScotlandsPeople Centre)	£10,300,000	—	—
25	12. For use by the Scottish Ministers on pensions, allowances, gratuities etc. payable in respect of the teachers' and national health service pension schemes	£2,689,959,000	—	—
30	13. For use by the Office of the Scottish Charity Regulator on administrative costs and operational costs	£3,700,000	—	—

SCHEDULE 2
(introduced by section 1)

ACCRUING RESOURCES OF THE SCOTTISH ADMINISTRATION WHICH MAY BE USED WITHOUT
INDIVIDUAL LIMIT

PART 1

FIRST MINISTER'S PORTFOLIO

<i>Type of accruing resources</i>	<i>Purpose</i>
1. Income from admissions and retail at monuments operated by Historic Scotland and external partnership funding for capital projects	Expenditure on culture
2. Income from sales and grants in respect of the Royal Commission on the Ancient and Historic Monuments of Scotland	Expenditure on culture
3. Income from marketing	Expenditure on marketing
4. Income in respect of legal costs recovered by the Local Government Boundary Commission for Scotland	Payments to the Local Government Boundary Commission for Scotland

Overall amount: £26,600,000

PART 2

FINANCE AND SUSTAINABLE GROWTH PORTFOLIO

<i>Type of accruing resources</i>	<i>Purpose</i>
1. Administration charges in respect of services undertaken by the Scottish Public Pensions Agency	Running costs of the Scottish Public Pensions Agency
2. Recovery of grant awarded to local authorities under the Bellwin scheme covering floods, storms and other emergencies	Expenditure on floods, storms and other emergencies
3. Repayment of loans by Scottish Water	Expenditure on Scottish Water
4. Repayment of loans by Scottish Water Business Stream Holdings Limited	Expenditure on Scottish Water Business Stream Holdings Limited
5. Recovery of unused grant from third sector organisations	Expenditure on third sector development

	<i>Type of accruing resources</i>	<i>Purpose</i>
	6. Refunds of grants for Regional Selective Assistance including Innovation and Investment	Expenditure on Regional Selective Assistance including Innovation and Investment
5	7. Income from electricity statutory consent fees	Expenditure on the administration of electricity statutory consents
	8. Rents from land and property	Expenditure on motorways and trunk roads
10	9. Any sums accruing as a result of the dissolution of Scottish Transport Group	Payments to former members of Scottish Transport Group pension schemes
	10. Sums accruing from Enterprise related activities	Expenditure on Enterprise related activities
15	11. Income from European Union including the European Social Fund and the European Regional Development Fund	Expenditure on European Union eligible support
	12. Income from the European Union for administration costs	Expenditure on administration of European Union programmes

Overall amount: £224,000,000

PART 3

HEALTH AND WELLBEING PORTFOLIO

	<i>Type of accruing resources</i>	<i>Purpose</i>
	1. Income from the sale of research results and publications; other minor miscellaneous income	Miscellaneous expenditure
25	2. Capital sums accruing from housing related activities	Expenditure on housing related activities
	3. Recovery of grants or loans awarded to individuals and recovery of grants awarded to local authorities and Registered Social Landlords	Expenditure on housing
30	4. Income from local authorities in respect of right to buy sales following housing stock transfer	Expenditure on housing
	5. Receipts from local authorities arising out of housing	Repayment of local authority

	<i>Type of accruing resources</i>	<i>Purpose</i>
	stock transfers	housing debt and associated costs
	6. Income from loans related to housing	Expenditure on housing
	7. Recovery of unused regeneration monies	Expenditure on regeneration
5	8. Charges to private patients; income generation schemes; charges for the processing of plasma for the Department of Health, Social Services and Public Safety in Northern Ireland; handling charges for blood products; sales of antibodies and related products; repayments of Project 2000 bursaries; National Insurance contributions	Expenditure on hospital and community health services
10		
	9. Prescription charges collected by dispensing doctors, pharmacists, Health Boards and appliance suppliers; sales of prescription pre-payment certificates; payments under the Pharmaceutical Price Regulation Scheme; rental of national health service properties; charges collected by dental practitioners and ophthalmologists; recovery of charges from patients, dispensing contractors and practitioners	Expenditure on family health services
15		
	10. Sales of publications; fees for conferences and courses; royalties from projects developed with portfolio assistance; sales of vitamin drops and tablets at national health service clinics; other miscellaneous income	Expenditure on other health services
20		
	11. Income from fees charged by the Scottish Commission for the Regulation of Care	Expenditure on community care

Overall amount: £3,000,000,000

PART 4

EDUCATION AND LIFELONG LEARNING PORTFOLIO

	<i>Type of accruing resources</i>	<i>Purpose</i>
	1. Recovery of costs by HM Inspectors of Education	Expenditure on education services
30	2. Repayment of student awards and interest capitalised on student loans	Expenditure of the Student Awards Agency for Scotland
	3. Sums accruing from Lifelong Learning related activities	Expenditure on Lifelong Learning related activities
	4. Income from criminal record checks carried out by	Expenditure on Disclosure Scotland

<i>Type of accruing resources</i>	<i>Purpose</i>
Disclosure Scotland	and Education and Lifelong Learning related activities

Overall amount: £69,297,000

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PART 5

JUSTICE PORTFOLIO

<i>Type of accruing resources</i>	<i>Purpose</i>
10 1. Superannuation contributions for police officers on secondment to the Scottish Police College (SPC); charges for students from outwith Scottish Police Forces; charges for use of the SPC for various activities	Expenditure of the SPC
15 2. Contributions made by the Scottish Police Federation to the cost of salaries, etc. of their secretary and chairman; receipts from fixed penalty notices	Expenditure on police services
3. Income from sale of prison-manufactured goods, services and other industries income; various income including income from land and buildings	Expenditure of the Scottish Prison Service
20 4. General income of the Scottish Fire Services College, including that from fire related and other organisations which use the college's teaching and conference facilities on a repayment basis	Expenditure on Scottish Resilience
25 5. Civil contingencies income from sale of surplus and obsolete equipment; course income; rents from other bodies using radio masts or stations owned by the Scottish Executive	Expenditure on Scottish Resilience
6. Superannuation contributions collected by the Scottish Legal Aid Board	Expenditure on legal aid
30 7. Income from cinematography exemption certificate fees and criminal statistics and other miscellaneous receipts	Miscellaneous expenditure
8. Fees for civil cases; rent from minor occupiers	Expenditure of the Scottish Court Service
9. Income relating to sequestration etc.	Expenditure on the Accountant in Bankruptcy

<i>Type of accruing resources</i>	<i>Purpose</i>
10. Amounts recovered under the Proceeds of Crime Act 2002	Expenditure on Community Safety

Overall amount: £57,000,000

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PART 6

RURAL AFFAIRS AND THE ENVIRONMENT PORTFOLIO

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<i>Type of accruing resources</i>	<i>Purpose</i>
1. Funding from European agricultural and fisheries funds	EU Common Agricultural Policy (CAP) support, rural development and fisheries subsidy and grant schemes
2. Sale of carcasses; repayment of loans under Crofting Building Loan Scheme; bond fees and insurance; rents and wayleaves; recovery of costs in connection with land drainage; fees for CAP appeals; sales of produce; charges under livestock schemes; pension contributions from members of the Crofters Commission; charges for cattle passports; charges for relevant publications and statistics	Related rural and agricultural services expenditure
3. Charges for advisory visits, certifications, testing fish and hire of equipment	Related Fisheries Research Services and Scottish Fisheries Protection Agency expenditure
4. Repayment of loans by harbour authorities; charges for relevant publications and statistics	Related fisheries expenditure
5. Charges for plant health and control work, seed and variety testing and pesticides work; sales of produce; charges for advisory visits, certifications, testing plants and animals	Related rural services and rural payments and inspections expenditure
6. Sale of research results and publications; charges for licences under the Food and Environment Protection Act 1985; pension contributions from members of the Deer Commission	Expenditure on environmental services

Overall amount: £560,000,000

PART 7

SCOTTISH EXECUTIVE (ADMINISTRATION)

	<i>Type of accruing resources</i>	<i>Purpose</i>
5	1. Payments from outwith the Scottish Executive for professional services; income from the Statistical Office of the European Union; discounts; recovery of legal costs; income from payment for services and recovery of other costs; recovery of National Insurance Fund payments; New Deal income; profit from sale of surplus capital assets; repayments of loans made to members of staff for house purchase; rent from minor occupiers; European Fast Stream income	Scottish Executive core directorates running costs
10		
15	2. Recovery of salaries and other expenses of outward seconded and loaned staff; recovery of salaries of staff assigned to the Criminal Injuries Compensation Agency (CICA)	Expenditure on outward seconded and loaned staff and staff assigned to CICA

Overall amount: £18,200,000

PART 8

CROWN OFFICE AND PROCURATOR FISCAL SERVICE

	<i>Type of accruing resources</i>	<i>Purpose</i>
20	1. Fees charged for administering the estates of persons who die intestate and without known heirs; income from such estates; income from disposal of ownerless or abandoned property which falls to the Crown; sale of Statute Amendments; income from the sale of waste paper and obsolete office machinery; minor occupancy income; minor miscellaneous income; profit on sale of surplus capital assets	Running costs of the Crown Office and Procurator Fiscal Service
25		

Overall amount: £600,000

PART 9

REGISTRAR GENERAL OF BIRTHS, DEATHS AND MARRIAGES FOR SCOTLAND

<i>Type of accruing resources</i>	<i>Purpose</i>
5 1. Income from sales of records services; reapportioned income from minor occupiers	Expenditure on Records Enterprise, ScotlandsPeople, the ScotlandsPeople Centre and registration expenditure
10 2. Royalties from sales on the internet	Expenditure on Records Enterprise, ScotlandsPeople and the ScotlandsPeople Centre
15 3. Income from Scottish Executive for running the National Health Service Central Register; income from sales of information by National Health Service Central Register; income from sales of vital statistics; reapportioned income from minor occupiers	Expenditure on vital events and national health service
4. Income from the Improvement Service for providing information to support the Citizen's Account	Expenditure on vital events
20 5. Income from sales of Census and other geographical information; sales of population statistics; reapportioned income from minor occupiers	Expenditure on Census and population statistics

Overall amount: £5,600,000

PART 10

KEEPER OF THE RECORDS OF SCOTLAND

<i>Type of accruing resources</i>	<i>Purpose</i>
25 30 1. Fees and other income for the issue of photocopy orders; professional searchers contract fees; inspection fees; microfilm and digital imaging services; sale of publications; income from conservation and specialist services; income from Registers of Scotland Executive Agency for services provided	Running costs of the National Archives of Scotland

Overall amount: £1,000,000

Schedule 2—Accruing resources of the Scottish Administration which may be used without individual limit

Part 11—Scottish Executive (Scottish teachers' and NHS pension schemes)

PART 11

SCOTTISH EXECUTIVE (SCOTTISH TEACHERS' AND NHS PENSION SCHEMES)

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<i>Type of accruing resources</i>	<i>Purpose</i>
1. Contributions in respect of teachers' and national health service superannuation	Expenditure on teachers' and national health service superannuation

Overall amount: £1,500,000,000

SCHEDULE 3
(introduced by section 2)

DIRECT-FUNDED BODIES

<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
<p>1. For use by the Forestry Commissioners in or as regards Scotland on the promotion of forestry in Scotland including advising on the development and delivery of forestry policy, regulating and supporting, through grant in aid, the forestry sector, managing the national forest estate in Scotland; administrative costs</p>	£93,800,000	Miscellaneous income	£15,000,000
<p>2. For use by the Food Standards Agency in or as regards Scotland on administrative and operational costs, including research, monitoring and surveillance and public information and awareness relating to food safety and standards; the Meat Hygiene Service</p>	£11,000,000	Miscellaneous income	£100
<p>3. For use by the Scottish Parliamentary Corporate Body on ongoing costs associated with the administration and operation of the Scottish Parliament; payments in respect of the functions of the Scottish Parliamentary Standards Commissioner, the Commissioner for Public Appointments in Scotland, the Scottish Public Services Ombudsman, the Scottish Information Commissioner, the Commissioner for Children and Young People in Scotland and the Scottish Commission for Human Rights; any other payments relating to the Scottish Parliament</p>	£103,548,000	Miscellaneous income and capital receipts	£100
<p>4. For use by Audit Scotland, including assistance and support to the Auditor General for Scotland and the Accounts Commission for Scotland and other audit work for public bodies and for payment of pensions to former Local Government Ombudsmen and their staff</p>	£7,279,000	Income from sale of IT equipment and furniture	£20,000

SCHEDULE 4
(introduced by section 2)

ACCRUING RESOURCES OF DIRECT-FUNDED BODIES WHICH MAY BE USED WITHOUT INDIVIDUAL LIMIT

PART 1

FORESTRY COMMISSIONERS

<i>Type of accruing resources</i>	<i>Purpose</i>
1. Recovery of grants; repayments by staff of loans and other recoverable expenses; miscellaneous income from sales of publications, training courses etc.	Policy, regulatory and grant-giving functions

Overall amount: £6,100,000

PART 2

FOOD STANDARDS AGENCY

<i>Type of accruing resources</i>	<i>Purpose</i>
1. Recovery of costs from Radioactive Site Operators in relation to the Food Standards Agency's role in assessing the impact of proposed radioactive waste disposal authorisations on the food chain; income from sale of publications and income generation schemes	Expenditure of the Food Standards Agency in or as regards Scotland
2. Income from industry levied charges in respect of statutory veterinary services and inspections undertaken by the Meat Hygiene Service	Expenditure of the Food Standards Agency in or as regards Scotland in supporting the provision of the Meat Hygiene Service

Overall amount: £100

PART 3

SCOTTISH PARLIAMENTARY CORPORATE BODY

<i>Type of accruing resources</i>	<i>Purpose</i>
1. Broadcasting income; income from sale of gifts; income from commercial sales and other services provided to the public	Expenditure on administrative costs of the Scottish Parliament

Overall amount: £800,000

PART 4

AUDIT SCOTLAND

<i>Type of accruing resources</i>	<i>Purpose</i>
<p>5 1. Fees and charges for audit work; recovery of costs associated with the functions of the Auditor General for Scotland and the Accounts Commission for Scotland; miscellaneous income from publications, conferences, provision of administrative services etc.; rental income etc.; recovery of costs of seconded staff; repayment of loans by staff; recovery of car leasing payments; interest received on working balances</p> <p>10</p>	<p>Expenditure of Audit Scotland, the Auditor General for Scotland and the Accounts Commission for Scotland</p>

Overall amount: £22,000,000

SCHEDULE 5
(introduced by section 5)

BORROWING BY CERTAIN STATUTORY BODIES

<i>Enactment</i>	<i>Amount</i>
<p>1. Section 25 of the Enterprise and New Towns (Scotland) Act 1990 (c.35) (Scottish Enterprise)</p>	<p>£10,000,000</p>
<p>2. Section 26 of that Act (Highlands and Islands Enterprise)</p>	<p>£1,000,000</p>
<p>20 3. Section 48 of the Environment Act 1995 (c.25) (Scottish Environment Protection Agency)</p>	<p>Nil</p>
<p>4. Section 42 of the Water Industry (Scotland) Act 2002 (asp 3) (Scottish Water)</p>	<p>£215,300,000</p>
<p>25 5. Section 14 of the Water Services etc. (Scotland) Act 2005 (asp 3) (Scottish Water Business Stream Holdings Limited)</p>	<p>Nil</p>

Budget (Scotland) (No.2) Bill

[AS INTRODUCED]

An Act of the Scottish Parliament to make provision, for financial year 2009/10, for the use of resources by the Scottish Administration and certain bodies whose expenditure is payable out of the Scottish Consolidated Fund, for authorising the payment of sums out of the Fund and for the maximum amounts of borrowing by certain statutory bodies; to make provision, for financial year 2010/11, for authorising the payment of sums out of the Fund on a temporary basis; and for connected purposes.

Introduced by: John Swinney
On: 8 January 2009
Supported by: Alex Salmond, Bruce Crawford
Bill type: Budget Bill

BUDGET (SCOTLAND) (NO.2) BILL

ACCOMPANYING DOCUMENTS

SCOTTISH GOVERNMENT STATEMENT ON LEGISLATIVE COMPETENCE

1. On 8 January 2009, the Cabinet Secretary for Finance and Sustainable Growth (John Swinney MSP) made the following statement:

“In my view, the provisions of the Budget (Scotland) (No.2) Bill would be within the legislative competence of the Scottish Parliament.”

PRESIDING OFFICER’S STATEMENT ON LEGISLATIVE COMPETENCE

2. On 7 January 2009, the Presiding Officer (Alex Fergusson MSP) made the following statement:

“In my view, the provisions of the Budget (Scotland) (No.2) Bill would be within the legislative competence of the Scottish Parliament.”

BUDGET (SCOTLAND) (NO.2) BILL

DELEGATED POWERS MEMORANDUM

PURPOSE

1. This memorandum has been prepared by the Scottish Government in accordance with Rule 9.4A of the Parliament's Standing Orders, in relation to the Budget (Scotland) (No.2) Bill. It describes the purpose of the subordinate legislation provision in the Bill and outlines the reasons for seeking the proposed power.

2. The contents of this Memorandum are entirely the responsibility of the Scottish Government and have not been endorsed by the Scottish Parliament.

Outline of Bill provisions

3. The Budget Bill is the vehicle through which the Scottish Government seeks Parliamentary approval of its spending plans for the coming financial year (in this case, 2009-2010), since all spending, both in terms of overall amounts and the purpose for which resources are to be used, must be subject to prior Parliamentary authorisation.

Rationale for subordinate legislation

4. The Bill contains one subordinate legislation power. This is contained in section 7.

Delegated power

Section 7 – Amendment of this Act

Power conferred on: Scottish Ministers
Power exercisable by: order made by statutory instrument
Parliamentary procedure: affirmative resolution of the Scottish Parliament

5. It is inevitable that the Government's spending plans will be subject to change during the financial year to which the Bill applies. Such changes might be, for example, to reflect:

- (a) transfers of resources within the Scottish Government, and with Whitehall;
- (b) changes in accounting and classification guidelines; or

- (c) the allocation of resources from central funds including the Contingency Fund and from End Year Flexibility allocations.

6. There is therefore a need for a mechanism to allow Scottish Ministers to seek authorisation for such changes. The use of affirmative statutory instruments for this purpose was originally introduced to implement the pre-devolution Financial Issues Advisory Group's (FIAG's) recommendations for the process (paragraph 3.40 of their Final Report), and is also covered in the Agreement on the Budget Process between the Parliament and the Scottish Government.

7. Since devolution, the Budget Revision process through the use of secondary legislation has become a regular part of the annual budget process. All of the annual Budget Acts have been subject to at least one revision by secondary legislation, and Budget Acts 2003 and 2004 were both subject to three revisions – colloquially known respectively as the Summer, Autumn and Spring Budget Revisions. The Budget Act and subsequent revisions roughly mirror the UK Parliament's process (since Scotland's drawdown from the UK consolidated fund must also be approved by the UK Parliament) through Main and Supplementary Estimates.



The Scottish Parliament

Subordinate Legislation Committee

2nd Report, 2009 (Session 3)

Budget (Scotland) (No.2) Bill

Published by the Scottish Parliament on 14 January 2009



The Scottish Parliament

Subordinate Legislation Committee

Remit and membership

Remit:

1. The remit of the Subordinate Legislation Committee is to consider and report on-

(a) any-

(i) subordinate legislation laid before the Parliament;

(ii) Scottish Statutory Instrument not laid before the Parliament but classified as general according to its subject matter,

and, in particular, to determine whether the attention of the Parliament should be drawn to any of the matters mentioned in Rule 10.3.1;

(b) proposed powers to make subordinate legislation in particular Bills or other proposed legislation;

(c) general questions relating to powers to make subordinate legislation; and

(d) whether any proposed delegated powers in particular Bills or other legislation should be expressed as a power to make subordinate legislation.

(Standing Orders of the Scottish Parliament, Rule 6.11)

Membership:

Jackson Carlaw
Malcolm Chisholm
Bob Doris
Helen Eadie
Tom McCabe
Ian McKee (Deputy Convener)
Jamie Stone (Convener)

Committee Clerking Team:

Clerk to the Committee

Shelagh McKinlay

Assistant Clerk

Jake Thomas



The Scottish Parliament

Subordinate Legislation Committee

2nd Report, 2009 (Session 3)

Budget (Scotland) (No.2) Bill

The Committee reports to the Parliament as follows—

1. The Subordinate Legislation Committee considered the delegated powers provision in the Budget (Scotland) (No.2) Bill at its meeting on 13 January 2009. The Committee reports to the Parliament on the provision under Rule 9.16.3 of Standing Orders.

General

2. The Bill makes provision for the Scottish Administration's budget for the financial year 2009/10. The Committee notes that, like its predecessors in previous years, the Bill contains one delegated power that permits certain parts of the Bill to be amended by Order.

Delegated power – Section 7: Amendment of the Act

3. Section 7 confers power on the Scottish Ministers to make adjustments to the overall cash authorisations set in section 3 of the Bill and to the schedules to the Bill, by Order made by statutory instrument, to take account of changing circumstances throughout the financial year. Any such Order will be subject to affirmative resolution procedure.

4. **The Committee approves the power without further comment.**

EXTRACT FROM MINUTES OF PROCEEDINGS

Vol. 1, No. 45 Session 3

Meeting of the Parliament

Wednesday 14 January 2009

Note: (DT) signifies a decision taken at Decision Time.

Budget (Scotland) (No.2) Bill: The Cabinet Secretary for Finance and Sustainable Growth (John Swinney) moved S3M-3161—That the Parliament agrees to the general principles of the Budget (Scotland) (No.2) Bill.

After debate, the motion was agreed to ((DT) by division: For 107, Against 16, Abstentions 1).

Accordingly the Parliament resolved—That the Parliament agrees to the general principles of the Budget (Scotland) (No.2) Bill.

Budget (Scotland) (No 2) Bill: Stage 1

The Presiding Officer (Alex Fergusson): The next item of business is a debate on motion S3M-3161, in the name of John Swinney, on the Budget (Scotland) (No 2) Bill.

I remind members that the Presiding Officers no longer give a one-minute warning. We are now seriously short of time for the debate, so I ask all members who are called to speak to stick strictly to the amount of time given to them. In the event of their running over time, they will be cut off.

14:43

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): The budget bill that we published last week is designed to address the needs of the people of Scotland in these challenging economic times. The budget is underpinned by the purpose of this Government to focus on increasing sustainable economic growth in Scotland, but it also recognises the greater challenge that we now face.

Although our latest gross domestic product figures show marginal positive growth, there is little doubt that Scotland is about to enter a recession, the depth and duration of which are likely to be significant. Our employment rate is still significantly above that of the United Kingdom and many other advanced economies, but unemployment is rising and jobs throughout Scotland are under threat.

Few could have forecast the severity of such problems, yet 14 months ago, this Government took decisions in its economic strategy and its first budget that have established secure foundations in helping us to stave off the worst effects of the economic downturn for individuals and businesses the length and breadth of Scotland.

Our objective in the 2009-10 budget is to build on the decisions that were made last year by Parliament to reduce business rates for small companies, to put in place the resources to freeze the council tax and to invest in our public services. However, we must accept that, in these challenging economic times, we have to do more. As a result, I pledge this Government's willingness again to work constructively with the Parliament to create agreement on a budget that will meet the expectations of the people of Scotland in the economic downturn. We repeat our agreement, enshrined in the concordat, to work with our local authority partners in a relationship of equals to deliver improved outcomes for the people of Scotland in the face of a weaker economic climate and a tight public spending environment.

Over and above the spending commitments that we outlined 14 months ago, the Government has brought forward an economic recovery plan to keep our economy moving. At the heart of the programme is a package of accelerated capital spending to provide strong economic stimulus. The Government has already put in place a major programme of capital investment in excess of £3.5 billion this year and next and we have also, since the summer, brought forward £100 million of affordable housing spending to help get our economy moving. Seventy million pounds of that extra money will be invested in the forthcoming financial year and will provide a much-needed boost to the construction industry across Scotland; £25 million has been provided to the home owners support fund to extend the existing mortgage to rent scheme; and a further £25 million has been made available to local government to kick-start a new generation of council house building.

As I have made clear previously to Parliament, the Government welcomes the United Kingdom Government's pre-budget report announcement, which has led us to bring forward up to a further £260 million of capital investment. In the budget that is before Parliament, we have set out more details about how in the next year we will use the facility to the maximum and push ahead with spending £230 million of that money throughout Scotland.

Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Will the cabinet secretary confirm that, despite the economic storm that Scotland is facing, there is less than 1 per cent difference between the budget that he announced in 2007 and the budget that is proposed this afternoon?

John Swinney: I have heard the same point being made in countless press releases and speeches over the months, but its reiteration by Mr Rumbles in the chamber does not make it any more substantial. It denies the fact that the Government has changed its programme to bring forward increased capital investment. I would have thought that such a move would be popular across the chamber, even on the Liberal Democrat benches.

We plan to ensure that local authorities receive £90 million of that funding, much of which will be focused on new and refurbished schools. In addition, colleges and universities will benefit from £13 million of improvements.

We plan to invest £29 million next year in road improvements and enhanced park-and-ride facilities to cut congestion, and Scottish Enterprise will accelerate £30 million of investment in key projects that will deliver wider benefits to the economies of Glasgow, Edinburgh and elsewhere, including investment in the Edinburgh BioQuarter,

the Scottish Exhibition and Conference Centre in Glasgow and Fife energy park.

The money will not only generate work and support jobs—4,700 in total, on the basis of our detailed plans—but provide a much-needed lifeline to our economy at a crucial time. However, that capital expenditure, which amounts to £300 million, can be accelerated only if Parliament supports the Government's budget.

Our economic recovery programme includes measures to support business and economic development. I have already mentioned the action taken by this Government to reduce the business rates burden on Scotland's small businesses. As we were pressed to do last year by the Conservatives and as agreed by Parliament, we will complete the implementation of the small business bonus scheme in April 2009. At the same time, we have taken ahead a programme of reforms to the planning system to ensure that it is not a barrier but an aid to economic growth.

With this budget, we will invest in improving advice to businesses. For example, with the additional investment, we will enable Scottish Enterprise to recruit manufacturing professionals to double the size and capability of the Scottish manufacturing advisory service. That very proposal was advanced by the Labour Party in earlier debates.

In addition—and on top of the £180 million that we have committed to spend from the 2007 to 2013 European programmes—we intend to bring forward a significant share of the remaining £385 million of European structural funds to support 300 high-quality projects nationwide that will stimulate the Scottish economy.

The budget will also provide investment in infrastructure, research and development and other underlying factors of success for Scottish businesses, all of which will help to improve their ability to survive these challenging times, and £2.5 million to intensify our activity and support for homecoming 2009.

On top of the help that we are providing for businesses, the budget will deliver for individuals across Scotland. Our greatest challenge will be to support individuals who face the risk of unemployment; that is why we are developing and enhancing the partnership action for continuing employment—PACE—initiative. Members from across the political spectrum have argued, rightly, that that valuable initiative must be equipped to meet any increase in unemployment. Earlier this week, we announced that 80 Skills Development Scotland staff will work alongside employees of Jobcentre Plus to deliver services to individuals from a range of different locations, including Jobcentre Plus offices, careers centres and, where

required, employers' premises. As a result, a more seamless service, bringing together skills development and employability support, will be established to help to minimise the time that people who are affected by redundancy are out of work.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): Are SDS staff in the PACE teams any different from the staff who did the same job when Careers Scotland was part of Scottish Enterprise? After 18 months of this Administration, the regional structure that will enable Skills Development Scotland to plan for the delivery of skills has still not been agreed. When will that happen?

John Swinney: The process is under way. However, as I have just explained to Parliament, the Government's key focus is on ensuring that individuals who need support are able to get it and that those who face redundancy are supported in the most effective fashion possible.

At stage 3 in last year's budget process, Iain Gray invited Parliament to support an amendment that sought further measures to boost skills and employability. The Government accepted that and responded during the summer by approving a range of projects, totalling around £55 million, to assist training and skills development and to build on the success of our modern apprenticeship and other schemes to help more people in Scotland to get into and progress through the workforce. We continue to share Iain Gray's view on the importance of investing to support individuals and their skills; the budget reflects that commitment.

Far too many vulnerable Scots are facing soaring energy bills this winter. That is why last year the Government put in place an extra £10 million for the free central heating programme, and why we are providing an extra £5 million in this budget to expand the scheme. Through the budget, we will invest to improve support and advice for individuals in other ways. We have expanded the open market shared equity scheme for first-time home buyers nationwide; in this budget, we propose to increase spending on the scheme to £60 million. Over the next two years, we will invest £7.5 million to help those in poverty, who are at greatest risk from the effects of the economic downturn, to maximise their income. I was delighted when earlier this week the Minister for Enterprise, Energy and Tourism announced a new credit union fund, to help that vital sector to grow and to assist individuals in addressing the global economic downturn.

Through the budget, we are providing an extra £3 million for legal advice and representation for people facing repossession and other debt problems and an additional £1 million to fund face-to-face guidance for individuals; that is on top of

the campaign that we have introduced to promote the national debtline service. We are also making available £70 million of new money to allow local authorities to freeze the council tax again in 2009-10. That will give Scottish families a financial saving at a time when household budgets are under significant pressure.

While investing to support economic recovery, the budget will provide local authorities, NHS Scotland and others with a rising share of Scottish public expenditure to support the delivery of vital public services and growth across Scotland. It will provide for a continuation of our commitment to deliver 1,000 new police officers on the streets of Scotland, as the Conservatives pressed us to do last year, and will deliver £1.7 billion of investment in our university and college sector.

For the first time, the budget will provide financial support, through a capital city supplement, to address the issues that Margo MacDonald has raised. I am pleased to confirm that a £3.5 million capital city supplement has been agreed, to recognise the unique demands that are placed on the city of Edinburgh as our capital.

The budget will provide investment in energy efficiency. The Government's commitment to make better use of energy is clear from the renewable energy framework, the climate change challenge fund, the saltire prize, the announcements of almost £1 billion of private sector investment in renewable projects and the new energy assistance package. In that context, we have met representatives of the Scottish Green Party to discuss their proposals for a step change in investment in home insulation, which would make links between addressing fuel poverty, reducing fuel bills for all and tackling climate change, in addition to promoting jobs in the insulation sector.

We are in active discussions with the Scottish Green Party about how best to implement an area-based home insulation scheme. We agree on the need to develop a scheme that provides a simple, straightforward offer of advice, assistance and essential insulation measures to deliver savings through economies of scale. We will seek to bring forward proposals for a loan mechanism to support the roll-out of such an initiative. Once agreed to and evaluated, that would identify the best way to deliver schemes across the whole of Scotland in an ambitious timescale. That would be supported by the Scottish Government, and it would be designed to attract additional independent funding into the bargain.

The budget reflects the needs of the people of Scotland and the economic challenges that we face. We make clear today our willingness to agree on and discuss with members of the

Parliament from across the political spectrum the issues that arise from the general principles of the Budget (Scotland) (No 2) Bill, if they are agreed to by members. To bring that about, I move,

That the Parliament agrees to the general principles of the Budget (Scotland) (No 2) Bill.

14:57

Andy Kerr (East Kilbride) (Lab): I listened with interest to what the Cabinet Secretary for Finance and Sustainable Growth said. Time will tell whether his words about addressing the needs of our times and the greater challenges that we face, and about providing the "secure foundations" that he seeks to lay down, come to reality. I recognise—I hope that on reflection the finance secretary does, too—that much of what he said comes out of the Chancellor of the Exchequer's pre-budget report, which allows many of the initiatives to take place. Good use of European money also supports some of initiatives that the cabinet secretary announced today.

I do not remember a reference to working constructively last year, but Mr Swinney and I will work on that this year and we will see whether it goes a bit better. I make the position of the Labour Party clear, as we have done from the outset of stage 1: we will allow the budget bill to proceed today, but that is in order to allow the Government to improve—in our view—its budget. We cannot, of course, give any guarantees or assurances whatever about the position that we will adopt at stage 3, which is the final stage.

We accept, as the finance secretary said, that we live in exceptional times, so we wish to do everything we can to ensure that the budget is amended to address adequately the exceptional challenges that our country faces. We will engage fully in that process, as we have done before. On that point, I would like everyone in the chamber—and those in the press gallery—to remind themselves about the substantial engagement of the Labour Party in the budget last year, although it was to no avail regarding the amendments that we pursued. Last year, unlike some other parties, we lodged a considerable number of detailed and costed amendments that covered the breadth of Government activity. Those amendments were right then, and they are right now.

Derek Brownlee (South of Scotland) (Con): Would Mr Kerr like to remind Parliament just how much he proposed to take out of the local government budget last year?

Andy Kerr: I am happy to place on the record the fact that our amendments secured the resources that were required to take forward the initiatives to which they related. We were right

about those amendments then, and I am absolutely convinced that we are right now.

The amendments that we lodged last year covered, for example, increased support for modern apprenticeships, the creation of 100 skills academies, the creation of an air services fund, the setting up of a town centre turnaround fund, the ending of water charges for pensioners, support for vulnerable individuals, increased support for primary care in the least well-off parts of Scotland, support for children with special needs and support for nursery places for vulnerable two-year-olds. Other amendments—which the Conservatives did not support—aimed, for example, to provide for additional police recruitment. All those good ideas were brought forward in good faith. They were all costed, and we indicated where funds could be found for all of them. However, they were rejected out of hand by the Government and its alter ego, the Tory party.

We even supported proposals from the Lib Dems and the Tories, when their ideas were worthy of our support. However, the Scottish National Party Government opted not to engage with Labour in constructive debate. Why? It was because, as we all knew, a deal had been done: a tawdry deal with the Tories was in the bag, which made the First Minister's threat to resign look particularly weak. It looks even weaker in the context of some of the First Minister's recent announcements. We wait with interest to find out whether history will repeat itself, although Derek Brownlee's conduct leads me to conclude that it will.

We want to participate in the budget process and we will continue to ensure that we do so meaningfully. It is not about playing games, political name-calling and winning debates, but about ensuring that we all vote for a budget that can protect Scottish jobs and our economy. If Parliament had accepted all the Labour amendments to the budget last year, our country and our economy would be in a much stronger position to withstand the current economic downturn. We could not have been clearer during the previous budget process, and we will be clear during the current process.

The first stage of the budget process began before much of the current economic situation had been visited on us, and before the impact of the downturn was being felt. During scrutiny of the bill, the scale of the global financial crisis and its social and economic impacts on investment, employment and Scottish families' incomes became increasingly clear. That has made it necessary to build on the United Kingdom Government's macroeconomic response to the crisis wherever possible, by making microeconomic decisions to prioritise spending to boost the economy and to

avoid cuts in spending that would affect jobs and services that meet vital social needs. Let us not forget that such services will be under further pressure as a result of the global economic downturn.

Many members, including members of the Government, have welcomed measures that the UK Government has taken. The VAT cut has helped families and capital spending has been brought forward to allow jobs to be created immediately. Money has also been made available to support unemployed people.

Jeremy Purvis: What net benefit to the Scottish economy has the VAT reduction brought?

Andy Kerr: The VAT reduction has put billions of pounds into the hands of people in the UK, including hundreds of thousands of pounds into the hands of Scottish people, so that they can spend money and ensure that our economy turns around. The move was welcomed by many people, but not by Jeremy Purvis's party. We should acknowledge that putting finances into the hands of people in Scotland and the UK will help to stimulate economic growth.

Of course, the UK Government has gone further: it has increased the minimum wage for apprentices and has adopted many other measures, including increased child benefits, child tax credits and winter fuel payments. Tough decisions have been made in a tough economic climate in order to address the conditions that we face. I contrast the UK Government's approach with that of the SNP Government, which has made fiscally neutral transfers of capital. We need more action on the economy.

We understand that the SNP has had to deal with a fluctuating situation and we want to assist it in ensuring that we get the budget right. We all share the view that when the SNP took control of the Government in Scotland it fully understood the financial situation that it was inheriting. The Labour-Lib Dem Administration had built up considerable resources to enable us to deal with a tighter fiscal climate. We will be interested to find out what has happened to the £900 million in end-year flexibility money that has been returned to Scotland.

We want to work constructively with the Government and we want to ensure that the measures that it takes in the budget address concerns that we share about the economy. That is why we have welcomed comments by the cabinet secretary that relate to Labour's 15-point plan. Although the plan was developed in October for immediate implementation, we are pleased that there has been some action now and again. For example, we welcome Mr Swinney's comments on

the Scottish manufacturing advisory service, credit unions and PACE.

However, in our plan we also said that we want the Government to unblock the public building pipeline by putting the Scottish Futures Trust on hold and reverting to public-private partnerships and traditional procurement practices. Far from doing that, the Government has delayed projects, including the replacement Low Moss prison. The cabinet secretary said that 4,700 jobs would be created by the budget, but he must acknowledge that jobs in the Scottish economy are being lost as a result of the dithering over, and lack of detail about, the SFT.

Brian Adam (Aberdeen North) (SNP): Will Mr Kerr confirm that if the budget is not passed, the £300 million of capital expenditure that is being brought forward will be at risk?

Andy Kerr: That is absolutely the case. It is an obvious point to make.

If we are talking of fiscal follies, it is a good time to mention the local income tax. *[Interruption.]*

The Presiding Officer: Order. One debate at a time, please.

Andy Kerr: If there is anything that the SNP should do to support Scottish business and the economy, it is to remove the threat of the local income tax.

We heard about the £100 million advancement on house building. We are relieved that that is in the budget for this year but, of course, very little of that money has made a real impact so far—to date, £18 million has been allocated. There is more to be done, and not much of it has been spent on new build. We still await the redrafted skills strategy, which is an essential part of the economy's recovery, and we seek the inclusion in the budget of the additional measures that would help home owners to avoid repossession that we have laid out in our plan.

To a degree, the Government has been complacent about the downturn. It is now beginning to respond to it, but we want much more ambitious leadership to protect jobs. The SNP Government has at its disposal powers that cover planning, transport, skills, education and the environment. The Cabinet Secretary for Finance and Sustainable Growth mentioned them and we want them all to be used to boost the economy. He has the privilege of dealing with the biggest-ever Scottish budget. If we add to that the nearly £1 billion that has been passed on by the UK Government Treasury from EYF funds that Labour built up, and the savings that are being made from cancellation of the Edinburgh airport rail link, the Government has even more money available to it,

although—sadly—it has a track record of broken promises and financial mismanagement.

Most people appreciate that we are all in this together. Labour has played its part in protecting jobs. It has put £2 billion into the pockets of Scottish families to stimulate the economy, cut interest rates and VAT and put in place protections for people who face mortgage difficulties. There is a need for similar action from the Scottish Government. It should help business by ending the uncertainty over local income tax and it should create jobs by bringing forward investment in new schools. It should enter the real world and stop wasting time on its so-called Scottish Futures Trust. We need that action.

The key test is whether Mr Swinney will, in the face of the economic situation, change the budget more fully to address some of the concerns that we have raised. As I indicated, we are ready and willing to offer our support to any serious proposal that will boost the economy, but any such proposal must match the scale of the challenge that is before us. We want action on apprenticeships; we want increased investment in PACE, public infrastructure and housing to tackle the challenges that many of our town centres face; and, of course, we want increased support for the NHS and local government.

I look forward to the discussions with Mr Swinney. I hope that they will be more fruitful and beneficial to Scotland than was the Government's response last year.

15:08

Derek Brownlee (South of Scotland) (Con): There we have it: Labour is in turmoil on the budget yet again. Under Iain Gray, the red flag has been replaced by the white flag. At least this year Labour members will abstain on the Government motion rather than on their own amendment—or are we about to see the unthinkable from the unthinking: will Labour members vote for the SNP budget? Despite all the posturing and the threats of the nuclear option, they do not have the guts to vote it down. They are happy to play fast and loose with people's lives and services while Scotland suffers from Labour's recession. For weeks, there has been talk about splits in the Labour Party—splits between Andy Kerr and David Whittton on how hard a line to take. Today we have the answer: even Andy Kerr does not seem to agree with Andy Kerr.

The test at stage 1 of the budget is simple: can the budget be improved or amended, or is it so flawed that it ought to be rejected in its entirety before the Government has the opportunity to respond to the points that the Opposition has raised? That is the same test as we set last year.

We Conservatives are at least consistent in our approach from one year to the next, even if other Opposition parties are not.

Over the past weeks, all the Opposition parties have had discussions on the budget. Supporting it at this stage allows those discussions to continue and the Government to respond, which is the responsible way to proceed.

Andy Kerr: Does Derek Brownlee accept that all our detailed amendments—which showed where the money would come from—were defeated by the alliance between the Tories and the Government? That was the predestined outcome of last year's budget.

Derek Brownlee: I seem to remember that one amendment was agreed to—with the support of the Tories and the SNP, but without Labour's support—so it is a bit of nonsense to suggest that we are to blame for the fact that Labour's amendments were not agreed to.

Let me make it clear that the test at stage 3 will be more onerous. The budget that we will vote on in two weeks' time will be the final package—the Government's response, in a Parliament of minorities, to the suggestions of all other parties. We want movement from the Government on the budget, so we are fully prepared—as I am sure all parties are—to have a constructive discussion with the Government. We will not support the budget at stage 3 if we are not satisfied that the final package is best for Scotland and that it will make progress towards securing Conservative policies and tackling Labour's recession. We will vote against a budget that removes any of the concessions that we secured last year and we will vote against a budget that goes back on commitments on police numbers, drugs policy or cuts in business rates.

This April, like last April, more than 100,000 small businesses in Scotland will pay substantially less in business rates, thanks to measures that the Conservatives secured last year. We know just how much Labour hates those cuts in business rates—Labour members voted against them again this year, so only the casting vote of the Finance Committee convener saved businesses from real Labour. If Labour members think that they can take away from small businesses across the country the tax cuts that the Conservatives secured last year, they have another think coming. If SNP members think that, in return for Labour obsequiousness, they can give away the tax cut, they will have something else to think about.

Let me remind members on the Labour benches what their current leader—not their former leader—said in the equivalent debate last year. In his criticism of that SNP budget, Iain Gray said:

“the priority is always the tax cut. ... The Government has broken promise after promise to achieve just two promises—the council tax freeze and the business rate cut. ... That is why the principles of the budget, unamended, are unsupportable.”—[*Official Report*, 23 January 2008; c 5302-3.]

In their leader's own words, Labour members will support today what was unsupportable last January and what was thought to be unsupportable last month. On the budget, Labour is in turmoil, inconsistent and incompetent. Andy Kerr might like to reflect on the fact that Iain Gray, in his speech on the stage 1 debate on the Budget (Scotland) Bill last year, took a perfectly different position from him.

Michael McMahon (Hamilton North and Bellshill) (Lab): As Derek Brownlee is running out of time, can I invite him to talk about the SNP's budget, which is what today's debate is about?

Derek Brownlee: Let me deal with why what Labour does is so important.

Labour members will not vote down the budget. They know it, the media know it and the Government knows it. We know it because, despite their huffing and puffing last year, when the chips were down Labour members did not have the guts to vote no. They gave the Government a free pass last year and are preparing to do so again. I remind members that, if Labour does not vote against the budget, the bill will pass regardless of what anyone else does. What we have heard over the past year about cuts, the demands for more spending on health, councils, schools and transport, the whingeing about the tax cuts for small businesses and the complaints about the council tax freeze have all been just talk. Labour members complain about cuts, but will not seek to reverse them. They demand more money but cannot say from where it should come.

Without any irony, Labour is today demanding that the Scottish Government sort out Labour's recession.

“Labour blasts SNP budget plans as too little to stop recession”, said a recent headline in the *Daily Record*. There we have it: first, the recession was all due to global problems, but now it is all the fault of the Scottish Government. Only Labour and Gordon Brown seem to escape responsibility. Labour members say that they want a budget that will secure jobs, but what they mean is that they want to secure 46 jobs—those of the 46 Labour MSPs. Iain Gray is no more keen to face the country than Gordon Brown is, which is why Labour will never vote no to the budget.

We want the Government to take action to mitigate the impact of Labour's recession, but let us not kid ourselves: the Scottish Government

cannot stop the recession in its tracks. Labour is reverting to type in blaming everyone else for Labour's failures. The Scottish Government cannot inflate the economy on a fixed budget. If Andy Kerr is looking for a fiscal stimulus, he might like to reflect on the financing position of this Parliament and this country. We on the Conservative benches are ready and willing to have constructive, responsible and grown-up negotiations with the Government on making the budget better. I have made the case for a sensible approach to the budget. Let us now hear the case against.

15:15

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): In a Scottish Enterprise briefing on Monday, I was informed that 470 jobs have been lost during the past six months in the Borders alone. In devastating news for the people involved, a further 35 job losses in the Borders were announced yesterday, with the danger of more being announced in the next few days. Almost 600 job losses in a rural area such as the Borders is testament to the awful economic situation that Scotland faces. While some sectors and businesses are, thankfully, trading well—we give them credit for that—an “economic storm” is engulfing Scotland, as John Swinney said before Christmas.

Yesterday, my colleague John Lamont called on the Scottish Government to do more to support the Borders in response to the news. I agree with him, which is why I am opposing the budget as presented to Parliament this afternoon, as an insufficient response. It is not enough to support the Borders economy or the economies of all other parts of Scotland. It is a shame that the cabinet secretary's colleagues do not believe that the budget needs to do more. The SNP is not the do-nothing party; it is the don't even try party.

Yesterday, the Royal Bank of Scotland published stark information on the Scottish economy. During December, Scottish manufacturers' production volumes fell at their fastest rate in the survey's 11-year history. New-order books have seen their ninth successive decline. The report also tells us that, in December, firms reported a fall of 14 per cent in new orders from export markets, which is the steepest fall in the history of the series. Incoming new businesses, such as financial services, and the travel, tourism and leisure sectors, which are crucial to the Scottish economy, recorded faster rates of decline than were reported in November. The output index was also deeply concerning, showing a faster and deeper decline in Scotland than the United Kingdom average.

Parliament is faced with the question of an appropriate response. The cabinet secretary did not deny that his budget, with the choices that the Scottish Government has made, is less than 1 per cent different from that which was announced in the spending review in 2007. The “economic recovery plan”, as the Government describes it, contains some measures that we support, but it seeks to correct damage that was already done before we got to this point. That is why we believe that the budget is wholly insufficient.

Acceleration of construction is of course welcome, but the Government cannot rest there. It has spun relentlessly that the budget will support 2,000 construction jobs as part of the 4,700 jobs it seeks to support. However, recommendation 8 of the Scottish Council for Development and Industry's policy paper, “Building Scotland's Future—Ten Point Plan for Construction” states:

“There is agreement amongst buyers and suppliers that delays and uncertainty over the establishment of the Scottish Futures Trust is holding up investment in infrastructure and damaging construction industry. We need the Scottish Government to clear up uncertainty and get on with the job of renewing our schools, hospitals and transport infrastructure.”

It should have been a wake-up call in the autumn when *Construction News* published articles under the headline, “Scottish Futures stalemate is exacerbating downturn”.

The aspects of this budget that deserve support do so because they will correct the damage that the SNP has already done. The money that was withdrawn from economic development support, the real-terms cut in university funding, the stand-still budget for colleges and the delays in the pipelines of projects are all the same if we use the Scottish Government input-output model for Scotland that it used to calculate the 4,700 jobs, all of which equates to more jobs having been lost or put at risk as a result of the SNP's budget decisions than the budget is alleged to support.

Brian Adam: Will the member give way?

Jeremy Purvis: I will give way in a moment, if I have time.

Even in matters on which there is broad agreement, such as the acceleration of structural funds, the proposed action will simply correct an 18-month delay in approvals for the structures for delivery of structural funds. The Government has not yet agreed the mechanism for signing off applications. [*Interruption.*] The cabinet secretary says that that is total rubbish, so he needs to get to his feet and deny that the Government has delayed the structures for the delivery of structural funds. The Government has also put in place a process whereby each Government department—

John Swinney: Will the member give way?

Jeremy Purvis: In a moment.

I would like the cabinet secretary to deny that each Government department has to have a view of each and every application before the minister signs it off. If that is not delaying access to the delivery of structural funds, I do not know what is. I invite the cabinet secretary to deny it.

John Swinney: I will deny it, all right. This Government took decisions on structural funds in the summer, when it had been in office for not 18 months. Mr Purvis must withdraw his absolutely ridiculous claims. He should spend the next two minutes telling us from where the £800 million of cuts in his ridiculous proposals would come.

Jeremy Purvis: I am grateful to the cabinet secretary for denying that that process has been put in place, as it contradicts what Jim Mather has told not only the councils but Scottish Enterprise. *[Interruption.]*

The Deputy Presiding Officer (Alasdair Morgan): Order.

Jeremy Purvis: The Government will have to apologise for misleading Parliament not only last week, but again this week.

People in all parts of Scotland know that confusion over the review of skills and the delivery of Skills Development Scotland is causing considerable delays. The Government has not even agreed a regional delivery plan for skills and training.

Brian Adam rose—

Jeremy Purvis: What is the appropriate response? So far, the UK Government, with the support of the Scottish National Party, has reduced VAT, a measure that one of the leading retailers in the UK described as a wasted opportunity and a colossal waste of money. What the economy needs is a direct fiscal stimulus, which would be provided by a direct cut in income tax. In response to the UK pre-budget report, Stewart Hosie supported that call, as have retailers, business groups and individual businesses.

The signals are clear on what will happen if we do not take such a measure. The information on the economy that the UK property consultants King Sturge published this week shows that gross domestic product in Scotland is estimated to fall by 1.9 per cent, whereas GDP across the UK as a whole is estimated to fall by 1 per cent.

Malcolm Chisholm (Edinburgh North and Leith) (Lab): Will the member give way?

Jeremy Purvis: I am sorry, but I am running out of time.

If a fiscal stimulus that is funded through better use of Government money in Scotland, and which protects front-line services, is not provided we will have to rely on the Labour and SNP VAT reductions that are costing the economy and are costing jobs.

The Deputy Presiding Officer: The member's time is up; I am sorry. We must move on to the open debate.

15:22

Alex Neil (Central Scotland) (SNP): We are all agreed on the severity of the economic downturn and the increase in unemployment that we are seeing. Today, Honeywell has announced further job cuts in the plant in my area in North Lanarkshire.

Despite some disagreements on detail, it appears that all the parties—bar one—as well as the independent member, are prepared to work together to get a budget that will maximise our efforts, within the very limited powers of the Parliament, to minimise unemployment and the other effects of the economic downturn.

It is ironic that the party that at Westminster is generally regarded as having a superior economic spokesman who talks a lot of sense about British economic policy has, as its spokesman here, the Herbert Hoover of Scottish politics. If Vince Cable had listened to the speech that Jeremy Purvis has just made for the Liberal Democrats, he would have been absolutely appalled at the level of economic illiteracy that was demonstrated.

Mr Purvis talked about saving front-line services, but how could he save front-line services when he intends to cut £800 million a year from front-line services? The Liberal Democrats have not told us what they would cut. Does Jeremy Purvis want to cut the Borders railway or the budgets of Scottish Enterprise or Skills Development Scotland? What do the Liberal Democrats want to cut? At a time when we face an economic downturn, the last thing that the party of Lloyd George and Beveridge should be advocating is a deflationary policy.

The real irony is that even if the Liberal Democrats got their way, it would be this time next year before they could make the cuts they want to make, because it would take a year to cut the variable rate of income tax. The idea that the Liberal Democrats could do anything this year is absurd; they have the most ridiculous economic policy in Scottish economic history. The most sensible thing the Liberal Democrats could do is to go home and think again—

Kenneth Gibson (Cunninghame North) (SNP): Disband.

Alex Neil:—or they could, as has been suggested helpfully by my colleague, disband. No one would notice.

The priority of all members—except the Liberal Democrats—is the level of employment in the months and years to come. Whoever is to blame for the current situation, and whatever forces are at work, we must do everything within our limited powers to bring more jobs to Scotland, and to save as many of the jobs that are already here as we can.

Within our fixed budget—within the Scottish block—and without the borrowing powers that even the Northern Ireland Assembly has, there are two things we can do to assist the situation, both of which this Government is doing. The first is to try to reallocate expenditure from areas that cannot make a big contribution to those that can. The announcements in the six-point plan and elsewhere are classic examples of how the Government is using every spare penny to maximise spend on investment and jobs.

The second approach, which required Westminster's permission—to be fair, we have received that permission—was to bring forward capital expenditure from future years into this year and next year. As the finance secretary said, in addition to bringing forward European moneys, we have nearly £300 million of additional capital expenditure this year and next year, which will help the Scottish economy to weather the storm.

I hope that we can get unity before we get to stage 3 of the budget bill—we have given up on the Liberal Democrats, but I am sure that we can get unity among the other parties and the independent member. I would not like to be Jeremy Purvis explaining to Margo MacDonald why she cannot get the city supplement for Edinburgh next year; that supplement will not be available if the bill is voted down.

We must do everything we can—this is no time for petty politics. People out there are losing their jobs day in, day out. It is the responsibility of all members to do everything they can to minimise economic dislocation—to use the technical term—or, in terms of the humanitarian consequences, to minimise the prospect of people ending up on the dole. I appeal to every member to vote for the budget for Scotland, even if there are differences about the detail.

15:28

John Park (Mid Scotland and Fife) (Lab): I welcome the opportunity to speak in the debate. Like many other members, I am clear that the budget must be about helping Scots to meet the economic challenges that they face. Over the past year, there have been many challenges in

Scotland and the United Kingdom. Food and fuel prices have increased significantly. Thankfully, they appear to be levelling out now. Finance has become more difficult to raise, not only for individuals but for businesses. Thankfully, interest rates have fallen sharply, which has, for example, helped people who are on standard variable rate mortgages.

I welcome the measures that the UK Government has outlined today to guarantee loans to small businesses, which I hope will go some way to protecting employment in that sector. I doubt that members will disagree that the best way to ensure that people can contribute economically is to safeguard employment. As Mr Swinney and Mr Neil pointed out, we are debating the budget at a time when many Scots are, understandably, concerned about their jobs. I am sure that there are MSPs who have faced redundancy and who understand what a difficult time it can be. I am sure that many have, like me, worked with people facing redundancy and know what a stressful time it can be. It is hard for the individual, it is hard for their family and it is hard for their friends.

In my time as a trade union official, I worked with the PACE teams and similar partnerships to help people who faced redundancy. For many workers who are made redundant, it is the first time that they have had to think about seeking work elsewhere. Many are skilled but do not realise how important their skills are in helping them to find new employment; many have skills but do not have the vocational qualifications to prove what they can do; and many will seriously consider moving into new sectors and retraining. For some, unfortunately, that will be the only option.

The earlier that PACE teams can get to workers in such situations, the more effective is their support. To get to workers earlier, PACE teams must be effectively resourced to engage with employers on a consistent basis. Local intelligence, an understanding of the communities in which they work and good links with employers and businesses, trade unions and local colleges can be built up in a week. However, that must be effectively resourced.

I have witnessed many success stories following effective responses from PACE teams. I have seen workers move from electronics companies into the finance sector. I have seen workers find employers by adding new qualifications to their existing skills. I have even seen some workers opt for a complete change in career or start their own businesses. However, there is not always a success story, and support for people who face redundancy can and must be improved. We must help those who face redundancy into a job or training scheme, not on to the dole.

The Parliament has an obligation—more than an obligation, a duty—to help people who face losing their job. In that, we cannot fail. The public would never forgive us, and rightly so. In previous years, the financial services sector absorbed many of the people who left the various manufacturing sectors. We do not have that luxury now, as we simply do not have sectors that are growing in the way that the finance sector was growing when manufacturing employment was contracting. Nevertheless, there are opportunities in sectors such as the renewables sector, which has huge growth potential and will need skilled workers in the future. We must make the transition as seamless as possible.

We had significant skills gaps before the current economic slow-down, but we must invest more in skills and training and support the provision of such opportunities by employers. When the global economy starts to pick up, the countries that have not invested in that way will be unable to take full advantage of the green shoots of recovery. With its investment in skills and training, the Scottish Government has one of the most effective levers to help people through redundancy. It is no secret that that is one of our main areas of focus in the budget. Both Andy Kerr and David Whitton have had initial discussions with John Swinney on the issue, and our discussions with the Government will focus on it in the coming weeks.

Apprenticeships are vital for people who are leaving school and they give young adults the best start to their working lives. Apprenticeship training ensures that they have transferable skills, which gives them a competitive edge in the jobs market. It also increases our national skills base, meaning that we are competitive, productive and effectively equipped for the global economy.

I am genuinely concerned that the budget will lead to job losses in the public sector, particularly in local government. That is why adult apprenticeships are so important. Adult apprenticeships will help those who face redundancy who want to retrain either in their current workplace or with a new employer. The UK Government is upping apprenticeship numbers to 250,000 a year, but in Scotland we are not even close to our expected share of that figure. In fact, in the construction sector, over the past year, the number of apprentices in Scotland has dropped from around 5,000 to less than 2,500, and apprentices in the construction sector will face redundancy. We must guarantee that they can finish their training so that they can take full advantage when the sector picks up.

Derek Brownlee's speech was interesting. Politics is all about choices. The difference between Labour and Derek Brownlee and some of his colleagues is in the choices that we made to

campaign on the minimum wage and related issues while he and his colleagues campaigned on other issues. We have now chosen to engage with the Government because of the situation that we find ourselves in, and support for people who are made redundant, to enable them to acquire skills and retrain, will be at the centre of those discussions. That is what the people of Scotland expect in these trying times.

15:34

Alex Johnstone (North East Scotland) (Con):

It is nice to speak in a budget debate again, yet we find ourselves speaking about much the same things that we spoke about last year. However, as last year was a spending review year, that is perhaps no surprise.

I am willing to welcome the fact that we have heard commitments from the Cabinet Secretary for Finance and Sustainable Growth that he will continue to push forward with the small business bonus scheme and that he hopes to achieve the target of 1,000 new police officers. The people of Scotland will welcome those commitments. I am also glad that, today—obviously, a day on which the cabinet secretary wants Conservative votes—he was willing to acknowledge that the Conservatives have been pressing for those things over the past 12 months and more.

I want first to talk about transport, although I will broaden the subject out to deal with a range of other infrastructure issues. Expenditure on transport is underpinned by this budget. Like me, many people who are concerned about transport have spent the past month talking about issues such as the strategic transport projects review and the national planning framework. I have concerns about how some of the projects in the strategic transport projects review will be prioritised and funded. I also have concerns about how we will fund some of the projects in the national planning framework. However, we must remember that those projects are plans for the future and will be dealt with under future spending reviews and budgets.

The Government is taking the correct action by bringing forward planned expenditure wherever possible. That is worthy of support, because it is the right way to use public money at this time of crisis, as we get twice the value. In the intermediate term, when we are trying to create jobs in a marketplace that is destroying them no matter how hard we try to prevent that happening, it is important to preserve our important construction industry by ensuring that the jobs that we want it to do anyway are done as early as possible. That will create work and opportunities, and ensure that we have the infrastructure that will

enable Scotland to bounce back from this disastrous recession as quickly as possible.

We must welcome the opportunities that are presented to us and the decisions that have been taken in that regard. However, with an eye on the longer term, I have concerns about a range of infrastructure issues. We have spoken at length about the Forth road bridge, and we will do so again tomorrow, but the issues around the funding of the bridge and what can be done to fund other projects that might be displaced by that particularly expensive one must be dealt with. However, the Government continues to fail to address the fact that funding mechanisms are falling behind the requirements. We need a much more adventurous approach than the one that the Government insists on pursuing.

I cannot let this opportunity to speak in a budget debate pass without talking about what other parties have contributed to it. The Labour Party's position—if we skip the details—seems to be simply, “It would be a lot better if the Labour Party was in power.” Of course, the Labour Party is in power south of the border and some might suggest—maliciously, perhaps—that it is implicated in getting us into the position in which we find ourselves. I will therefore take its argument with a pinch of salt.

Andy Kerr: We have heard that before, particularly from Mr Brownlee. France and Spain have suffered economic downturns of 9 per cent and 15 per cent respectively, and Germany's downturn is similar to that of the UK. How is the downturn Labour's fault if those other countries, which are not run by Labour, seem to have the same problems as the UK?

Alex Johnstone: That is another denial. I did not expect anything else.

The other issue that I want to address comes from Jeremy Purvis's speech—or perhaps I should say that it did not come from Jeremy Purvis's speech. I have listened to many of Mr Purvis's speeches on the economy and related issues in recent months, and the centrepiece of each has been the 2p cut in income tax. However, I discerned a decided change of emphasis today. The truth is that a 2p cut in income tax would require an £800 million cut in Scottish expenditure. I fundamentally believe that tax cuts can be used to boost the economy, but the mechanism that is available to the Parliament and the Government in putting forward its budget is such that every penny of that £800 million cut would have to come out of public expenditure.

I understand from discussions that have taken place in the Parliament that capital expenditure is protected within the budget, so if we take that out,

a 5 per cent across-the-board cut in revenue expenditure in Scotland would be required.

Jeremy Purvis *rose*—

Alex Johnstone: I must finish—the member can correct me later if I am wrong.

That would cost us jobs, development and the opportunity to bounce back from the recession. In particular, the £800 million pales into insignificance beside the £8.3 billion of spending commitments that have been made.

15:40

Joe FitzPatrick (Dundee West) (SNP): As members have mentioned, this budget is particularly relevant and important, given the current economic uncertainty. Members such as Alex Neil and John Park have said that we need to put aside party politics and headlines as we embark on what is likely to be a period of economic decline. I am pleased that most of the parties in the chamber have, on the whole, stepped up to the plate, which has led to a constructive approach to this year's budget in the Finance Committee and in the Parliament. The sole exception is one of the fringe parties, which has abandoned all attempts at being constructive to aim for headlines with its frankly ludicrous cuts proposals. I would say that the Liberal Democrats' sums do not add up, but one actually requires figures before attempting to add them up, and the Liberals do not seem to have any. To be fair, one figure is being bandied about, although not often by the Liberals—the £800 million of cuts, and even that figure has doubled from the original estimate of £400 million.

A 2p tax reduction, as the Liberal Democrats have proposed, makes good headlines, but it does not make financial sense. The Liberals are forgetting the difference between a normal Government with its full range of economic levers and this Parliament with its artificial ceiling, which means that we must work within the financial constraints that are placed on us by the settlement that we receive from Westminster. To put it another way, we must work within the envelope.

Any reduction in the Scottish variable rate must be matched by cuts in spending. At every opportunity, we hear of the Liberal Democrats' proposed plan for a reduction in the SVR, but details of the cuts are always absent. Mr Purvis is not solely to blame for that covert approach to the Liberal Democrat cuts—he is only following the example of his illustrious leader Nick Clegg, who, when asked on “Newsnight” where the proposed £20 billion of UK cuts would come from, said:

“I'm simply not going to tell you the rest because if I did that, first, if they were a good idea the other parties would nick it.”

There we have it: a party that is so concerned about the economic downturn that it will not tell us what it thinks should be done in case it has any good ideas.

I might be a little harsh—we have heard some proposals from the Liberals. Presumably, they are the ones that the Liberals think are so bad and so barmy that no one would think of stealing them.

As far as I can make out, the Liberal Democrats plan to scrap new quangos—creative Scotland and the SFT—which they claim would be a cut of £40 million. However, creative Scotland is expected to cost £7 million to set up, and the budget line for the SFT is only £3.1 million, so that is about £10 million, which is far short of the suggested £40 million. I am not sure that everyone got the memo on that, however, as Liberal leader Tavish Scott recently proposed the creation of a new transport quango—although, again, we have heard no costings for that proposal.

The Liberals have also said that they would demutualise Scottish Water, cutting £180 million from the budget. Although demutualisation might well achieve the £180 million saving that they claim, it would inevitably lead to higher water rates, which would create a tax rise rather than a tax cut for Scots. In addition, it would take two years to achieve, so it would produce no savings for this year's budget.

Jeremy Purvis: Can the member confirm that the Scottish Government is currently reviewing Scottish Water's funding mechanisms? With regard to a tax cut that has been voted on, can he explain why the SNP voted for the VAT cut?

Joe FitzPatrick: That tax cut is being funded by the UK Government from borrowing. Mr Purvis needs to understand that the UK Government can be flexible within its budget, but we cannot. As I have already said, this Parliament has to work within the economic envelope of the settlement that we are given from Westminster.

The Liberal Democrats' detailed cuts add up to a total of £220 million, which is far short of the required £800 million. The remaining £580 million comes under the heading "miscellaneous" and is made up of vague efficiency savings, cuts to infrastructure budgets and, of course, the secret idea that is so good that they cannot tell anybody about it.

Where would the extra £580 million of Lib Dem cuts fall? The Lib Dems could start with a couple of infrastructure cuts. Scrapping the Borders railway and the Inverness bypass would cut £120 million and £115 million respectively. They could save £187.5 million a year by getting rid of concessionary fares. They could cut £12 million from alcohol programmes, and scrapping free eye tests would save them another £29 million. They

could then end the council tax freeze, which they continue to oppose. That would take £70 million from the pockets of hard-pressed Scottish households. Finally, they could get rid of the central heating scheme, which costs £46 million a year. However, even after all those cuts, the sums would still not add up, because the total would be only £799.5 million. Clearly, most members would consider the cuts that I have outlined unacceptable, but if the Liberal Democrats were to achieve their 2p cut, they would have to go even further.

The Scottish Government's proposed budget is a good budget for my constituents and for families and businesses throughout Scotland. It is the right budget to ensure that Scotland can weather the current economic climate. I urge the Parliament to support the bill and let the Government get on with the job. I hope that all Opposition parties, including the Liberal Democrats, will enter serious negotiations with the Government so that we can get a budget—

The Deputy Presiding Officer: I am afraid that the member's time is up.

15:46

Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab): As Andy Kerr said, and as everyone in the chamber would agree, the economic climate means that we should take today's debate on the budget seriously and address the needs of our times. I and my Labour colleagues certainly want to do that—perhaps Derek Brownlee missed the point when he rehearsed his speech.

I want a budget that will create jobs, lead to the building of houses and other infrastructure in Scotland, protect people who are on the lowest incomes and improve public health.

Derek Brownlee: Will the member demand a budget that increases the number of national health service beds? How much extra spending for the NHS is she seeking?

Cathy Jamieson: In order to engage in the debate in a meaningful way, I will focus on some of the broad themes and areas in which the Government could improve the budget, rather than simply create a shopping list of individual issues. That is the right approach to take at this stage.

I hope that Derek Brownlee agrees—I think that everyone else in the chamber does—that we want our health service to be world class. We welcome the proposals to accelerate the capital spend on facilities, but in order to make use of those facilities we must ensure that health boards are properly funded and ready to use them when they come on stream. In that context, I hope that the

Cabinet Secretary for Finance and Sustainable Growth will examine the link between capital allocations and future revenue costs. The Government should ensure that the money that is identified in the budget for health boards goes to the front line as quickly as possible instead of being held at the centre, and that health boards have the flexibility that they need to manage effectively, protect existing employment in the health service and ensure that staff are in place for the new facilities.

Also in the wider context of health, given the widespread concern about hospital acquired infections, the budget should ensure that there are adequate—

John Swinney: Perhaps I could give Cathy Jamieson some information. She raised a substantial point about health boards getting money from the centre. As set out in the spending review, the defined health boards budget for 2008-09 increased by more than £1 billion through transfers from centrally held budgets. The health boards figure has to be viewed in that wider context.

Cathy Jamieson: I hear what the cabinet secretary says and I appreciate his comments, but I report to him that the matter is a concern for health boards and has been raised with me.

I return to the point that I was about to make. I hope that the Government will ensure that the budget includes adequate resources to deal with hospital acquired infections. It has been suggested that part of the deal between the SNP and the Tories involves bed-by-bed monitoring—however many beds there end up being—and evaluation of the pilot project that is under way. People should not get involved in a bidding war on the issue—it is too important for that—but the Government could and should consider what more can be done to ensure that we effectively tackle *Clostridium difficile* and other hospital acquired infections.

My colleague Jackie Baillie will say more about the detail of that, which I cannot cover in the short time that is available to me, but I refer members to our 15-point plan, which we have placed a copy of in the Scottish Parliament information centre for members' reference. I hope that ministers will seriously consider the points that it raises, including those on simplifying the NHS landscape to ensure that, rather than the current plethora, one person is responsible for co-ordinating and taking action on hospital acquired infection; ensuring that a system of random inspections is introduced; ensuring that we seriously consider the introduction of sensor-operated hand-washing facilities in our hospitals; and ensuring that single rooms are available where they are needed to isolate people with infections. I do not expect the cabinet secretary to be able to respond in detail to

our proposals at the moment, but I hope that he will discuss them with his colleagues.

As I said at the outset, we are now in a very different economic climate, and we must seriously consider bringing forward further investment in housing. Of course, house building has an impact on the construction sector in particular—that links to issues that John Park raised—but it can also ensure that we deal with the real pressures in our local communities. Many people who previously wished to take on home ownership might no longer wish to do so in the current climate. There is an opportunity now to rethink the balance in bringing forward housing spend.

I want to raise another issue before I finish. The housing associations are particularly concerned about the housing association grant scheme, which they believe is posing difficulties, and they are finding it hard to borrow to provide their contributions. Will the Government consider and comment on that?

In addition, there are concerns that part of the affordable housing investment programme is sitting in the housing and regeneration part of the budget. Of course, that represents the largest part of housing investment, but a smaller part of the housing budget—in particular the allocations for Edinburgh and Glasgow—is separately accounted for in the local government section of the budget, under the transfer of management and development funding. While the AHIP figure has increased substantially—by some £78 million—the sum for Glasgow and Edinburgh does not appear to have risen at all. That ought to be looked at—

The Deputy Presiding Officer: I am afraid that the member's time is up. I am sorry.

15:52

Liam McArthur (Orkney) (LD): My colleague Jeremy Purvis referred to the cabinet secretary's comments prior to Christmas on the scale and extent of the economic difficulties that we face now and over the coming months. Adopting the role of economic weatherman, Mr Swinney predicted an "economic storm". Since then, we have witnessed the chill winds of recession beginning to lash our economy. The latest purchasing managers index report from the RBS makes for incredibly sombre reading on all fronts, not least on business confidence about prospects for the foreseeable future.

Scottish Liberal Democrats certainly do not take issue with the cabinet secretary's powers of prediction; rather, we question the adequacy of the Government's response to the circumstances that we now face. Ministers can legitimately claim that they had little control over those circumstances, but individuals, families and businesses rightly

expect them to respond to them to the fullest extent.

Like the SNP's Treasury spokesman in Westminster, Stewart Hosie, we believe that tax cuts are part of the solution. Money should be put back into people's pockets at a time when they most need it. We agree that the UK Government's temporary VAT reduction is unlikely to be effective, despite the costs that will be borne now and in the future to fund it. Perhaps as it was the only tax cut on offer at the time, Mr Hosie and his SNP colleagues at Westminster felt compelled to vote in favour of it. Nevertheless, there is a growing sense throughout the business community that the VAT reduction will have too little impact at too high a price.

Liberal Democrats have called for genuine tax cuts that will put money back into people's pockets. As Mr Hosie recognises, many small businesses in this country pay personal tax and would benefit greatly from such a move. As cash flow becomes tighter and access to finance becomes far more difficult, businesses and households are looking for that sort of response from the Government.

Gavin Brown (Lothians) (Con): Have any business organisations in Scotland supported the Liberal Democrat-proposed Scottish tax cut?

Liam McArthur: We will take the views of the chief executive of Next as some sort of corroboration of our proposed approach.

Despite what Mr Swinney said, his assurances about constructive engagement ring rather hollow. Ministers' initial position, of course, was that the Liberal Democrats were at fault for not telling them how to do it—a stipulation that they happily waive in negotiations with their Tory partners. Then it was the fault of HM Revenue and Customs, which told ministers that they had run out of time to introduce measures this year. Why wait so long to ask the question and why ask the question if the ever-tactful minister for "Newsnight", Mr Neil, has denounced tax cuts as lunacy?

What has been the Government's response to the economic storm? Mr Swinney alluded to the Budget (Scotland) (No 2) Bill, which was introduced last week, and the prescience therein. Dismantling the enterprise networks and slashing their budgets has been an important part of the strategy. The decision to strip out skills from the remit of the enterprise agencies makes little sense and will result in large set-up costs for a stand-alone agency. It also fails to acknowledge the inherent link between skills and economic development. During the past year, I have been told by Scottish Enterprise staff that they have resorted to consulting a thesaurus, desperate to find alternative words for "skills", so that they can

successfully propose packages of support for key businesses that are crying out for help in recruiting and retaining staff.

Ministers persist in arguing that there have been no cuts in budgets, a line that the management of Highlands and Islands Enterprise no longer attempts to sustain. Ministers seek to fold in all sorts of other budget lines, trying to mask what they have done, but leaving utter confusion over the true extent of the cuts, which are having a real impact now. For example, HIE can no longer offer small-scale funding packages, which have been crucial in the past. In the midst of an economic storm, for many good and viable small and medium-sized enterprises in the Highlands and Islands, such funding could be the difference between keeping afloat or shutting the doors. The cabinet secretary will recall that HIE's predecessor used to provide loan finance to help businesses.

Alex Johnstone: Will the member take an intervention?

Liam McArthur: Sorry, but I am running out of time.

In good economic times, with banks falling over themselves to lend, the need for HIE to perform that role was rightly considered superfluous. Now, however, it does not even have the option.

The creative accounting that ministers have used in HIE's budget is as nothing compared to the dodgy dossier that the Tories prepared ahead of this debate and to which Alex Johnstone referred. Last year, I suggested that the Tories were the junior partners in a coalition with the SNP that dare not speak its name. As costs are cut and efficiencies are made, the Tories have been reduced to the role of a Government research unit.

Derek Brownlee: Will the member take an intervention?

Liam McArthur: Sit down.

On the basis of that document, however, the Tories may eventually be outsourced altogether. Mr Brownlee's speech raised serious questions about what the Tories think of as their role in holding the Government to account. The Tories' response to the current economic situation involves bed tagging and mountain bikes, which are worthy, but hardly radical. While Tories at Westminster call for bolder action from Government, including on loan finance, in Scotland they meekly seek assurances that last year's concessions will not be taken away. I genuinely enjoy Mr Brownlee's speeches in the Parliament—his speech this afternoon was an absolute classic—but after spending the early part of the week in Aberdeen meeting oil and gas sector representatives, I reflect that, although a derrick is invaluable in that sector for hoisting

heavy loads, the cabinet secretary appears to have found that particular Derek rather more useful for propping things up.

Last year, the First Minister threatened to resign if anyone voted against his proposals. He has had another Rita Hayworth moment this week. No amount of flouncing and posturing from the First Minister will disguise the fact that the budget is an insufficient response from the Government to the economic storm.

15:58

Kenneth Gibson (Cunninghame North) (SNP):

It was good to hear so many consensual, or almost consensual, speeches following the cabinet secretary's speech, in which he discussed building on the secure foundations that the Scottish Government laid last year. I commend the UK Government for the additional £230 million that it will enable the Scottish Government to spend in the forthcoming financial year. We have concerns that that might be followed by £509 million in cuts in the following two years, but at least it will be good while it lasts. The move will mean additional money for housing and for tackling fuel poverty and that we will be able to do more for people who lose their jobs. We will also be able to invest more, particularly in infrastructure.

I listened closely to Andy Kerr's speech and noticed that he wants the Scottish Government to take action similar to that being taken by the UK Government. We would like to do that, but I do not believe that we have the power to cut VAT or that we have control over interest rates. If we had the £2.5 billion borrowing consent that Northern Ireland has—even though it has barely a third of our population—we could go a long way further.

Andy Kerr: I simply make the point that this Parliament has substantial powers over the microeconomic conditions of our economy in planning, transport and other areas that the SNP can influence.

Kenneth Gibson: I accept the member's point, but he spoke specifically about taking action similar to that being taken by the UK Government. He also talked about in-year flexibility, which was an important point. I hope that Mr Kerr will support my view that the £1.22 billion that the Treasury is withholding from Scotland—not from the SNP Government—should be released. Part of that money is the threatened loss of £400 million of council tax benefit money if Scotland abolishes the unfair council tax, should the Parliament vote for it. That is the case despite post-devolution Treasury documents that state that the money—the Scottish block—is an integral part of Scotland's funding arrangements.

Also included in the figures is £120 million of Barnett consequential from the £1.2 billion spend from the reserve on prisons south of the border. It is clear that increases in spending on prisons south of the border generate 100 per cent Barnett consequential.

Scotland has lost £342 million from its budget because of changes in the health baseline that the Chancellor of the Exchequer made when he introduced the comprehensive spending review. Some £184 million has been withdrawn from lottery funding for good causes to fund the London Olympics, and we have heard about the threatened loss of £165 million in Barnett consequential because of London Olympic regeneration spending. There was also a loss from the Department for Environment, Food and Rural Affairs of £8.1 million in compensation for farmers and crofters when Gordon Brown postponed the election in October 2007. There is potential for Scotland to obtain more resources so that we can deliver more effectively for the Scottish people.

What can I say to comrade Brownlee except, "What a wonderful speech"? Let us be honest, though—what about that desperate load of nonsense from Jeremy Purvis? Frankly, it was utterly pathetic and dreadful. How can a party talk about cutting £800 million from the budget, which will cost thousands of jobs, without having the guts to say exactly where those cuts will be made, how many jobs they will impact on and how many people will lose their livelihoods?

We have heard two Liberal speeches already, but I hope that Jeremy Purvis will address the key question today in his winding-up speech. We have heard whining, greeting and girning from the Liberals about wanting more money for the Borders, more money for housing, more money for this and more money for that. They want more money to be spent everywhere, but not only will they not say where it will come from, they want to cut £800 million. Then Jeremy Purvis says that the £230 million in additional resources will make only a 1 per cent difference. If he adds that to the £800 million that he wants to cut, it is £1 billion.

With the Liberal Democrats, it is like going back in a time machine to 1970s students unions and listening to bearded sandal wearers debating. If they continue in that vein, they will go the same way as their Social Democratic Party allies of former years—into political oblivion. If people do not believe that, let us look at what happened last year in Glasgow East when Robert Brown said that they were Labour's main challenger: the Liberal Democrats won 4 per cent of the vote. In Glenrothes, they won 2.5 per cent of the vote—in a county where they have four of the 10 first-past-the-post Westminster and Scottish Parliament seats. In my constituency, in a council by-election

last December, they won 3 per cent of the vote, although it did not help that their candidate was photographed with his pet horse for his election leaflet.

The Liberal Democrats still appear to be in the huff about not being in coalition government. Both the Labour Party and the SNP now know that we do not need them any more; we can have minority Administrations without the Liberal Democrats and their fantasy economic politics. They are in a moribund party that makes the days of Nicol Stephen and Ming Campbell look like halcyon days compared with the new era of Tavish Scott and Nick “Who?” Clegg.

We have an opportunity today to move forward on a budget that will deliver—within our settlement—the best possible deal for the people of Scotland. We must approve it so that we can do that. We cannot possibly continue with nonsensical arguments about cutting budgets with no detail of where they should be cut, and I do not want to hear any more carping from the sidelines. The SNP, the Labour Party, the Greens and the Conservatives have big issues to debate and discuss. I would like the Liberals to get on board, but if they will not, perhaps they should stay silent instead of wearying us with a winding-up speech that will again seek—

The Deputy Presiding Officer: Time is up.

16:04

Jackie Baillie (Dumbarton) (Lab): I welcome this opportunity to debate the Scottish Government’s budget. Given the other contributions to the debate, it will come as no surprise to the cabinet secretary to learn that I do not believe that, at the moment, the budget goes far enough in tackling the economic crisis.

The one thing on which we have all agreed is that we live in challenging economic times. At such times, people in the communities that we represent rightly turn to Government, no matter whether at Holyrood or at Westminster, to help them weather the storm. As a result, the measure of the budget must be how it helps Scotland through the storm over the next year.

The UK Government’s actions to protect the economy have been well documented. Even today, a further package of support for businesses has been announced. The extent of the Scottish Government’s intervention must be greater, but I leave it to others—indeed, they have already started to do this—to outline the measures that are required to help our businesses, our high streets and individual sectors of the economy, such as construction. I will touch on local government before focusing on health spending.

I hope that the cabinet secretary recalls my welcome for the reprofiling of the £260 million of capital consequential resulting from UK spending decisions. Perhaps he also recalls my question about the mechanism by which £90 million of that money would be allocated to local government: would he target priorities by taking bold decisions to maximise impact or would he end up spreading the jam thinly across the 32 authorities, negating the cash’s overall potential impact? Contrary to what he said to the Finance Committee, he has chosen to sacrifice maximising impact by spreading the jam thinly, and I have to record my disappointment with that decision.

The Finance Committee expressed concern about health efficiency targets and the emerging evidence that efficiencies might be coming from front-line services instead of the backroom bureaucratic functions that ministers have highlighted. As I am sure that the cabinet secretary does not wish there to be any detrimental impact on front-line services, I ask that he reconsider the issue. Specifically, he might wish to look closely at the fact that, in spite of the 4.3 per cent increase in the overall health budget in 2008-09, health board budgets rose by only slightly more than 3 per cent. That means that the Cabinet Secretary for Health and Wellbeing has retained £350 million centrally for her disposal, effectively holding back the money from health boards and front-line services. I have to wonder whether that is the best use of that money.

Finally, I turn to hospital-acquired infections, which is an area of particular constituency interest. Although I acknowledge the Conservatives’ suggestion of bed management pilots as a contribution to the debate, I point out that Scottish Labour has today published a comprehensive 15-point strategy to tackle HAIs, which has been shaped by the families affected by C diff and endorsed by two of the UK’s leading experts in this field: Professor Hugh Pennington and Professor Brian Toft. Professor Pennington has said:

“This package draws on tried and tested international practice. Its implementation will make a real difference and should—over time—bring Scotland in line with the other countries that have controlled their HAIs far more effectively.

Its implementation is needed now—not only are the current problems severe by any standard, but we have to be prepared for the emergence of new challenges because microbes evolve in real time.”

One priority in the plan is the introduction of a more ambitious target for reducing the number of C diff cases. Although the current Government target of cutting such cases by 30 per cent over the next three years sounds impressive, it is less than the 38 per cent reduction that has already been achieved by the NHS in England.

We want to cut the number of C diff cases by 50 per cent by March 2011. Underpinning that objective are practical measures including the provision of quality hand-washing facilities that are temperature controlled and sensor operated. It concerns me that Scottish airports have better hand-washing facilities than Scottish hospitals. Other measures include the creation of isolation facilities for all C diff and MRSA patients, which would essentially mean the provision of sufficient en suite single rooms in order to end sharing.

Alex Neil: Does the member welcome today's announcement that MRSA has reached its lowest ever recorded level?

Jackie Baillie: I do indeed, but the member should realise why we are so concerned about this issue. If we compare this quarter with the previous quarter, we will see that the underlying trend of C diff is rising. I welcome the reduction in MRSA, but I want to see the same happen with C diff.

I understand that microbiologists have identified a new strain of C diff—type 078. We have not yet been told whether there have been any cases of the new strain in Scottish hospitals, but the fact that bugs evolve in real time should concern us all. It is time for the Parliament to unite to take robust action to make 2009 the year in which Scotland shapes up and gets serious about hospital-acquired infections.

I will finish with the words of Professor Brian Toft:

"The proposed package of proposals to address C.diff in Scottish hospitals is both comprehensive and practical. It should be implemented without delay."

The budget effectively sets out the Government's priorities; I commend the plan that Scottish Labour has published to the Parliament and the Government.

16:10

Patrick Harvie (Glasgow) (Green): There are many reasons why Greens might choose to criticise and oppose the budget as it stands. As the Transport, Infrastructure and Climate Change Committee discovered, this is a business-as-usual budget. At a time when we face economic crisis, climate crisis and impending energy crisis, the case for a fundamental change of direction for our society and economy is irresistible.

In the previous session, when the Executive had a majority, there were occasions when we voted no, voted yes following constructive changes or abstained when the arguments were finely balanced. We reserve the right to take any such position in this session. SNP members have warned Parliament not to jeopardise the budget. In the past, I have argued that in a period of minority

government all members and political parties have a serious responsibility to enter into constructive dialogue during the budget process and actively seek agreement. However, we should also remember that it is the cabinet secretary's responsibility to build consensus—or, at the very least, a majority. That requires him to compromise and to take seriously others' constructive suggestions.

Our approach has been to bring constructive suggestions into direct dialogue with the Government, not to drop in last-minute demands that are unrealistic, unachievable or unwise—a strategy adopted by some that seems to be designed as a positioning exercise rather than to advance serious proposals. We prefer to pursue detailed discussions, months in advance, and to maintain an active interest in the delivery of the budget as the money goes out the door. Last year we took that approach, which led to constructive work on the Government's limited spending on walking and cycling; on third sector budgets, which now support credit unions, among others; and on the climate challenge fund, which is empowering communities across Scotland to cut greenhouse gas emissions in radical and creative ways, tackling climate change and building resilience for the age after peak oil. Despite those and other agreements last year, there were too many areas, notably on transport, where we could not drop our criticisms; like others, we abstained in the final vote.

This year we are taking the same constructive approach. We seek sufficient changes to the 2009-10 budget to allow us to support it, but such changes will have to be significant. Our first priority—which every political party should be able to support, budget or no budget—is a dramatic increase in the rate of home insulation throughout Scotland. We have looked at what our colleagues in Kirklees Council down south have delivered by taking an area-based approach—working street by street and door by door. Rather than setting up a phone line and waiting to see who calls, they have knocked on doors and done the work. We need a universal approach, with no means testing, because otherwise—no matter what mechanisms are used to target fuel poverty—some people will fall through the cracks. The service must also be free: to ensure that we get the maximum uptake, we must remove the barriers of cost.

We have argued that scaling up the Kirklees programme to the whole of Scotland would have multiple benefits. Clearly, it would address the problems of climate change and peak oil—Scotland's total greenhouse gas emissions would be cut by about 6 per cent once the job was done. It would also help us to tackle fuel poverty by saving every household in Scotland hundreds of pounds a year. It would provide investment in jobs

and skills for which other political parties have rightly called—supporting what we argue should be a green investment-led recovery from the current economic crisis. Support for our proposals has come not only from environmental non-governmental organisations such as the John Muir Trust, Friends of the Earth Scotland, WWF Scotland and Energy Action Scotland, which we might expect to support us, but from the business sector—the Scottish Building Federation, Scottish Business in the Community and the Scottish Renewables Forum.

We believe that the work needs to be done on a dramatic scale. Our estimate is that it would cost about £100 million a year, on top of what is spent already, to achieve a 10-year programme to cover the whole of Scotland. I entirely accept that the Government may have a different estimate, and if it can produce figures showing the number of jobs already done, which would not have to be included, let us hear them. If it can produce a different estimate of the cost savings using an area-based approach, which has an economy of scale built into it, let us hear what it is. We will not know that the Government is committing to such a project until we hear what the figures are.

The cabinet secretary understands the value of our proposal, and I think that he would like to be able to deliver it. He needs to make it clear to the Parliament that he intends to do so. He might have misspoken in his opening speech, so I will be clear. There are two elements to what we are arguing for. First, there is the advice, audit and insulation programme, which must be free, universal and area based, with the intention to cover the whole of Scotland over an ambitious timescale. That needs a clear commitment and Government funding. CERT money on its own—for meeting the carbon emissions reductions target—will not be sufficient.

The second element is a loan scheme, similar to the RE-charge scheme—for renewable energy—that operates in Kirkcaldy, which removes the barriers of installation costs at hard-to-treat properties by enabling people to put off repaying them until they sell their properties. I know that the cabinet secretary's colleagues are working on the detail of that, but I need to hear his intention to introduce such a scheme.

There are people who argue that the environment slips down the agenda in a recession, but I ask: when better than during a recession to stop wasting energy and wasting money? Let us hear the cabinet secretary commit to building the 21st century infrastructure that we need.

16:16

Willie Coffey (Kilmarnock and Loudoun) (SNP): I am pleased to support the cabinet secretary on the occasion of this, his second budget presentation. The debate might not have the same historic significance as last year's debate had, but it represents a milestone for us—not just for the cabinet secretary and the SNP Government, but for the Parliament. Big political events such as the SNP's first budget get publicity but, as members know, it is the daily, weekly, routine work of the Parliament that provides the effective governance that Scotland needs in these difficult times.

When the cabinet secretary introduced his first budget in January 2008, the economic signs were already ominous, but that was still a month before the announcement of the nationalisation of Northern Rock. Since then, the economic crisis has continued to unfold. The UK chancellor, the Prime Minister, the President of the European Commission and the governor of the Bank of England have all described the period as exceptional, as have members of the Parliament today. In such times, the pressure is on our still-young Parliament to rise to the challenge. External events—over which the Parliament has too little control—will make our task more difficult, but our challenge is to help Scotland steer a course through those events.

I was entertained by my colleague Kenny Gibson—who is no longer in the chamber—when he described the by-election candidate's leaflet. I was reminded of the song "My Lovely Horse" from "Father Ted". I also enjoyed the speech by Derek Brownlee—he has also left the chamber—who is always entertaining. I should also mention John Park, whose speeches I always enjoy, too. He always makes a case for investment in skills and training, and I like to listen to what he has to say on those matters.

Members are sometimes tempted to argue by anecdote, selectively picking service delivery issues and local budget pressures as if they never arose under previous Administrations. The Parliament must rise above that if we are to meet our communities' needs as they view the economic carnage that surrounds them. With some notable exceptions, there has been a great deal of consensus around budget priorities. There is a big difference between this year's debate and last year's.

We need to do more to provide housing for our communities, not only because that would be a good policy decision but because it would provide much-needed jobs for the construction industry. The budget allows for accelerated spend on affordable housing. In another first for devolution, the Scottish Government will make effective use of

all potential developers, including local authorities, and I am sure that many members will welcome that approach.

Although there is much agreement, the debate on training and skills development risks becoming a new form of demarcation dispute. The cabinet secretary has made it clear that the Government will continue to increase provision, focusing on key areas of the economy. I welcome that commitment, and I welcome the Government's decision to avoid being overprescriptive about how provision will be delivered. Like many other members who have an interest in the issue, I have doubts about the benefits of rigid central targets for particular forms of training. Education, training and skills development should meet not arbitrary targets but the needs of individuals and the economy.

In last month's debate on the local government settlement, members made pleas for more resources and spending. However, we must use the financial cards that Scotland has been dealt. We would all do more if we had more resources. I am pleased, for example, that the Scottish Government has addressed the £40 million gap in funding for free personal care, which is a problem that the Government was handed. However, underfunding of children's social work services, which has been a problem for years and has not been addressed by successive Governments, requires attention.

The cabinet secretary has committed to a review of the local government distribution formula—Sir Humphrey might describe his decision as "brave". Such a review is needed. I understand that the current arrangements have been in place since the 1980s, although they have been tinkered with. Some members who complain that their council is comparatively underfunded should perhaps explain to their electorate why the issue was not addressed when their party was in government. The issue could have been addressed much earlier.

Andy Kerr: I understand that there have been 32 reviews and attempts to reform grant-aided expenditure, all of which moved less than 1 per cent of the budget around local authorities in Scotland. It is an extremely difficult job to balance the needs of remote and rural communities, urban communities and areas of social deprivation.

Willie Coffey: I agree that it is a difficult job, but it is commonly acknowledged that the issue must be addressed. I look forward to progress being made.

In my local authority, East Ayrshire Council, the removal of ring fencing has released £1 million for deployment in different ways. I look forward to hearing the council's plans for addressing the local

community's needs. That is the nature of the agreement that we struck with local authorities, to which they were happy to sign up.

The Government has made important decisions that benefit my constituents, which are reflected in the budget. Resources for housing have been increased, threatened accident and emergency services have been saved, dental services have been improved and so on. In addition, the council tax freeze and the business rates reduction, which have been built into the budget, will help hard-pressed families in my constituency.

I regret that the devolution settlement does not provide the Parliament with the flexibility that independence, which is the best way forward for Scotland, would bring. However, the cabinet secretary's plans are informed by the SNP's vision of a better, more successful and more stable Scotland, which can build on its strengths. I commend the motion in the cabinet secretary's name.

The Deputy Presiding Officer: I call Frank McAveety, whom I thank for agreeing to speak for five minutes so that Margo MacDonald can speak for three.

16:22

Mr Frank McAveety (Glasgow Shettleston) (Lab): I did so with great reluctance.

I was intrigued by Kenny Gibson's allusion to a candidate who was photographed with his horse for a leaflet in Ayrshire, but we will leave the matter for examination at another time.

It is understandable that more heat and perhaps a little more light have been generated in this year's budget debate than was the case last year. The fault lines are clear. Conservatives have spent most of their time attacking Labour front-bench spokespersons, and SNP members have spent most of their time picking on Jeremy Purvis. Given the current economic circumstances, I would have thought that we were all Keynesians now, with the exception of the Liberal party, which favours tax cuts above reflation of the economy.

Jeremy Purvis: Will the member give way?

Mr McAveety: I want to make some points. I might be able to allow an intervention later in my speech.

The budget raises many issues that we need to address. I hope that the process will enable our minority Government to acknowledge that members of all parties have a genuine interest in getting the best deal, both for their constituents locally and in the national interest.

I am concerned about some of the comments that have been made. Derek Brownlee was

perhaps making an effort to camouflage the deal that he has struck with the SNP. He came across as a Conservative Rab C Nesbitt, whose tattered vest is still as shabby and still smells as much as last year's tattered vest. Behind the scenes, a deal has been struck between the Tories and the SNP to try to ensure that the budget bill is passed with minimum fuss. That is a reasonable objective, but it is not what the Administration and the Parliament should be doing.

We need to ensure maximum scrutiny of the Government's intentions to make sure that they reflect the diversity of opinion in the Parliament. That is reflected in Margo MacDonald's understandable endeavours to ensure some allocation of budget for Edinburgh. Such an allocation would be welcome for Edinburgh, but a number of other cities in Scotland could benefit from the same approach. I am not necessarily arguing a case solely for Glasgow. In recent years, we made progress on an urban policy that reflected the different pressures and strains in different cities throughout the country, and I regret that we have moved away from that policy.

I note with interest that the proposed arrangement essentially involves reallocating to Edinburgh business rates money that is collected nationally—an approach that, 12 years ago, I suggested should be piloted for Glasgow. There are issues that we need to explore further, and I hope that the minister will respond to them. The situation is a bit like Dickens's "A Tale of Two Cities":

"It was the best of times, it was the worst of times".

Perhaps Margo MacDonald feels that these have been the best of times for her.

The other thing that has worried me about the tone of the debate in recent weeks is the First Minister's attempt to make the budget process almost a showdown again. Liam McArthur referred to the Hollywood legend Rita Hayworth. Perhaps he and I have different perspectives on the matter. The First Minister reminded me more of Jack Palance throwing a gun down on the floor and saying "Pick up the gun!" to see who responds. If the poor wee goat herder picks it up, he will be obliterated. That might be the First Minister's agenda, but is not how Government—certainly not minority Government—should be run.

We need to address a number of fundamental issues. I will touch on some of the areas for which I have responsibility and make some suggestions. It might not be possible to address them fully in this budget round, but they are worth reflecting on. Everyone recognises that the economic difficulties that we are in require innovative solutions. They will not all be big, macroeconomic solutions at the European, UK and Scottish levels; we need to

lever the resources in where we can make a real difference.

Let us take sport as an example. Absolutely every member of the Parliament has in their area sports pavilions that are shabby, unkempt and could do with having some minor pieces of work done on them. Hutchison Vale Community Sports Club in Edinburgh has been campaigning heavily for the upgrading of sports pavilions through the relationship that it has been trying to establish with the City of Edinburgh Council and other partners. I ask members to imagine the benefits of such upgrading to the areas served by the sports pavilions and, more important, the even greater benefits to small businesses. Sustaining that economic activity strikes me as an innovative suggestion that could benefit both rural and urban Scotland.

None of us has any perfect school buildings. We can leave the big debate about how we fund capital infrastructure for another day, but let us consider the school grounds that many of us have in our areas. In my area, there are a number of old school grounds that date from 1902 and 1918. We need to address how we can fund them more effectively and ensure that kids maximise their use.

It is rather sad that, in the year of homecoming, we have reduced the budget for hospitality training and for investment in marketing, which is needed to ensure that we maximise the year's potential. I share the consensus that we want to benefit from it. I want to—

The Deputy Presiding Officer: I call Margo MacDonald.

Mr McAveety: Sorry.

16:28

Margo MacDonald (Lothians) (Ind): I thank Frank McAveety for his good intentions.

Before I discuss my plea to the cabinet secretary on measures to mitigate the effect of economic recession on Scotland's capital, I repeat a plea that I made privately to the First Minister last week. My plea was that he build a consensus with the other party leaders in the Parliament to seek from Her Majesty's Government an immediate amendment to the Scotland Act 1998 to endow the Parliament with the borrowing powers that are required to manage and balance, to best effect, our responsibilities to develop Scotland, with sensible economic and financial management practices.

Today, as always, the Opposition has repeated at every opportunity the mantra that the £33 billion that the finance secretary has to spend is more—much more—than his predecessors had. Let us be

a bit more honest with ourselves and with the Scots who are trying to work out to whom they should look for leadership in what Will Hutton of the Work Foundation described last night as Iceland on Thames and in Edinburgh. After we fulfil the commitments that, in effect, are decided by our statutory obligations, John Swinney can only move money around at the margins. That is why we need borrowing powers and an unemotional, unsentimental examination of how well the much-vaunted but busted UK economy is likely to provide the customised policies that would allow Scots to maximise their economic potential in the different circumstances that will follow what might be a decade of very low growth.

The finance secretary must do what he can to stimulate Scotland's economy with imagination and by making full use of our existing structures. He must protect the parts of our economy that are likely to provide the recovery and growth points. Edinburgh is one of those. On average, Edinburgh has contributed 13 per cent of Scotland's GDP, and much more than that in specific sectors. A recent study by Oxford Economics entitled "Which parts of Great Britain are vulnerable to the credit crunch?"—this answers some of Frank McAveety's points—shows the City of Edinburgh Council as the only Scottish local authority that is vulnerable. Edinburgh is ranked 14 out of 50 in the index of local authorities that are vulnerable to high numbers of job losses. Edinburgh's score in the vulnerability index is not much below that of greater London.

When the finance secretary and I met to discuss my suggestions about Edinburgh, I freely acknowledged that he has neither the statutory powers nor the resources to pull the sort of rabbit out of a hat that Lord Mandelson has demonstrated in providing £20 billion in support for small businesses. However, I indicated that my support could rest on the finance secretary's willingness to show flexibility on Edinburgh's financial position if the effects of the recession produce a situation of disproportionate unemployment—

The Deputy Presiding Officer: We must now move to the wind-up speeches. Mr Purvis, you have six minutes.

16:31

Jeremy Purvis: Before last year's debate, the Government helpfully sent all its back benchers a paper entitled "Budget Essentials from the SNP". The paper contained warnings about what would happen if the budget was not passed and which programmes would be scrapped. Many of the items that we heard about in last year's debate have also been mentioned today. The paper helpfully suggested:

"You may want to pick projects that affect the area or interests of the Opposition speakers."

I have seldom taken part in a debate in which I have been the focus of so much attention. I have been criticised for being both anti-Keynes and Herbert Hoover in one go. I have never been compared to so many historical figures. However, let me deal with one aspect of that curious take on history by looking back at the last time that this country faced such an economic storm, which was during the depression. That is no exaggeration, given the figures since Christmas, which have highlighted the difficulties that our economy faces. Whereas President Herbert Hoover increased taxes in the lead-up to an economic depression, those tax increases were reversed by President Roosevelt on the advice of Keynes. The Keynesian fiscal stimulus also included investment. I point out to Frank McAveety that Keynes also said:

"When the facts change, I change my mind. What do you do, sir?"

It has been asserted in the debate that, with Scotland having a fixed budget, it is impossible to reduce tax. However, three-year cuts in council tax and business rates were introduced in advance of the downturn.

Joe FitzPatrick: Will the member give way?

Jeremy Purvis: I will if I have time.

Altogether, those tax cuts will cost around £1 billion within a fixed budget, but the Government has claimed that they can be made at the same time as front-line services are protected. That has been the Government's position, which the Conservatives have supported. It is argued that, in principle, it is impossible to cut taxes on a fixed budget, but that is not the case.

When the Government came into office, it increased the levels of efficiency savings by 0.5 per cent, which is broadly the equivalent of a £400 million cut over the spending review period. Again, it is not the case that, in principle, efficiency savings cannot be increased without putting front-line services at risk, as has been asserted by the Government with the support of the Conservatives.

Most recently, parties at Westminster have had an opportunity to vote on a tax cut in the form of a reduction in VAT. The UK Government's VAT cut has been shown widely by commentators and others to be both highly costly and ineffectual. As Joe FitzPatrick said, the VAT cut was voted for by the SNP on the basis that it was a result of borrowing at a British level. Of course, the VAT cut will be paid for by the increase in national insurance when that comes through in due course, in the hope that the economy will be—

Joe FitzPatrick: Will the member take an intervention?

Jeremy Purvis: I will take an intervention on that point. I hope that the member admits that the VAT reduction for which his Westminster colleagues voted is to be funded by a tax increase.

Joe FitzPatrick: Mr Purvis is aware that we are talking about the Scottish budget, which is a fixed budget. Where would the £800 million of cuts that would be required to fund his 2p tax cut come from? Where would the Liberal Democrat cuts fall?

Jeremy Purvis: I am genuinely grateful to the member for admitting that what the SNP voted for in December is to be paid for by an increase in tax on Scottish families.

In principle, a tax cut within a fixed budget is possible, and greater efficiencies can be funded without front-line services being put at risk. That is the Government's policy.

Our policy is that Scottish Water's funding structure should change—that was in our manifesto, as all members know—and we have brought to the Parliament proposals on the new quangos that the Government has set up.

We have also argued that an infrastructure programme that provides better value for money can be delivered. One example is the Borders railway in my constituency, which members have mentioned. As a result of a decision that was taken by this Government, the Borders railway is to be funded entirely through borrowing, at a capital cost of £295 million. We estimate that the interest rate will be between 2 and 5 per cent over 30 years. It is curious that although the largest and longest rail project in the UK can be funded entirely through borrowing, the new Forth crossing cannot be funded in that way. We want to know the life cycle estimate, but the Scottish Government is not providing that.

There can be annualised efficiency savings; that approach can be taken, and we have to take it. Without a direct and specifically Scottish fiscal stimulus for the Scottish economy that is deliverable through structures that the current Government has put in place, the halving of council revenues from building control and planning applications that has already happened will be a drop in the ocean in comparison with the other revenue reductions that public services in Scotland will face for the next generation. If SNP members do not think that the storm that is affecting Scotland at the moment will have a considerable long-term, knock-on effect that must be addressed now, they will reap the criticisms of future generations.

16:37

Gavin Brown (Lothians) (Con): The Conservatives have been very constructive in their approach to the budget this year. That is important because the Scottish Parliament has an opportunity through responsible negotiations to secure a sensible budget for the people of Scotland.

Our discussions have two main aims: to push for Conservative policies to be included; and to push for other measures that will help the economy and mitigate the effects of the recession that we face. Any concessions from last year are utterly non-negotiable and any breaking of those promises will result in a vote against the budget at stage 3. Between now and then, a failure to support our proposals to help hard-pressed families and businesses will mean that we will not support the budget at stage 3.

I will discuss some of the comments that have been made in the debate. Mr Kerr talked about the successful VAT cuts that have been made by the chancellor and the Prime Minister. Is Mr Kerr the only person who has not read recent reports about retail? Has he not seen the report from the British Retail Consortium that retail sales since the VAT cut have been the worst in 14 years? The figures are only the worst in 14 years because the survey has been operating for only 14 years. On a like-for-like basis, sales are down 3.3 per cent, which is bad enough, but when we add into the mix the fact that many retailers were offering 50, 60 and 70 per cent discounts, the news is very bad indeed.

Although they did not mention it today, we have heard many times from Labour members that the VAT cut is worth £270 to the average Scottish family over the course of 13 months. The only problem is that a family wishing to take advantage of that £270 must spend £10,000 in order to do so and, in the current climate, not many families are capable of doing that.

Let us turn to what the Liberal Democrats had to say. I feel slightly guilty about saying anything about the Liberal Democrats after the savage kicking that they have taken from members of all parties; were I to comment on their position, it would be a bit like swatting a butterfly. However, there is a point that it is important to make about their proposed 2p cut in income tax. It is not 100 per cent clear whether they still want the 2p cut in Scotland as well as the cut in the rest of the UK—they seem particularly cagey about that. The proposal to cut income tax in Scotland by 2p might well have been ditched. When I asked Liam McArthur whether he could name one Scottish business organisation that was in favour of the proposal, he cited the example of Next which, the

last time I checked, was not a Scottish business organisation.

The reason why cutting income tax by 2p is such a bad idea is that, by definition, it would mean that £800 million would be cut from public services. The Liberal Democrats do not have a clue where any of the money would come from, other than from the Scottish Futures Trust. I am happy to take Mr Purvis's intervention so that, even at this late stage in the game, he can tell us where the money would come from.

Jeremy Purvis: If I may, I will ask the member a question—it is his speech, after all. How many business groups and retailers are saying that what the Conservatives have asked for from the budget is the proper response to the economic situation that Scotland faces? Our call for a review of Scottish Water, the money from which the Conservatives would wish to use for tax cuts, is an example of an issue on which there could be consensus between our parties. Perhaps there is more between us than there is between the Conservatives and other parties in the Parliament.

Gavin Brown: Mr Purvis asked which businesses and business organisations have said that they approve of Conservative plans on the budget. I can answer that in three words: small business bonus. From 1 April 2009, practically every small business—of which there are more than 120,000 the length and breadth of Scotland, some of which are in his constituency—will not pay a penny in business rates. Our plans have received support not only from businesses but from every business organisation in the country.

Last year, we achieved a number of successes, as the Government has pointed out. There are extra police on the street to prevent and detect crime, the small business rates cut has been accelerated and we now have a drugs strategy that places an emphasis on recovery rather than on damage limitation or damage maintenance. We look forward to more progress being made on those policy areas this year. We have also made our own suggestions which, as others have mentioned, include our policy on hospital-acquired infections, as part of which we want an electronic bed management system to be operated on a ward-by-ward basis. Not only would that proposal, which could gain cross-party support, save lives and help to make patients healthier and keep them out of danger; it would, in the long run, be good economically for the national health service.

Once again, the Conservatives have taken an extremely responsible approach to negotiations on the budget. We are pushing for measures to help the economy and for other Conservative policies. Our position at stage 3 will depend entirely on the Government response between now and then.

16:43

David Whitton (Strathkelvin and Bearsden) (Lab): In summing up on behalf of the Labour Party, I think that it is important to re-emphasise that this is a Parliament of minorities. In order for the SNP to get its budget bill passed, there must be negotiations, some give and take, and perhaps even an acceptance that another policy or point of view is better than its own.

As the Scottish media do their best to hype up the budget discussions into something akin to an old firm clash or even a Scotland v England encounter, they are being aided in their endeavours by our very own Dr No, the First Minister, and his financial muscle man, Mr Swinney. *[Interruption.]* I thought that I was being kind. "We will resign if we don't get our budget passed," they say, which is not the most constructive way of entering into negotiations, but the First Minister has form on that. In the fantasy financial world that he inhabits, it is okay to ask the Treasury for more than £2 billion from future budgets to build a bridge, to announce his plan before he has received a reply and, when the plan is refused, to state that he will not take no for an answer. I hope that Mr Swinney will be more constructive in his talks with us in the days to come.

Everyone in the chamber realises the seriousness of the situation affecting the global economy; we read every day of its impact here in Scotland and in the rest of the UK. Reports this week from the chief economist of the Royal Bank of Scotland show construction orders falling to another record low, and the purchasing managers index Scotland report also shows record drops in Scotland's services sector and manufacturing sector. As the rate of unemployment starts to rise, there has been a worrying indicator from the tourism and leisure sector, where the rate of job shedding has been faster than ever previously recorded.

Doing something about those challenges is not only a job for Mr Swinney and his Government but a job for us all. My colleague Mr Kerr has already outlined the actions that the Labour Government at Westminster is taking to help hard-pressed families and businesses through these troubled times. I do not know about saving the world, but it can be fairly argued that the Prime Minister and the chancellor have certainly saved Scotland's two biggest banks. The sum of money that has been pumped in to do that is more than the annual budget of the Scottish Government. If we then add the extra money for small businesses, for pensioners and for those with families, Scotland has cause to welcome the devolution dividend.

In his speech, Mr Brownlee said a couple of interesting things. One phrase that I noted was

“what Labour does is so important”.

I could not agree more. He went on to comment on a *Daily Record* headline. It is a long time since I contributed to such headlines—at least 20 years I think—but the particular headline that Mr Brownlee mentioned seemed to me to be spot on. However, I will take issue with Mr Brownlee and his colleagues on one issue. If this is a Labour recession, why are the economic situations in Germany, Spain, France and even Ireland all getting worse?

The SNP has had plenty to say about Mr Purvis, so I will not add to his afternoon of misery.

Patrick Harvie offered some interesting thoughts on an insulation programme. We on this side of the chamber would certainly carefully consider any project that seeks to create green jobs.

Alex Neil, Joe FitzPatrick and Kenny Gibson all did a number on Jeremy Purvis and the Liberals' tax-cutting proposals which, as we now know, would take £800 million out of the Government's budgets. The attacks would have some credibility if the attackers did not also support the introduction of a local income tax, which would leave a black hole in local government finances of a similar size. I would like to be a fly on the wall when negotiations on the local income tax proposals begin.

I said in a previous debate that we on this side of the chamber will be a responsible Opposition. It is to Mr Swinney's credit that, at least this year, he has asked us in for talks about the budget. In his speech earlier, Mr Kerr detailed the ideas that we presented last year. All those ideas were ignored because of the backroom deal done with the Tories and nothing that I have heard this afternoon makes me believe that efforts have not already been made to stitch something up again.

However, as has been described, Scotland is in a completely different economic situation now. The media constantly ask, “What do you want?” Our leader, Iain Gray, made the answer perfectly plain last week by calling for a budget for jobs and the economy. Mr Kerr has repeated that call again today. We are being consistent in our demands.

When we brought forward our 15-point plan to help Scotland to weather the economic storm, it was met with derision by SNP members, yet many of the measures that we suggested have now been adopted by the SNP. Indeed, Mr Swinney has even gone so far as to describe the plan as “very helpful”. That was a real change in tone, which I hope Mr Neil was paying attention to.

As outlined by John Park, more apprenticeships and skills training are still at the top of our shopping list, as is investment in PACE teams. Cathy Jamieson has detailed the kind of measures

that we want to see on housing. I draw particular attention to concerns about housing association grants and allocations for affordable housing programmes in Edinburgh and Glasgow.

Jackie Baillie made important points about health board allocations and the measures that are required to tackle hospital-acquired infections. I think that everyone in the chamber would support such measures.

In an all-too-short speech, Frank McAveety presented some excellent ideas on sports pavilions and the need to repair them. I would have thought that the construction apprentices mentioned by John Park could tackle that job, albeit under supervision.

The common thread of Labour's speeches has been that we want a budget that, as far as possible, protects front-line public services and brings forward investment for new schools, houses and hospitals. As we have heard, Mr Swinney has a budget of more than £33 billion to spend. We understand that much of that is already committed, but we know that he has some flexibility. Mr Kerr has outlined where the finances for some of what we are asking for could come from.

Margo MacDonald: Will the member give way?

David Whitton: Very briefly, and only because it is Margo MacDonald.

Margo MacDonald: Is the Labour Party inclined to support the suggestion that I am about to put to the minister, which is that the non-domestic rates revenue that leaves Edinburgh every year should remain in the city if the effect of the tsunami is as bad as the prognosis from Oxford Economics?

David Whitton: I am sorry, but I must disappoint Margo MacDonald. I do not think that we would support that suggestion, as the current economic situation is affecting not just Edinburgh but every town and city in Scotland.

The budget is a true test of the SNP Government. More than ever, Scotland needs a budget that will help our people through tough economic times. If the Government can agree with us the way forward to boost jobs and protect public services, it will have our support. If we believe that it plans to put jobs and services at risk, we will vote against it. The true test will come when we return in a fortnight's time to debate the bill at stage 3. We will know then whether our discussions with Mr Swinney have borne fruit.

16:51

John Swinney: David Whitton has certainly increased the chances of those discussions being fruitful by changing his description of me from “Ebenezer Scrooge”—which is what he called me

in the last budget debate, if my memory serves me right—to “muscle man” of the SNP Administration. I suspect that that is a tribute to the regime that has been keenly observed since 1 January 2009.

I reassure Margo MacDonald that the Government will consider carefully the economic impact of the wider economic climate on Edinburgh. As I have said today, the capital city supplement is designed to support Edinburgh in performing some of the activities that we all expect the city, as our capital, to perform in what is undeniably a difficult climate.

Patrick Harvie set out—as he has set out clearly in private and public discussions—the Scottish Green Party’s thinking on its contribution to the budget process. The Government is keen to continue its discussion with the Green party on an area-based house insulation scheme. I was interested to hear Mr Whitton’s comments a moment ago about the value of such an initiative. In my view, such a scheme would be available to all homes in the areas that were initially chosen. After that, following evaluation, we would identify the best way in which to deliver such schemes throughout Scotland over an ambitious timescale.

The Government will also produce proposals for a significant loan mechanism to improve hard-to-treat properties that do not have lofts or cavity walls to insulate. That will be properly funded by the Scottish Government as part of a scheme that is designed to introduce additional, independent funding. I confirm to Parliament our ambition to bring forward such a scheme. We will have further discussion on those issues.

I say to Mr Brownlee, Mr Johnstone and Mr Brown, who spoke for the Conservatives, that there is no question of our budget proposals bringing into question the issues that we agreed on last year, which were part of the budget bill that was passed by Parliament in 2008. We will continue with our commitments to deliver 1,000 police officers and to ensure the implementation of the entire small business bonus scheme. There is a general view in Parliament that the constructive discussions that took place last year on drugs policy have left Scottish policy in a stronger position than it was in before those discussions. Of course, we remain open to discussion on those matters.

Mr Whitton talked about the approach that is being taken in our discussions with the Labour Party. He said that the Labour Party was not invited to talks last year because a deal had been done with the Conservatives. I can say only that the logic of that remark is that, if the Labour Party has been invited to talks this year, a deal has not been done with the Conservative party.

I am delighted with the discussions that we have had with the Labour Party. Those discussions reflect the fact that the Government recognises that it operates without a majority and must secure parliamentary agreement to our proposals. In that respect, a number of the speeches by Labour members have helped. John Park spoke about the role of PACE and the importance of support for skills. The points that I made about PACE in my opening remarks were designed to reassure the chamber that the Government is alert to the challenge of supporting individuals who become unemployed. The Government will do everything that it can to support them.

Duncan McNeil (Greenock and Inverclyde (Lab)): The minister might not be aware that, this morning, the chief executive of the Scottish Building Federation gave the Local Government and Communities Committee the shocking news that the industry’s intake of apprentices this year will be down by 700 and that hundreds of apprentices face redundancy. Irrespective of the budget process—although perhaps through it—can we be assured that the Government will intervene in this matter?

John Swinney: The Government is anxious to maintain the levels of skills in key areas of the economy. The evidence that has been given by the Scottish Building Federation is consistent with information that that organisation has given directly to me. We will continue to reflect on those points.

Jackie Baillie and Cathy Jamieson talked about health-care and hospital-acquired infection. I was able to clarify with Cathy Jamieson the point that the initial allocation of funding to health boards in the current financial year has already substantially increased because of decisions that the Deputy First Minister took to distribute central resources to health boards. Obviously, that is done with all urgency within the financial year.

The Government takes the issue of hospital-acquired infection enormously seriously, which is why spending has increased by 260 per cent in that area. I acknowledge the publication of the Labour Party’s 15-point action plan, but I point out that, today, we have disclosed figures through Health Protection Scotland that show that MRSA rates are now at their lowest since surveillance reporting began and that C diff rates are down by 17 per cent on the previous quarter and 2 per cent on the same quarter last year. Sustained activity is required, and the Government will ensure that that happens.

Jackie Baillie: Will the cabinet secretary acknowledge that, if the C diff rates are compared with those in the same quarter in the previous year, the downward trend that he describes is not shown?

John Swinney: I will not give a definitive answer to Jackie Baillie as the precise figures that I referred to a moment ago are no longer in front of me, but I think that they confirm the point that I was making. I will confirm that in writing to Jackie Baillie.

Margo MacDonald: Will the member give way?

John Swinney: I am afraid that I will have to decline that invitation, as I must put on the record two important points.

Everyone understands that we are involved in a zero-sum game. We have a fixed financial envelope so, if we make changes within that, we have to take resources from another part of the budget. I look forward to the discussions that will take place with other political parties, and I can assure Parliament that we will engage in those discussions in a constructive way, recognising that, if we are to afford new priorities, we have to be prepared to take resources away from another area of public expenditure, as Willie Coffey said.

An important process must be undertaken in Parliament. The members of the public who elected us expect us to do as much as we can to support them through the economic recovery. That is the approach that will be taken by ministers.

Decision Time

17:00

The Presiding Officer (Alex Fergusson):

There is one question to be put as a result of today's business. The question is, that motion S3M-3161, in the name of John Swinney, on the Budget (Scotland) (No 2) Bill, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR

Adam, Brian (Aberdeen North) (SNP)
 Ahmad, Bashir (Glasgow) (SNP)
 Aitken, Bill (Glasgow) (Con)
 Alexander, Ms Wendy (Paisley North) (Lab)
 Allan, Alasdair (Western Isles) (SNP)
 Baillie, Jackie (Dumbarton) (Lab)
 Baker, Claire (Mid Scotland and Fife) (Lab)
 Baker, Richard (North East Scotland) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brocklebank, Ted (Mid Scotland and Fife) (Con)
 Brown, Gavin (Lothians) (Con)
 Brown, Keith (Ochil) (SNP)
 Brownlee, Derek (South of Scotland) (Con)
 Butler, Bill (Glasgow Anniesland) (Lab)
 Campbell, Aileen (South of Scotland) (SNP)
 Carlaw, Jackson (West of Scotland) (Con)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Coffey, Willie (Kilmarnock and Loudoun) (SNP)
 Constance, Angela (Livingston) (SNP)
 Crawford, Bruce (Stirling) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Curran, Margaret (Glasgow Baillieston) (Lab)
 Don, Nigel (North East Scotland) (SNP)
 Doris, Bob (Glasgow) (SNP)
 Eadie, Helen (Dunfermline East) (Lab)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Ferguson, Patricia (Glasgow Maryhill) (Lab)
 FitzPatrick, Joe (Dundee West) (SNP)
 Foulkes, George (Lothians) (Lab)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Gibson, Kenneth (Cunninghame North) (SNP)
 Gibson, Rob (Highlands and Islands) (SNP)
 Glen, Marlyn (North East Scotland) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Goldie, Annabel (West of Scotland) (Con)
 Gordon, Charlie (Glasgow Cathcart) (Lab)
 Grahame, Christine (South of Scotland) (SNP)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (East Lothian) (Lab)
 Harper, Robin (Lothians) (Green)
 Harvie, Christopher (Mid Scotland and Fife) (SNP)
 Harvie, Patrick (Glasgow) (Green)
 Henry, Hugh (Paisley South) (Lab)
 Hepburn, Jamie (Central Scotland) (SNP)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Adam (South of Scotland) (SNP)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Johnstone, Alex (North East Scotland) (Con)
 Kelly, James (Glasgow Rutherglen) (Lab)
 Kerr, Andy (East Kilbride) (Lab)
 Kidd, Bill (Glasgow) (SNP)

Lamont, Johann (Glasgow Pollok) (Lab)
 Lamont, John (Roxburgh and Berwickshire) (Con)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Lochhead, Richard (Moray) (SNP)
 MacAskill, Kenny (Edinburgh East and Musselburgh) (SNP)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Ken (Eastwood) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 Marwick, Tricia (Central Fife) (SNP)
 Mather, Jim (Argyll and Bute) (SNP)
 Matheson, Michael (Falkirk West) (SNP)
 Maxwell, Stewart (West of Scotland) (SNP)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Tom (Hamilton South) (Lab)
 McConnell, Jack (Motherwell and Wishaw) (Lab)
 McGrigor, Jamie (Highlands and Islands) (Con)
 McKee, Ian (Lothians) (SNP)
 McKelvie, Christina (Central Scotland) (SNP)
 McLetchie, David (Edinburgh Pentlands) (Con)
 McMahon, Michael (Hamilton North and Bellshill) (Lab)
 McMillan, Stuart (West of Scotland) (SNP)
 McNeil, Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Milne, Nanette (North East Scotland) (Con)
 Mitchell, Margaret (Central Scotland) (Con)
 Morgan, Alasdair (South of Scotland) (SNP)
 Mulligan, Mary (Linlithgow) (Lab)
 Murray, Elaine (Dumfries) (Lab)
 Neil, Alex (Central Scotland) (SNP)
 Oldfather, Irene (Cunninghame South) (Lab)
 Park, John (Mid Scotland and Fife) (Lab)
 Paterson, Gil (West of Scotland) (SNP)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Robison, Shona (Dundee East) (SNP)
 Russell, Michael (South of Scotland) (SNP)
 Salmond, Alex (Gordon) (SNP)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, John (Ayr) (Con)
 Simpson, Dr Richard (Mid Scotland and Fife) (Lab)
 Smith, Elizabeth (Mid Scotland and Fife) (Con)
 Somerville, Shirley-Anne (Lothians) (SNP)
 Stevenson, Stewart (Banff and Buchan) (SNP)
 Stewart, David (Highlands and Islands) (Lab)
 Sturgeon, Nicola (Glasgow Govan) (SNP)
 Swinney, John (North Tayside) (SNP)
 Thompson, Dave (Highlands and Islands) (SNP)
 Watt, Maureen (North East Scotland) (SNP)
 Welsh, Andrew (Angus) (SNP)
 White, Sandra (Glasgow) (SNP)
 Whitton, David (Strathkelvin and Bearsden) (Lab)
 Wilson, Bill (West of Scotland) (SNP)
 Wilson, John (Central Scotland) (SNP)

AGAINST

Brown, Robert (Glasgow) (LD)
 Finnie, Ross (West of Scotland) (LD)
 Hume, Jim (South of Scotland) (LD)
 McArthur, Liam (Orkney) (LD)
 McInnes, Alison (North East Scotland) (LD)
 Munro, John Farquhar (Ross, Skye and Inverness West) (LD)
 O'Donnell, Hugh (Central Scotland) (LD)
 Pringle, Mike (Edinburgh South) (LD)
 Purvis, Jeremy (Tweeddale, Ettrick and Lauderdale) (LD)
 Rumbles, Mike (West Aberdeenshire and Kincardine) (LD)
 Scott, Tavish (Shetland) (LD)
 Smith, Iain (North East Fife) (LD)
 Smith, Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Stone, Jamie (Caithness, Sutherland and Easter Ross)

(LD)
 Tolson, Jim (Dunfermline West) (LD)

ABSTENTIONS

MacDonald, Margo (Lothians) (Ind)

The Presiding Officer: The result of the division is: For 107, Against 16, Abstentions 1.

Motion agreed to.

That the Parliament agrees to the general principles of the Budget (Scotland) (No.2) Bill.

FINANCE COMMITTEE
EXTRACT FROM THE MINUTES
2nd Meeting, 2009 (Session 3)
Tuesday 20 January 2009

Present:

Jackie Baillie (Deputy Convener)	Derek Brownlee
Joe FitzPatrick	James Kelly
Alex Neil	Jeremy Purvis
Andrew Welsh (Convener)	David Whitton

The meeting opened at 2.01 pm.

Budget (Scotland) (No.2) Bill: The Committee considered the Bill at Stage 2. Section 1, schedules 1 and 2, section 2, schedules 3 and 4, sections 3 to 5, schedule 5 and sections 6 to 10 and the long title were agreed to without amendment.

Scottish Parliament

Finance Committee

Tuesday 20 January 2009

[THE CONVENER *opened the meeting at 14:01*]

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

The Convener (Andrew Welsh): Good afternoon and welcome to the Finance Committee's second meeting in 2009, in the third session of the Scottish Parliament. I ask all members and members of the public to turn off their mobile phones and pagers.

The first agenda item is stage 2 consideration of the Budget (Scotland) (No 2) Bill. As well as having a copy of the bill, members also have a note from the clerk. I draw attention to two procedural points: first, only a member of the Scottish Government can lodge amendments to the bill; and, secondly, as paragraph 5 of the clerk's note makes clear, it is not possible to leave out a section or schedule by disagreeing to it, because an amendment to do so would first have to be lodged.

I thought that it might be useful if, before starting our formal proceedings, I allowed the Cabinet Secretary for Finance and Sustainable Growth to make some explanatory remarks about the bill and gave members an opportunity to ask questions.

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): Thank you, convener. It is a pleasure to come before the committee once again for stage 2 consideration of the budget bill.

As I did in the parliamentary debate just before Christmas, I put on record my thanks to the committee for its published assessment of the Government's budget bill. I issued the Government's formal response to the committee's findings to the convener on 7 January. To assist members, I will explain certain details in the bill.

I point out certain differences between the draft budget and the bill, with reference to tables 1.2 and 1.3 in the bill's supporting document. Column A of table 1.2 sets out by portfolio the 2009-10 budget as shown in the draft budget document, which was published last September. Column F sets out the draft budget, as it needs to be restated for the budget bill, and columns B to E provide details of the adjustments that are necessary to meet the statutory requirements of the parliamentary process.

I will outline the major adjustments. First, there is the exclusion of £83.5 million of non-departmental public body non-cash costs, which do not require parliamentary approval and relate mainly to capital charges and to bodies such as the national institutions, Scottish Enterprise and Scottish Natural Heritage.

Secondly, we have taken into account income of just over £1.7 billion from national insurance contributions, which is being used to fund approximately 14 per cent of health and wellbeing portfolio expenditure.

The third major adjustment is the exclusion of local authority supported borrowing and judicial salaries, which amount to a little over £330 million and again do not require parliamentary approval.

Fourthly, portfolio budgets have been adjusted to reflect the requirement for separate parliamentary approval for a number of directly funded and external bodies, including the National Archives of Scotland, the Forestry Commission and the Food Standards Agency.

The final adjustment is the restatement of specific grants that are included in the overall 2009-10 local authority settlement and which remain under the control of the cabinet secretary with responsibility for those policies. For example, the Cabinet Secretary for Justice remains responsible for the police grant. Full details of all grants treated in that way are set out in the summary table on page 75 of the supporting document.

Those adjustments are essentially technical and do not change in any way the budget that has been scrutinised by this committee and others and approved in principle by Parliament. They are simply an explanation of the reconciliation that has taken place and form part of the process of parliamentary approval.

Table 1.3 sets out changes to the original draft budget that are now included in the 2009-10 budget bill. The changes fall into three main categories. First, there are updated estimates of annually managed expenditure, which have been provided to Her Majesty's Treasury as part of the normal process of monitoring such items. The largest increase is in teachers' and national health service pensions, reflecting the most recent actuarial valuation.

The second change is in additional net spending, mainly to reflect commitments in relation to police, fire and teachers' pensions. That has been funded largely from non-domestic rates income based on local authorities' most recent forecasts.

Thirdly, there are changes as a result of accelerated capital expenditure of approximately

£230 million, on which I have already made a number of detailed announcements. Those changes, of course, follow as a result of the Chancellor of the Exchequer's announcement in the pre-budget report of his willingness to accelerate capital expenditure for 2010-11 into 2008-09 and 2009-10 and are detailed in column I in table 1.3.

As I made clear last week to Parliament, I remain committed to an open and constructive approach to the 2009-10 budget process and continue to seek consensus and agreement on a budget that will meet the needs of Scotland's people during these difficult economic times. Although I appreciate that this part of the process is largely technical and procedural, I welcome any comments and suggestions that will help to build such a consensus as we move towards next week's stage 3 budget debate.

I hope that my explanation has been helpful. I am very happy to answer questions.

The Convener: I thank the cabinet secretary for his explanatory remarks. If members have no questions, we will move to the formal proceedings.

There are no amendments to deal with but, under standing orders, we are obliged to consider and agree to formally each section of and schedule to the bill and its long title. We shall take the sections in order, with each schedule being taken immediately after the section that introduces it. We will take the long title last.

Fortunately, standing orders allow us to put a single question when groups of sections or schedules fall to be considered consecutively. Unless members disagree, that is what I propose to do. Are we agreed?

Members indicated agreement.

Section 1 agreed to.

Schedules 1 and 2 agreed to.

Section 2 agreed to.

Schedules 3 and 4 agreed to.

Sections 3 to 5 agreed to.

Schedule 5 agreed to,

Sections 6 to 10 agreed to.

Long title agreed to.

The Convener: That ends stage 2 consideration of the bill. The Parliament has already agreed that stage 3 proceedings will take place on Wednesday, 28 January, and members might wish to note that the deadline for Scottish ministers to lodge stage 3 amendments is 4.30 pm on Thursday, 22 January.

I thank the cabinet secretary and his officials for appearing this afternoon. We will have a short suspension.

14:09

Meeting suspended.

EXTRACT FROM MINUTES OF PROCEEDINGS

Vol. 2, No. 49 Session 3

Meeting of the Parliament

Wednesday 28 January 2009

Note: (DT) signifies a decision taken at Decision Time.

Budget (Scotland) (No.2) Bill: The Cabinet Secretary for Finance and Sustainable Growth (John Swinney) moved S3M-3299—That the Parliament agrees that the Budget (Scotland) (No.2) Bill be passed.

After debate, the motion was disagreed to ((DT) by division: For 64, Against 64, Abstentions 0, motion disagreed to on casting vote).

Accordingly the Budget (Scotland) (No.2) Bill fell.

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

The Presiding Officer (Alex Fergusson): The next item of business is a debate on motion S3M-3299, in the name of John Swinney, on the Budget (Scotland) (No 2) Bill. I remind members that the Presiding Officers no longer give a one-minute warning before the end of a speech. The debate is oversubscribed, so members must be careful to ensure that they do not exceed the time allocated to them.

14:34

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): I hope that the moderator was speaking to all members of the Parliament when he said, "Look after the pennies and the pounds will look after themselves."

In the two weeks since the Parliament emphatically endorsed the general principles of the Budget (Scotland) (No 2) Bill, the Government has been working to establish the broadest consensus on its proposals. Our focus has been to produce a budget that does everything that we can do within the powers of the Scottish Parliament to support recovery from the difficult economic conditions that we now face.

In those discussions, I have been able to offer reassurance that the Government will continue to deliver on the decisions that it made last year to reduce business rates for small companies, provide the resources to freeze the council tax, put more police on our streets, tackle climate change and invest in our health and public services. Building on the concordat, we will take forward our proposals in partnership with local government in recognition of the real and effective leadership that local authorities exercise in every part of our country. That partnership will be crucial to delivering economic recovery throughout Scotland.

Our budget will allow us to continue to focus on delivering our overarching purpose of increasing sustainable economic growth in Scotland, and it is vital that the Parliament agree to it. The latest Scottish gross domestic product statistics, which were released this morning, give the clearest indication yet that Scotland is already in a serious recession. At a time of such economic difficulty, we need to get every penny of public resources into the economy as quickly as possible and, if Parliament does not support the budget, public spending in 2009-10 will be £1.8 billion lower than the Government proposes that it should be. That would mean around £600 million less for health and wellbeing and around £640 million less for local government. The people of Scotland would also miss out on all the accelerated capital

investment that we want to bring forward and that the Opposition has demanded. That would have a crippling impact on jobs and services in all our constituencies.

Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Will the cabinet secretary give way?

John Swinney: Perhaps Mr Rumbles will explain how he would solve the problem.

Mike Rumbles: Will the Cabinet Secretary for Finance and Sustainable Growth confirm that, if we do not agree to the budget bill this afternoon, he has ample time to bring back to Parliament another budget that we can vote on and which can be implemented in the new financial year?

John Swinney: If Mr Rumbles is in any way in touch with the local authority that he represents, he will know that it intends to set its council tax on 12 February to allow for its efficient collection. It is reckless to do what he is trying to do. Minority government may be a challenge, but it also places a responsibility on the other parties in the Parliament. Now is not the time to play party politics at the expense of the jobs and livelihoods of the people we serve. The people of Scotland expect politicians of all parties to be bigger than that and to do everything in their power to reach mature agreement on an effective budget that meets the nation's needs in these challenging economic times.

Patrick Harvie (Glasgow) (Green): Does the cabinet secretary not have the grace to acknowledge that some of us are not playing last-minute party political games but have been working since early October? Why are we at this last-ditch throwing back and forward of e-mails trying to make final deals? Does he not know that, even as part of a minority Government, he has the power to do a lot better than that?

John Swinney: Mr Harvie and I have been involved in many discussions for a long time—as I have been with all parties in Parliament.

I will explain to members how the Government intends to address the issues. One of the greatest challenges that we face in the months ahead is safeguarding jobs or, where that is not possible, supporting individuals who face unemployment. We are taking action to tackle that issue. The Cabinet Secretary for Education and Lifelong Learning announced a range of improvements to partnership action for continuing employment, the unique partnership initiative that helps people to deal with redundancy. Those improvements included dedicating 80 Skills Development Scotland professionals to work alongside staff in Jobcentre Plus to support people who face redundancy. We have also announced that the Scottish Further and Higher Education Funding

Council has decided to allocate £7 million so that colleges can work more closely with PACE.

In addition, I announce that the next round of applications for support under the European social fund will include commitments of up to £50 million of new resources to assist with skills development and employability initiatives. Further, I announce that, due to the Government's representations, we have secured European Union agreement to change the nature of our programmes to support people in employment who may face redundancy. That is a major achievement, which is of clear, practical benefit to the people of Scotland.

The Government is committed to increasing the number of training places in Scotland to 50,000, through modern apprenticeships and other schemes, by December 2011. In our budget discussions, the Labour Party raised the question of apprenticeships. We will do everything possible to help apprentices who face redundancy find alternative employment so they can complete their modern apprenticeship. Where that is not possible, we will ensure that apprentices can complete alternative suitable training. Effective co-operation between Skills Development Scotland and the Scottish Further and Higher Education Funding Council will provide for that.

We are also acting to protect families in the face of the current economic difficulties. We will invest further in the open-market shared equity scheme and plan to increase spending on that to £60 million to assist those at risk of losing their homes. We have made provision for extra legal advice, and I was delighted to announce a new credit union fund to assist individuals and the investment of £70 million of new money that we plan to make available to allow local authorities to freeze the council tax again in 2009-10.

For businesses, we will push ahead with our plans, with Parliament's approval, to complete the implementation of the small business bonus scheme in April 2009 and scrap the rates for many thousands more businesses across Scotland. A crucial part of our Government's economic recovery programme includes a package of accelerated capital expenditure, which is in addition to the major programme of capital investment of more than £3.5 billion this year and next. Last August, we brought forward a total of £100 million of affordable housing spending, and yesterday the Deputy First Minister announced that £17 million of that will be invested to speed up the delivery of affordable housing and help us meet the serious challenges facing Scotland's house-building industry.

On top of that investment, we plan to push ahead with spending worth £230 million in the next year to improve roads, build schools and deliver major infrastructure projects across Scotland. That

£230 million of accelerated capital spending alone will generate work and support as many as 4,700 jobs to keep our economy moving. As the country faces up to the reality of recession, those jobs will be a vital lifeline for local economies the length and breadth of Scotland. However, those jobs will be created and the projects will happen only if Parliament supports the budget today.

Margo MacDonald (Lothians) (Ind): On the additional funding to which the cabinet secretary just referred, is there flexibility in its disbursement vis-à-vis the position of local authorities that are just managing and local authorities, such as the City of Edinburgh Council, that face crises in, for example, affordable housing?

John Swinney: Ministers will of course take great care to consider the circumstances in different areas of the country—for example, the availability of housing and the challenges that individual authorities face—and we will do all that we can to ensure that affordable housing is delivered in the areas that need it most.

We recognise that we must do more than what I have set out, and I have two further announcements to make to Parliament today. First, our town centres face major challenges in this economic climate. We want to support their development and ensure that there is a positive economic and employment benefit. In their input to the budget process, the Conservatives have set out the arguments for a new fund to support town centres. I have therefore decided to bring forward in the autumn budget revision the resources required to put in place a town centre regeneration fund to assist our towns to deal with the consequences of current economic conditions. We will work with relevant partners to arrange the roll-out of the fund, which will be established in 2009-10 at £60 million. [Applause.]

The Presiding Officer: Order.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): Will the cabinet secretary take an intervention?

John Swinney: I ask Mr Purvis to allow me to make some more progress.

Secondly, after discussions with the Scottish Green Party, I committed the Government at stage 1 to a programme of home insulation measures. According to the 2007 Scottish house condition survey, 1.8 million homes in Scotland are suitable for basic insulation measures, such as loft and cavity wall insulation. Of those, more than half a million do not have cavity wall insulation and 1 million have no, or inadequate, loft insulation. That not only represents a scandalous waste of resources but condemns many of our fellow citizens to fuel poverty.

Therefore, at the suggestion of the Scottish Green Party, we propose a radical new initiative to tackle that scandal head on. We will commit £22 million of resources from central Government as the first stage this year. That will allow us, with our social partners, to provide up to 100,000 homes in area-based schemes with energy efficiency advice and assistance and with loft and/or cavity wall insulation where that is suitable and appropriate. In the Government's view, such a scheme should be available to all homes in the areas that are initially chosen.

The Government will also produce proposals for a significant loan mechanism to improve hard-to-treat properties that do not have lofts or cavity walls that can be insulated. Our ambition is to eradicate poor insulation from the Scottish housing stock, given all the benefits that such a move will bring for family budgets and for achieving our crucial environmental targets. The initiative will also have the effect of creating valuable employment in every part of the country.

We have shown our commitment to ambitious targets in the Climate Change (Scotland) Bill. The substantial programme that I have announced will be an early step towards meeting our 10-year ambition to make the required impact on emissions by 2020—a commitment that will be enshrined in legislation in due course. In budgetary terms, the Government is committed to enhancing the initiative in order to deliver on our agreed commitments. Evaluation at the end of the first phase will enable us to work out how best to implement the remainder of the action on housing to realise our 2020 ambitions across the country. We look forward to working with the Scottish Green Party to take that forward. We want to ensure that our initiative commands support within Parliament and involvement throughout the country to transform our approach to insulation and fuel poverty.

I will fund those two initiatives by increases in non-domestic rate income that I have so far not declared and by a further tranche of capital expenditure that I have secured from Her Majesty's Treasury.

The budget that I have set out today is a budget for economic recovery to tackle the serious challenges that we face. The Government is delivering for the people of Scotland in these tough economic times, and the responsible thing for all members to do is support a budget that invests in Scotland's economy and public services. If the budget is not passed, those who vote against it will need to explain why, in turning their backs on £1.8 billion of additional public expenditure, they have said no to capital investment and the creation of thousands of jobs in Scotland. I commend the budget to Parliament.

I move,

That the Parliament agrees that the Budget (Scotland) (No.2) Bill be passed.

The Presiding Officer: Given the importance of the debate, I will allow each Opposition party's opening speaker to overrun by a few seconds, but that time will be taken off the party's closing speaker.

14:48

Andy Kerr (East Kilbride) (Lab): What we have heard is the building of consensus, but that building of consensus has been on only the Scottish National Party's terms. That has been an unfortunate aspect of all the discussions on the budget.

At stage 1 of the bill, I made it clear that the Labour Party was willing to engage with the Government in a serious debate on the budget. We did not give the budget an emphatic endorsement—as the cabinet secretary has tried to claim—but we showed willingness to work and to co-operate in producing a budget for Scotland.

In a global economic crisis, budgets are correctly seen as being a true test of Governments throughout the world. Labour's response at United Kingdom level shows that the Labour Government is meeting that global challenge. The UK Government has been acknowledged by many to be leading the world's response to the economic conditions of the day. *[Interruption.]* If Conservative members want to read the Nobel prize-winning economist Paul Krugman, they might find that he disagrees with them.

However, the Scottish Government's budget remains largely unchanged and unaltered since the economic downturn—the budget that we are considering today is not dissimilar to the original proposition. In my view, the Scottish Government's budget fails that key economic test.

At stage 1, we showed our willingness to work with the Government for the good of Scotland. I said then that we would continue to support the budget, but in discussions the Government has failed to meet any of the reasonable demands that the Labour Party has made. I had hoped that the Government would stop playing the games that we have seen it play today, and that it would produce a budget that protects the Scottish economy and people. It has failed to do so.

I said that I looked forward to "fruitful and beneficial" discussions with Mr Swinney. Sadly, my party and I have been let down in that process, so it is with regret that I advise Parliament that Labour is unable to support the budget bill, which fails to acknowledge the serious nature of the current economic climate or to match the needs of

the nation and its people. We set out our reasonable demands on behalf of those people. The Government could have met them: they were achievable, constructive and—most important—they would have made a difference.

We made proposals to address the challenges that are faced by the thousands who have recently lost their jobs, by those whose jobs are under threat and by the young people who are seeing opportunities disappear from before their eyes. As Patrick Harvie did, we set out our proposals in good time, so it is a great pity that Mr Swinney chose to focus his attention on those matters only in the past few days of the discussions. The Scottish National Party would prefer to block Labour's plans to offer opportunities for apprenticeships and help the people who face unemployment—it has put party before country, so it seems that the SNP is yet again more interested in its own narrow political interest. On every occasion on which the First Minister uses the word “consensus”, he means consensus on the SNP's terms. That is not the meaning of consensus.

There is the irony of the town centre regeneration fund, which I welcome. Last year, Labour proposed measures to tackle the threatened demise of our town centres—the town centre turnaround fund. Since then, household names such as Woolworths and Zavvi have disappeared and other companies and shops have gone into administration, which is why we need action and why the SNP will have our support for that aspect of its budget, although not the collective point, which I will address later. It is interesting to note that although the town centre turnaround fund, as proposed by Labour last year, was turned down by the SNP and the Tories, the idea has been resurrected to save the embarrassment and blushes of the Tories and to ensure that they got something out of the deal. The Tories are late to the game, but I welcome their involvement in it, nonetheless.

We were right last year, and we are right again this year, about the need for the budget to address the needs of our economy. It is right that Labour has sought an extra 23,400 adult and young person apprenticeships over the next three years—opportunities that would be seized by our young people but which have been refused by the SNP. It is right that Labour has sought additional funding for partnership action for continuing employment: it is right that we support people who are facing redundancy.

Those chances have been offered but have been refused by the SNP. It is right that Labour sought to ensure that the money for our health service goes to the boards that represent communities—to respect those who are in

greatest need and get that money to the front line. That, too, has been refused by the SNP.

On apprenticeships, it is shameful that the political will could not be found to meet that request. At this time in the economic cycle, it is vital that we invest in apprenticeships. We do not want to return to the large-scale youth unemployment of the 1980s, but the SNP has not been prepared to come up to the mark. Not only has it not come up to the mark that Labour in Scotland wanted it to come up to, but it does not even compare adequately with the rest of the UK. In Scotland, just over 10,500 apprentices will start this year. In England, the number will be 250,000, and will be 250,000 in each subsequent year. The one-year rise in apprenticeship places that is proposed would do nothing to restore employer confidence in the system of apprenticeships in Scotland. Employers would not gear up to take on those apprentices. Our request was proportionate and sensible, and would address the needs of individuals and companies throughout the Scottish economy. It would have been a mixture of apprenticeships for adults and apprenticeships for those who are starting out in work. Again, the measure was opposed by the SNP.

The SNP has said in the past that Scottish workers have a better level of skills than their colleagues in other parts of the UK, but if we continue in this way we will not be saying that for much longer. We need quality training opportunities that strike the right balance between what employers want and what will benefit our people.

People in Scotland are ahead of the game because of the previous Labour-led Administration's past investment in apprenticeship schemes. That investment has now been deserted. There was a tenfold increase under the Labour-led Administration, but it is all being let go by the SNP Administration.

Labour also has a strong and proud record of developing learning at work. On this side of the chamber, we understand how important that is, so we cannot understand why the SNP has chosen not to support expansion in the number of apprenticeships. Theirs is a partisan response to a valid proposal on apprenticeships, which we find very disappointing. An opportunity has been missed, and I fear that the result will be bad for Scots and bad for our economy.

Margo MacDonald: I wonder whether the Opposition has investigated the tax increment financing scheme, to see whether it provides an opportunity for more apprenticeships.

Andy Kerr: I am currently examining that scheme and reading through the documentation. I therefore reserve my view on the issue until later.

We welcome some of the Government's partnership action for continuing employment measures, but they are simply not enough. We want more work to be done on PACE. The service—with its high-quality intervention—has to be delivered throughout Scotland. When PACE is properly funded and adequately resourced, it will be a power for good, so further investment must be made.

I have said before that we welcome proposals on the regeneration of town centres. However, it is ironic that we welcome late to the debate both the Scottish National Party and the Tories.

Much has been said about our 15-point plan. Mr Swinney has said to the media on a number of occasions that he welcomes the 15-point plan and understands its rationale. He has said that he has engaged with the plan and tried to meet some of its points. However, that plan was developed in October and this budget is for April. Yet again, the indolence of the Administration in the face of a serious economic crisis and challenge takes one's breath away.

The 15-point plan was a genuine effort by Labour to engage with the Government on how it could best address the economic challenge. Point 1 of the plan was to begin an immediate review of the Scottish budget to prioritise job creation, investment in skills and infrastructure, and support for households weathering the fall-out of the global economic crisis.

John Swinney: Does not Mr Kerr accept that I have acknowledged publicly that the Government has accepted and taken forward a number of the suggestions in the Labour Party's plan, including expansion of the Scottish manufacturing advisory service, the bringing forward of capital investment projects, and the bringing forward—without consent from Her Majesty's Treasury—of £100 million of affordable housing expenditure to boost the construction sector in Scotland?

Andy Kerr: Of course, the Government has also delayed the building of Low Moss prison for two years. That project is itemised in detail in our plan. It has also refused to address the key issues that businesses up and down the country are telling Parliament will be to the detriment of the Scottish economy—the Scottish Futures Trust and the local income tax, both of which have been ignored.

It is ironic that Mr Swinney can say in his opening remarks that the Government wants money to go

“into the economy as quickly as possible”.

For two years, the Government has had chances to bring forward a decent proposal for the Scottish Futures Trust, but the trust has yet to see the light of day. The Government's inability to make

progress with the Scottish Futures Trust is why the pipeline of projects that keeps workers in jobs and keeps businesses in operation is now empty.

Iain McMillan of the Confederation of British Industry Scotland has said that

“the Scottish Government's support for business often appears only to be skin deep”.

Those are not my words, but the words of the leader of CBI Scotland. He went on to say that

“ministers need to do much more in 2009 than they have to date to develop our economy for the long term”.

That is wishful thinking from Mr McMillan. He has been further let down by this budget today.

Although Mr Swinney claims that economic growth is the Government's top priority, I do not believe that the budget matches that ambition. The Government must ensure that it reverses cuts in education, tourism and enterprise spending, and it must deal with the six-point plan. The Government has failed to address many of the key issues that we have raised.

I could say much more in this debate, but my colleagues will address some of the key issues that Labour has raised. The Government's budget response to the downturn remains wholly inadequate. The Government remains complacent in its response to global economic conditions.

14:59

Derek Brownlee (South of Scotland) (Con): If Andy Kerr's speech has told us one thing, it is this: after yesterday's back-bench revolt, Iain Gray is not so much the leader of the Scottish Labour Party as he is the prisoner of the Scottish Labour Party.

Last month, Labour members voted against the budget. A fortnight ago, they voted for it; now, they are against it again. Labour has achieved the impossible: Iain Gray's performance on this budget makes Wendy Alexander's performance last year look like the work of a master strategist. Even the Liberal Democrats look more consistent. Having for months demanded extra spending on infrastructure, Labour will today vote against £230 million of it. Having for months demanded more support for schools and training, Labour will today vote against it. Having demanded more money for health, Labour will today vote to cut £600 million from the national health service.

If Labour votes against the budget today, Labour will impose a council tax increase of 30 per cent—£350 extra for every band D household. That is Labour's Scottish tax bombshell. Labour's recession is bad enough, but today Scottish Labour wants to make it worse by taking billions of pounds out of the economy.

There are those who argue that this should be a recession budget—Scotland's solution to the severe economic situation that we are now in. In reality, redeploying the Scottish budget cannot reverse the recession. Patrick Harvie may argue that £100 million could insulate every home in Scotland, but even £34 billion will not insulate Scotland from Labour's recession. All that we can do is seek to mitigate the impact of the recession and to ensure that we take the right long-term decisions on education, infrastructure and making Scotland as competitive as possible to enable our recovery to be stronger when it comes.

Last year, we were attacked for doing what every party has done this year—for talking with the Government and working to advance our policies. The results were clear. The Conservatives delivered cuts in business rates for small and medium-sized businesses that were worth £50 million last year and an additional £50 million this year. We delivered more police and a new approach on drugs policy. Labour and the Liberal Democrats have achieved nothing. Labour may have had little influence on this budget, but it will affect the Scottish budget for many years to come because of the mess of the public finances at UK level under Labour. Funding for the devolved Administrations will bear the brunt of Labour's cuts for the next decade, thanks to Gordon Brown.

We welcome the accelerated capital spend, but the hangover will come in 2010-11. It is to prepare for that, and for the difficult choices that will be presented by a Scottish budget that is relatively static in real terms, that the Conservatives have called for a budget review to conduct a root-and-branch examination of public spending.

Before the last election, the Conservatives called for a dedicated fund to support regeneration in small towns throughout Scotland. Our manifesto outlined plans for a fund of £20 million each year—£80 million over the session of Parliament—to improve high streets up and down the country.

Michael McMahon (Hamilton North and Bellshill) (Lab): If the Conservatives found town centre regeneration so important, why did they vote against that opportunity when it was presented in last year's budget? I have watched "Celebrity Big Brother" over the past wee while and seen Mini Me; will Derek Brownlee stop being Mini Swinney and address the Government's budget?

Derek Brownlee: I will tell Michael McMahon why we did not support Labour's proposal last year. The Labour Party's interest in our scheme was so keen that it copied it and put it in its own manifesto. However, it did not say at the time that it intended to take the money to pay for it away from councils. That was last year's scheme—that was Labour's cunning plan. It was part of a £100

million-plus raid on council budgets, which was promoted by Labour last year. Only Labour could think that cutting councils' budgets would help them to spend more on regeneration.

Some commentators were sceptical that the fund would ever be delivered. For example, during the election campaign, one said of the Conservatives:

"They will never introduce this town centre regeneration fund in Scotland. The Tories are an irrelevance."

Ironically, those were the words of one Tavish Scott who has, since 2007, elevated irrelevance to a point of political principle—the only one, it appears, that the Liberal Democrats have.

Irrelevant they may be, but even the Lib Dems, on occasion, know a good idea when they see one. Only two days after Tavish Scott pronounced that the fund would never happen, their then leader, Nicol Stephen, came up with a plan to

"breathe new life into small towns".

His plan centred on a radical new idea—a small town regeneration fund. Both Labour and the Liberal Democrats had eight years in which to turn such ideas into reality, but they did absolutely nothing. It is the Conservatives who are delivering where Labour and the Liberal Democrats failed to do so. This year, £60 million is being spent on regeneration of our town centres, which is a shot in the arm not just for communities, but for businesses and contractors throughout Scotland, who will find work in tackling the blight that affects too many of our high streets.

Our aim is not to achieve a perfect budget, but to improve the current one, as we did last year. There are aspects of the budget with which we disagree, just as there are aspects that we support, such as growth in spending on roads, the council tax freeze and funding to deliver what was promised years ago on free personal care, but which Labour and the Liberal Democrats failed to deliver.

With the town centre regeneration fund, the measures to cut small business rates will see rate bills abolished or slashed for 150,000 small and medium-sized businesses, which makes this a budget for Scotland's high streets and small businesses.

Taken together, the elements in the package of measures that we have secured in the budget total a quarter of a billion pounds. That money will put police on our streets, help shield 150,000 small businesses from the worst of Labour's recession and help to regenerate high streets across Scotland. That is what the Conservatives have achieved. Having delivered Conservative policies for the second year in a row—a quarter of a billion

pounds-worth of Conservative policies—we will support the budget today.

15:06

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): Last week, the Cabinet Secretary for Education and Lifelong Learning said that at the heart of the Government's economic recovery programme is a package of accelerated capital spending. We agree with that acceleration and will work with the Government to secure much-needed investment in the key sectors of construction and infrastructure. However, it is telling that, as the Government said, that package is by and large the result of the Westminster Government's decision to accelerate capital spending.

With further news yesterday from the CBI's distributive trade survey showing the weakest forecast for retail since the survey began in 1983, David Lonsdale, the assistant director of CBI Scotland, is quoted as saying:

"Recent decisions to trim VAT and slash interest rates have yet to trump shoppers' worries ... this caution is dampening consumer demand."

The official gross domestic product figures for the third quarter of last year, which were published today, show a sharper fall in Scotland than has happened in the rest of the UK. That is deeply sobering. The UK construction sector grew by 2.4 per cent from the third quarter of 2007 to the third quarter of 2008, but in Scotland, the construction sector shrank by 3.4 per cent. In the same period, the financial services sector grew by 6.6 per cent in the UK but shrank by 4.8 per cent in Scotland. Those figures are proof positive that the decisions that have been taken by this Scottish Government, which have stalled the momentum of investment in infrastructure and construction, are hurting the Scottish economy.

The state of consumer confidence in Scotland and the profile of our economy mean that organisations such as King Sturge are forecasting that the recession will be longer and deeper in Scotland than it will south of the border. That is why the announcements about small towns and town centre regeneration—welcome as they are—are an insufficient response.

On the £60 million town centre regeneration fund, on 28 June 2007, when Mr Brownlee and I were asking the Minister for Environment, Michael Russell, for support that would progress the work that had been started by the previous Administration on the Convention of Scottish Local Authorities' small towns review, including town centre regeneration, Mr Russell replied:

"I am happy to arrange for that to happen so that we are working cross-party and in the spirit of consensus to

improve our towns throughout Scotland."—[*Official Report*, 28 June 2007; c 1281.]

That was all well and good in June 2007, but what happened subsequently was a slashing of regeneration budgets in Scottish Enterprise and no further work being done with COSLA on its town centre regeneration study. What we are being told about today is the correction of two years of failure.

The highlight of the budget, after a fortnight of negotiations, is a difference of 0.17 per cent from the budget that we discussed at stage 1. That is the result of the work of the Conservatives. Last year, John Swinney famously said that the result of the Conservatives' negotiations was the equivalent of half a day's Government expenditure in Scotland. This year, it is the equivalent of the time it will take Mr Brownlee to make Mr Swinney a cup of coffee.

Derek Brownlee: Mr Purvis mentioned a figure for the change in the budget as a result of the Conservatives. Will he confirm what percentage of the budget will change as a result of the Liberal Democrats? Is it 0.000 per cent?

Jeremy Purvis: What we argued for, as Mr Brownlee may well know, would be a substantial response to the economic situation that we are in. [*Interruption.*]

The Presiding Officer: Order.

Jeremy Purvis: What we have is the weakest and most reduced response of any national or devolved Government in western Europe. We did have a tax cut before Christmas. It was the SNP-favoured VAT cut, which it voted for in London. However, that means that, in 2011—a month before the next Scottish Parliament elections—there will be national insurance and tax hikes for everyone who works in Scotland. The Government denies it, but that is the reality.

Every SNP speaker in the previous debate on the matter, and Mr Brownlee today, said that it is impossible to reduce tax in a fixed budget. In his speech in the previous debate, Joe FitzPatrick, who is a sincere man, argued clearly that it is impossible to have a tax cut in Scotland within a fixed budget, and he listed all the areas that would be at risk. Yesterday, I received an answer to a parliamentary question that confirms that the estimated cost of the council tax freeze and business rate cuts in the current spending review period is £840 million. I wonder which hospitals the SNP is closing, which infrastructure projects it is shelving and how many council cleaners are to be sacked as a result of its tax cuts.

We are told that the Government believes in tax cuts; indeed, its response to the report from the

Council of Economic Advisers, which we debated just last week, mentions

“Scottish families sharing in a £420 million tax saving”.

Within the binding constraints of a fixed budget, we have nearly £1 billion of tax cuts from the SNP, and within the UK pre-budget measures it voted for an ineffectual VAT reduction. It is not a question of the principle—the question is whether the tax cuts are appropriate, given the state of the economy and the situation that we are in.

We began the debate in the autumn by asking to work with other parties to secure a deeper and more effective fiscal stimulus. Last week, the Conservatives helpfully and clearly argued that Scottish Water’s borrowing consent of up to £250 million could be better used to protect front-line services and put money back in people’s pockets. That is what we are arguing for, so that we have a proper response for the economy in Scotland. Today, the Scottish Parliament information centre confirmed that, under the Government’s input-output model, the direct fiscal stimulus of a 2p cut would directly and indirectly support 9,200 jobs in Scotland, even if 20 per cent of it were to be saved. We need a debate about the matter, because without proper fiscal stimulus, the Scottish economy will be in a deeper and longer recession.

The budget is woefully inadequate and has been changed by just 0.17 per cent by the Conservatives. In unprecedented times, that is why we will not support the budget later today.

15:13

Joe FitzPatrick (Dundee West) (SNP): I add my support for the budget which, as the cabinet secretary said, is vital to Scotland’s economic stability. We must recognise that economic stability should be Parliament’s top priority, given that it has been confirmed that the UK is in recession since we started this year’s budget process. To put that in context, the International Monetary Fund announced today just how bad the recession is: in the past couple of hours, it has revised its prediction that the UK economy will contract by 2.2 per cent and now predicts that it will contract by 2.8 per cent. The worst contraction of any economy in the developed world is happening on Gordon Brown’s and Labour’s watch.

I will not pretend that our constituents are crowded around “Holyrood Live” or hanging on every word of today’s debate, but we should make no mistake that what we decide today will make a huge difference to businesses and families throughout Scotland. As a result of the historic concordat with local authorities, the budget proposes a further £70 million a year to ensure

that, in these tough times, families throughout Scotland will not have a single extra penny added to their council tax bills. That is a welcome change from the days when local authorities were forced to make a stark choice between cutting services and making large increases in council tax bills. With a second year of the council tax freeze, my constituents in Dundee will have saved an average of £120 a year.

The alternative prospect is, of course, that the budget will be voted down. As local government budgets must be set in a little over a month, substantial increases in council tax bills would be needed to make up for the huge shortfall that will exist if we are forced to revert to last year’s budget.

In Dundee, the shortfall would be over £12 million, which would necessitate a 20 per cent increase in council tax for hard-pressed households. That would amount to £233 on a band D property in Dundee—or, to put it another way, a £20 a month Labour surcharge on council tax bills in the city, instead of the freeze that this budget proposes.

Today’s budget vote is a clear choice between a real-terms cut in council tax for every household in Scotland and a potential increase of hundreds of pounds. It might have escaped the attention of Mr Purvis and the Liberal Democrats, but for all their bluster about tax cuts, his party will, if it votes against the budget, be voting for a tax increase.

The budget is good news for small businesses. Phase 2 of the small business bonus scheme is set to benefit 150,000 small businesses. The Scottish Government’s proposed 2009-10 budget would mean that from April, 3,000 businesses in Dundee would have their business rates reduced to zero, and another 4,500 would have their rates reduced by up to 50 per cent.

To vote against the budget threatens the viability of small businesses the length and breadth of the country. Without the budget, those 150,000 businesses will have to navigate what is predicted to be the most economically challenging year in a generation without the lifeline that the small business bonus scheme offers. It is not going too far to say that many of those might not make it to the end of the year.

In order to address the economic downturn and to ensure that Scotland comes out the other side, the cabinet secretary gave a commitment to bring forward funding where possible. As a result, the budget proposes a £120 million acceleration in the affordable housing budget over this year and next. That will provide for Dundee £700,000 of housing investment, which has been announced for Hillcrest Housing Association. As well as providing much needed family-sized affordable housing, that

investment will help the hard-pressed construction industry to weather the economic storm. All that is at risk if the budget falls.

Members should make no mistake—there is only one budget on the table today. If it falls, we go back to last year's budget.

Jeremy Purvis: The information that I received from the clerk to the Finance Committee, of which Mr FitzPatrick is also a member, indicated that that is simply not the case. The Government would be able to introduce either an order of revision for last year's budget or a new budget. The member is scaremongering.

Joe FitzPatrick: The fact remains that we are voting for the budget today, and there is only one budget on the table. If it is not passed, the efforts that the Government wants to make to help Scotland's economy will be—*[Interruption.]*

The Deputy Presiding Officer (Alasdair Morgan): Order.

Joe FitzPatrick: The budget that has been laid before Parliament will help to mitigate the worst effects of the recession. This is no time to play politics with people's livelihoods, so I make it clear to members who intend to vote against the budget that they will be taking money directly out of the pockets of families and small businesses in Scotland. That would be reprehensible at the best of times, but it is unforgivable when it is set against the background of the current tough economic situation.

Failure to support the budget would put at risk the massive investment in energy efficiency and the £22 million package that the cabinet secretary announced in his speech. I hope that everyone pays attention to the consequences for the people of Scotland of failing to support the budget. The £230 million of capital expenditure that the UK Government has brought forward; the support for 5,000 jobs, particularly in the construction sector; and the funding that has been brought forward for the Scottish exhibition and conference centre, the Edinburgh bioquarter, the Fife energy park and road improvements throughout Scotland, would all be put at risk.

There is £50 million of additional—

The Deputy Presiding Officer: I am afraid that the member's time is up.

15:19

James Kelly (Glasgow Rutherglen) (Lab): I welcome the opportunity to take part in the debate, which comes at an important time of economic crisis at home and abroad. On the international front, there have been 524,000 job losses in the United States; the price of oil has dropped to \$45

a barrel; and German output has slumped by 6.6 per cent. At home in the past year, 20,000 construction jobs have been lost and unemployment has risen by 13,000. Only this morning, it was announced that Scotland's GDP had contracted by 0.8 per cent.

It is clear that setting a budget at this time presents a tremendous challenge, but it also presents an opportunity to try to protect Scotland from the ravages of the recession. The UK Government proposed an economic stimulus package to support families and businesses throughout the country, but I am afraid that the Scottish National Party's budget is short of the mark.

Alex Neil (Central Scotland) (SNP): Only £18 billion of the £113 billion that the UK Government is borrowing this year is for stimulus. Perhaps a large part of the problem and the reason why we are in the mess that we are in is that Gordon Brown has misspent the other £90-odd billion.

James Kelly: When we discussed the pre-budget report, the cabinet secretary welcomed the stimulus package, which is providing a welcome boost to the UK economy, including the Scottish economy.

On the Scottish budget's priorities, I point to a couple of examples in my constituency that will resonate throughout Scotland. In the past week, 150 jobs have, unfortunately, been lost at the Vion plant in Cambuslang. Job losses are being announced regularly throughout Scotland. In such times, we should look for a package that will boost communities and jobs and lead to investment in skills. Those are priorities.

Protecting the NHS is also a priority. There are 37 general practitioners in Rutherglen and Cambuslang. That is the fourth lowest number of GPs in the 73 Scottish parliamentary constituencies. The NHS budget becomes more important at a time when we need to address health inequalities.

The Scottish Government has come up short in delivering in those areas. With respect to jobs and skills, it has not supported the Labour Party's proposal to produce 23,400 apprentices over the three-year period. Proposing that at this time is correct for two reasons. First, jobs would be boosted and our young people would be helped. Secondly, people would be skilled up for when we come out of the recession or economic downturn in the future.

The full 3.9 per cent increase in health spending will not be passed on to health boards in the budget; only 3.2 per cent will be passed on to the boards. That means that health boards will be faced with serious challenges in trying to deliver

primary care facilities and front-line services. Our NHS is not being protected.

On funding the commitments that have been made, there is a cumulative underspend of £65 million to date over the spending review period. That underspend would fund the spending that is required to meet the shortfall in NHS board budgets.

The Government should ditch the Scottish Futures Trust. For a start, that would raise £23 million from that organisation's budget, particularly from its payroll costs. To coin a phrase, film-star wages are being paid. Furthermore, if the Government is serious about boosting the economy, it should drop the local income tax proposals. Doing so would bring forward £281 million from future budgets.

The budget should be opposed. It will not meet the needs of our times; it will not lead to investment in skills or jobs; and it will not protect the NHS. The budget, which is supported by the SNP's lapdogs—the Tories—does not provide the answers and is short on hope and inspiration. At 5 o'clock, the message that should go out from the Parliament is, "Time to think again, Mr Swinney."

15:25

Nigel Don (North East Scotland) (SNP): I would actually like to talk about the budget. I will start my survey of the many areas that the budget covers with education and lifelong learning. What is that budget about? It aims to

"focus classroom practice upon the child"

and on the four capacities of education. The investment is in there. We want to

"ensure all children and young people have the best start in life and promote early intervention to protect vulnerable children and families at risk".

The budget will

"support implementation of *Skills for Scotland*"

and it will support students. It will invest £1.5 billion in further and higher education institutions in Scotland. I say that because it addresses the point that was made about the small changes that are made to any budget when it is discussed. Those are long-term measures, most of which involve fixed costs. That is the way it should be, because if we do not have the general trend of travel right in the first place, everything will be wrong.

The health and wellbeing budget states:

"The portfolio is responsible for developing and implementing effective policies and programmes that:

- protect and improve the health of the people of Scotland;
- tackle health inequalities;

- promote equality, and tackle discrimination, prejudice and disadvantage;

- provide high quality health care ...

- promote social inclusion and reduce poverty;

- increase the supply of good quality, affordable housing ...

- regenerate communities; and

- promote physical activity and participation".

Once again, we are talking about long-term measures. James Kelly told us that the budget will not protect the health service. I warn him, as he does not seem to have noticed, that if the budget is voted down, that budget heading will lose £500 million. I recall that, when we last had an election, the Labour Party told us that all the spare money would go into education, so I take it that that £500 million would not have been there anyway.

Rhona Brankin (Midlothian) (Lab): On the subject of education, will the member take an intervention?

Nigel Don: No, because I want to move on to justice. I am sorry, but I have issues to cover.

Rhona Brankin: There is a lot of reading still in there.

The Deputy Presiding Officer: Order.

Nigel Don: Under the justice heading, there is

"capital investment to support the ongoing development and modernisation of the Scottish Prison Service".

If members would like to know what condition the service was in when the Cabinet Secretary for Justice inherited it, please ask him. There is the best part of £10 million

"to deliver Firelink, a modern digital radio communication system for our fire and rescue services."

Yes, we need them. There are funds to get the courts up to date and to make

"an additional 1,000 police officers available in our communities".

There is about £30 million for better drug treatments as well as increases in legal aid funding and centrally funded police costs. If the budget is not passed, there is another £40 million under that heading for which somebody in the chamber will have to be held responsible. The Government is trying to get that kind of thing right.

I refer members to the local government portfolio. I ought to declare an interest in that, like the rest of us, I actually live somewhere—in Aberdeen. I will come to my council tax in a moment. The key spending priorities include "freezing council tax rates", as well as

"making additional police officers available"

and

“reducing or removing business rates for all small businesses”,

of which I will say a little more in a moment. The priorities also include improving the learning experience through the curriculum for excellence; expanding pre-school provision; providing allowances for kinship carers of looked-after children; and providing carer support. If you have not done the numbers—sorry, Presiding Officer, you probably have done them. If members have not done the numbers, £500 million will be lost from that budget heading if the budget is not passed.

I am sure that members would like to know what the implications are for their local community. I would like to tell my local community about that.

Rhona Brankin: Will the member take an intervention on numbers?

Nigel Don: Why not?

Rhona Brankin: Because of the SNP’s previous budget, which was supported by the Conservatives, there is supposedly a 2 per cent efficiency saving in education budgets—

Members: You wanted 3 per cent.

The Deputy Presiding Officer: Order.

Rhona Brankin: Thank you, Presiding Officer.

In fact, throughout Scotland, we are seeing cuts in education budgets of between 4 and 6 per cent. Is the member content with that number?

Nigel Don: The member will notice that the efficiency savings that this Government has introduced are being kept by local authorities, whereas they would have been grabbed back by a party that did not get itself elected. I remind the member that local authorities make their own decisions according to their local needs. That is called democracy.

I will spend my remaining minute on the figures for Aberdeen City Council and Aberdeenshire Council—I have already declared my interest in that. For those of us who stay in the north-east, there will be a 17 per cent increase in council tax, which amounts to the best part of £200 per annum for a band D property. I also point out to those who live in that part of the world that the small business bonus in this budget alone—never mind last year’s budget—is worth £18 million to that community.

If this budget is not passed today, I hope that the folk in that part of the world will understand that it is not the SNP or the Tories but the Labour Party and the Liberals who simply do not understand what they are doing.

15:31

Hugh Henry (Paisley South) (Lab): One of the things that would help us all would be to have as much information as possible about not only the budget, but current negotiations and discussions on it. To that extent, those of us who remain in the chamber are at a disadvantage. It would be helpful to know exactly what Alex Salmond said to Patrick Harvie when he called him from the chamber to further the negotiations, because that could help influence what the rest of us conclude about the value of not only the debate but the budget itself.

The cabinet secretary is absolutely right: now is not the time to play party politics. In the current circumstances, we need stability and a degree of certainty and we have to encourage improved confidence not only in the business community but in all communities throughout Scotland. It would therefore be helpful if the cabinet secretary were to remove two of the spectres that are haunting not only people in Scotland but the Scottish economy. The first spectre is the unnecessary referendum that the cabinet secretary and the First Minister are threatening. Apart from wasting money on the process, they are introducing a degree of uncertainty among the business community in particular. The second spectre is the local income tax, which has been denounced from virtually every quarter and which is causing huge uncertainty among businesses big and small throughout the country. If this budget is to have any resonance and any effect, measures such as the local income tax should be removed completely from the table.

Tricia Marwick (Central Fife) (SNP): Will the member take an intervention?

Hugh Henry: No thank you. I attempted to clarify something with the cabinet secretary earlier, but he refused to take an intervention.

One of the problems that we have in debates such as this is that there had been high hopes for a new beginning in the Scottish Parliament and for a new way of doing things, but what we have seen is the introduction of pork-barrel politics of the worst kind, which has never been seen before in this country. I do not condemn the individuals who are looking to maximise the returns for their specific interest or area, but, given the composition of the Parliament, I do not think that that process serves the greater body politic.

The budget should address a number of things. The cabinet secretary talked about accelerating capital funding. Any such acceleration is undoubtedly to be welcomed, but if the cabinet secretary was genuine about making that effective, he would surely abandon the proposals for the Scottish Futures Trust. I really do not care where the money comes from as long as it comes

quickly and effectively. A stranglehold is being put on new investment the length and breadth of Scotland because of dogmatic politics on the part of the cabinet secretary and his colleagues.

I welcome the nod in the direction of our hard-pressed town centres. That was long overdue, and I have argued for it. The Tories may laugh but even Derek Brownlee, if he looks at the record, will be able to read the joined-up writing and see that I have argued that point for a number of years. We need clarification on the potential contradiction between what the cabinet secretary said today and what Stewart Maxwell wrote on 3 June 2008:

"A new ring-fenced fund would inevitably only lead to greater bureaucracy and unnecessary micro-management from the centre."

We need a guarantee that there will be a fund, that it will be ring fenced, and that it will not be used for other purposes. If Stewart Maxwell is wrong, the cabinet secretary needs to spell that out.

The council tax freeze to which the cabinet secretary referred might well put money in the pockets of individuals across the country, and I am sure that most people would welcome any extra money that they might be left with. The cabinet secretary and his colleagues must face up to the problem of inadequate local government funding, which is having a devastating effect on quality of life the length and breadth of Scotland.

I have previously set out in the chamber some of the consequences in my area of Renfrewshire. Six nursery schools and a primary school are to be closed. Money is to be removed from the budget of every school in Renfrewshire. Probationary teachers are being used to plug holes in the supply of the teachers who should be on permanent contracts. That is the reality. Warden services are being reduced, and libraries and neighbourhood offices are being closed. The cost of children's swimming lessons has increased. Services across the country have been hit, particularly in Renfrewshire, and we are seeing the damaging consequences of the SNP's economic illiteracy.

15:37

David McLetchie (Edinburgh Pentlands)
(Con): In considering the Government's budget proposals, three key points should be borne in mind. First, Scotland is an integral part of the United Kingdom and the Scottish economy's future rests far more on Her Majesty's Government's decisions on fiscal and monetary policy than it does on any decision that is taken in the chamber today. The UK budget is £623 billion; ours is £33 billion, which is barely 5 per cent of the total. Accordingly, a sense of perspective and proportion would be welcome.

Secondly, even in a budget of £33 billion, there is remarkably little room for manoeuvre because of the substantial and on-going commitments that Governments of any political complexion must meet for the running of our public services. Those who are employed in the public sector account for more than a quarter of our workforce and despite the ludicrous claims made—now and in the past—about Scotland being turned into a public services wasteland, that never was and never will be the case, irrespective of which party is in government here or at Westminster. We still need approximately 63,000 nurses, more than 17,000 police officers and 52,000 teachers, and they and the others who work in the public sector deserve to be properly paid for their contribution to our country.

Most public finance experts reckon that the scope for change in a budget in any one year is of the order of a maximum of 2 per cent. Public finance is like an oil tanker that takes a very long time to turn around. Accordingly, the scope for changing and reprofiling the Scottish devolved budget in any given year is, in monetary terms, barely £700 million. It is against that scale of possible change that we should measure the outcomes and achievements of the various parties in this Parliament of minorities in shaping the budget that is being presented today.

Thirdly, drawing up a Scottish budget is a zero-sum game. We have no general borrowing power; that is probably just as well, given that Gordon Brown is incurring quite enough debt on our behalf as he tries to spend his way out of the Labour recession. In essence, we are debating the division of a block grant lump sum among differing public services; we have the ability to supplement that block grant by way of the levying of business rates and the increasing—or, indeed, reducing—of income tax using our limited income tax-varying power. However, given that this is a zero-sum game, any party that proposes a reduction in taxes is duty bound to come to the chamber and demonstrate how its savings will be achieved.

Having used those key points to examine the budget and the positions that the parties have adopted, what conclusions do we reach? Let us do the easy one first, which is the Liberal Democrats. The party has not a shred of credibility in respect of its proposals. Once again, the Liberal Democrats have failed to provide any specification on their £800 million spending cuts or to say how many of their £8 billion spending promises they have recanted. Until Jeremy Purvis and the absent Tavish Scott bring some order and discipline to their party on financial matters and make at least some of the sums add up, the Liberal Democrats will never be taken seriously either in the Parliament or by the wider public.

I turn to the Labour Party. How can a party that voted for a budget at stage 1, and which agrees with 99 per cent of its content, throw its toys out of the pram because it has not got everything that it wanted in terms of the other 1 per cent?

Andy Kerr: Will the member give way?

David McLetchie: I have one further point to make.

I turn to accelerated capital spending, in which regard the Scottish Government budget flows directly from the budgetary changes that Her Majesty's Government has made. How can a Labour Party at Holyrood disown the strategy of a Labour Government at Westminster? How can a party that cherishes its trade union heritage contemplate the situation whereby, if the budget were to fall, public sector staff would receive no pay increase next year and many would lose their jobs? How can the Labour Party, which ran local government in most of Scotland—at least until it committed single transferable vote *hara-kiri*—contemplate the situation whereby council services are slashed and council tax bills soar for want of increased grant allocations from the Scottish Government? That is madness on the part of the Labour Party.

Finally, I turn to the Scottish Conservatives. On business rates, police numbers and town centre regeneration, our constructive approach to budget negotiations has brought about change to the budget in the order of £0.25 billion. That is an enormous achievement, particularly if one thinks of the scope for change. It reaffirms our determination to work in the Parliament for the policies that we set out in our 2007 election manifesto.

The Scottish Conservatives have out-thought, outmanoeuvred, outgunned and outclassed Labour and the Liberal Democrats in the budget negotiations, just as we did last year. We have achieved our goals, whereas they have achieved nothing. I am in no doubt that the interests of Scotland and the United Kingdom will be best served by the Parliament passing the budget bill today.

15:43

Liam McArthur (Orkney) (LD): As the cabinet secretary said, it is scarcely a fortnight since most members participated in the stage 1 budget debate. Much has happened in the world in that time. Of course, President Obama has been sworn in as the 44th President of the United States of America. Such was the popular acclaim of that truly historic event that he was sworn in again the next day. Doubtless, that prompted Mr Salmond to cast envious eyes across the pond.

That said, much has remained rigidly unaltered since the previous debate on the Scottish Government's budget. This afternoon's stage 3 debate is the quintessential groundhog day. Members who are familiar with popular Hollywood films will instantly recall the 1993 comedy-romance in which the starring roles were taken by Bill Murray and Andie MacDowell and, of course, a small, sooth-saying groundhog named Phil.

Just as in the film, Punxsutawney John emerged from his burrow in St Andrew's house, presumably under licence from Mike Russell, to predict that we were in for many more months of economic winter. However, having accurately predicted the onset of an unprecedented storm, our bold cabinet secretary beat a retreat back into St Andrew's house. He insists that nothing more can be done without what he calls

"the normal powers of a normal nation".

In the meantime, and very much in keeping with the original film, we are left, morning after morning, tuned to our radios, only to be treated to the same old tune. The sad fact is that the housing investment funds to which the cabinet secretary referred now vie with the saltire prize to see which can be relaunched more often. Week after week, "Good Morning Scotland" is left playing the ministerial announcement equivalent of Sonny and Cher's "I Got You Babe".

During the stage 1 debate, the Scottish Liberal Democrats argued that the Scottish Government had not done enough to respond to the economic storm that it rightly predicted. Like the SNP's Treasury spokesman at Westminster, Stewart Hosie, we believe that tax cuts form part of the solution—putting money back into people's pockets when they most need it. As Mr Hosie recognises, many small businesses in this country pay personal tax and would benefit greatly from such a fiscal stimulus. However, SNP ministers have shown depressing unwillingness even to engage in the debate about how that might be delivered.

Ministers' response to our proposals since the autumn has been interesting. First, we were condemned for not telling them how to introduce such a change—a condition that is happily waived in the context of discussions with the Tories and Greens. Then it was the fault of HM Revenue and Customs for saying that they had run out of time to introduce a tax cut this year. Finally, we were told at stage 1 that Mr Hosie's plea could not be answered in the Scottish context because it is impossible to introduce tax cuts within a fixed budget. As Jeremy Purvis highlighted, that position is rather undermined by the Government's actions hitherto. On each of the occasions in question, we were asked to accept ministerial assurances that

tax cuts were not only possible but could be achieved without any threat to front-line services.

Joe FitzPatrick: It has been said not that it is impossible to introduce a tax cut within a fixed budget, but that it is impossible to do so without major cuts to services. Where would the £800 million of cuts that the member proposes fall, especially in his Orkney constituency?

Liam McArthur: As Joe FitzPatrick will recall, ministers insisted that tax cuts were impossible within a fixed budget, yet they have already introduced tax cuts worth £840 million.

Although the Government has been unwilling to engage in a meaningful discussion about tax cuts, it has claimed to be more forthcoming in other areas. The stage 1 debate was characterised by a stated willingness on the part of Mr Swinney to strain every sinew to find common ground with other parties. It would appear that that willingness has produced mixed results. Indications are that it has been impossible to find common ground with the Labour Party on skills and apprenticeships. However, fortunately for the Government, this year the Tories have again proved themselves to be a cheap date for ministers.

Last year Mr Swinney rather ungallantly described the concessions that he had made as “really marginal”. This year, after tough negotiations by the Tories, he has agreed not to take away the concessions that he made 12 months ago—which, as he admitted at stage 1, were never under threat. This afternoon there has been much merriment on the Tory benches about town regeneration funds—that from a party that was happy to sanction the slashing of the enterprise network budgets, which threw regeneration across the country into disarray for months. Perhaps the answer lies somewhere in Margaret Mitchell’s statement that the Tories are “on the same wavelength as the SNP”.

She added rather helpfully, “it’s a coalition government”. It is no surprise that, in keeping with the earlier film theme, Mr Brownlee’s response to Mr Swinney’s impassioned appeal for support was a simpering, “Minister, you had me at ‘hello’.”

At least the Greens appear to have played rather harder to get. That said, according to press reports on 9 January,

“after talks with Ministers yesterday, Holyrood’s two Green MSPs revealed they were on the brink of agreeing the inclusion of a £100 million-a-year scheme”

for insulation. After their assertions that they are

“not here to prop up the SNP”,

it will be interesting to see whether the commitment that the cabinet secretary has given is enough to sway their support.

Ministers and SNP back benchers have lined up to offer dire predictions of what will happen if Parliament does not vote for the bill. Almost without exception, those have been exaggerated for effect by a Government that is unwilling to respond fully to the scale of the economic circumstances that we now face. Talk of budgets freezing, Governments falling and capital expenditure being lost stands the rules governing the Parliament on their head.

Needless to say, in the fine Hollywood tradition, Bill Murray finally manages to break the curse of groundhog day by responding genuinely to the circumstances in which he finds himself. There is still time for the Holyrood remake to work out in similar vein, but that time is running out.

15:49

Alex Neil (Central Scotland) (SNP): That was yet another wasted opportunity for the Liberal Democrats to tell us where their £800 million-worth of cuts would come from. I listened to Jeremy Purvis—something that I do on a regular basis. He said that he wanted a fiscal stimulus for Scotland from the budget, and that he wanted to get it by reducing tax by 2p and cutting spending by £800 million. Does he not know that, to get a fiscal stimulus, a net injection into the economy is required? We cannot get a stimulus by robbing Peter to pay Paul. The Liberal policy, far from being a net injection, is more like a lethal injection for the Scottish economy. However, let us not waste too much time on irrelevancy—

David Whitton (Strathkelvin and Bearsden) (Lab): Will the member take an intervention?

Alex Neil: Talking of irrelevancy, I will allow Mr Whitton to intervene.

David Whitton: I think that we have been listening to irrelevancy. For the record, if Mr Neil wants a fiscal stimulus, why does he support local income tax, which would take £800 million out of the Scottish economy?

Alex Neil: Because if we consider the revenue raised, it involves a deliberate cut in revenue and a fiscal stimulus to the Scottish economy, to make us the lowest-taxed economy in the whole of the United Kingdom.

Let us consider Labour’s record on this budget. At 10:33 on 11 January, Andy Kerr, the economic guru of Scottish Labour, ably assisted by Arthur Bleak Midwinter, told us in a press release:

“The Supporting Documents for the Scottish Budget Bill show increase in staff spending of over £20 million”.

Just over an hour later, at 11:40:08, the same Andy Kerr, the guru of mathematics and economics, put out a news release in which he said:

"The Supporting Documents for the Scottish Budget Bill show increase in staff spending of over £15 million".

According to Andy Kerr, we are cutting bureaucracy at a record level—£5 million-worth an hour.

Andy Kerr: Was that really worth it?

Alex Neil: Today we had a press release from Iain Gray, although no doubt it was approved by Jim Murphy, the real leader of Labour in Scotland. Mr Gray criticises the SNP for not increasing the health service's share of the budget by more than we propose to do. What a short memory Mr Gray has. Labour Party policy was that the additional money that Westminster gave us only 18 months ago was all to be spent on education, with not a penny going to the health service. Had Labour been re-elected along with its Liberal poodles—*[Interruption.]* The Liberals are good at that; they have had a lot of practice. If Labour had been re-elected, the health service would have had millions less than it has.

Mike Rumbles: Will the member give way?

Alex Neil: I will let the member bark, because I know that he will not bite.

Mike Rumbles: Does the member's speech epitomise what the cabinet secretary described as an attitude of co-operation and encouraging cross-party support on the budget?

Alex Neil: Of course it does. I am always co-operative, especially when the member speaks common sense, which is a rare commodity for a Liberal Democrat. In a week when we are celebrating Rabbie, my message to the Liberal Democrats is:

"O wad some Pow'r the giftie gie us
To see oursels as others see us!"

It wad frae monie a stupid budget free us an' foolish notion.

I have been analysing the suggestions in Labour's plan, "Helping Scotland weather the international economic storm". If Labour wants to help, suggestion 1 should be to sack Gordon Brown. It is interesting that the Labour Government in London yesterday announced a package of £2.5 billion for the car industry south of the border but will not give a penny to the new Forth crossing north of the border. Is interesting that the Labour Government in London will spend millions of pounds on bailing out the banks but will not let us inject into the Scottish economy our own £120 million from the fossil fuel levy. In suggestion 8 in its plan, Labour has the cheek to call for measures to help the banking system and HBOS, when the attitude of Gordon Brown and Alistair Darling to the HBOS takeover is costing 40,000 jobs throughout the UK—

The Deputy Presiding Officer: I am sorry. The member's time is up.

15:55

Margaret Curran (Glasgow Baillieston) (Lab):

This is indeed a defining moment for the Scottish Government. Alex Neil's speech illustrates the problem that we face: instead of the consensus that the Government promised, we get sectarian attacks and instead of an acknowledgement that we live in a period of profound economic dislocation, in which countries throughout the west and beyond are in the grip of a serious economic downturn—

Alex Neil: On a point of order, Presiding Officer. I hope that the member will clarify her comments. At no point have I ever made a sectarian remark.

The Deputy Presiding Officer: That is not a point of order.

Margaret Curran: I hope that that intervention is added on to my time, Presiding Officer, because I understood that it was a point of order. Alex Neil made a party sectarian remark. There is no doubt about that.

We are in the grip of a serious economic downturn but, instead of rising to the occasion, the SNP gives us diatribes—noise rather than substance. How the Parliament responds will shape the lives and opportunities of many people in Scotland, and it is disappointing that Alex Neil did not focus on the people whom we represent.

What is on the table today is critical. It would be a significant understatement to call the budget that John Swinney and the SNP propose a disappointment in the face of such an economic challenge. There was clear evidence that all parties were willing to work together beyond party interest in these serious circumstances and put Scotland first but, as illustrated by Alex Neil, the SNP has determinedly blown that unique opportunity. We have a First Minister who says that the answer to a global economic crisis is the homecoming campaign—and a badly managed one at that. People are worried about their jobs, housing and families but, instead of rising to the occasion, the SNP makes a deal with the Tories—the last thing that Scotland needs—and a political fix.

I will give members one illustration of the political fix. I ask the SNP not to insult my intelligence by telling me that it is persuaded of the needs of Edinburgh all of a sudden. We all know that if Margo MacDonald was the MSP for Ecclefechan, John Swinney would propose a fund for Ecclefechan. I admire Margo MacDonald, but let us not pretend that the approach in the budget is rational, right or fair.

Margo MacDonald: Will Margaret Curran give way?

Margaret Curran: I very much regret that I do not have time.

Some of the SNP members have short memories. I wonder whether anyone can guess which member of the SNP said of the skills gap in Glasgow in a previous budget debate:

"If the problem is not tackled ... we will not be able to tackle the social deprivation that mars Glasgow."—[*Official Report*, 30 October 2003; c 2796.]

Why not address rationally the needs of all our cities, as Labour did? Why recognise Edinburgh's perfectly legitimate needs but ignore Aberdeen, Dundee, Inverness or Stirling? How can Nicola Sturgeon, the author of that quotation, sit on her hands and not give Glasgow the money that it needs? How can the SNP Government say yes to Edinburgh and no to Glasgow? That is yet another example of the divisiveness and conflict that is inherent in the SNP style of government.

Margo MacDonald: Does the member accept that such matters are normally decided on need and that Edinburgh's need is greater because of the banking sector's dominance of the city?

Margaret Curran: That goes to the core of the problem. That is the analysis that has been offered to Glasgow, Aberdeen and Dundee. All our major cities have needs and they should all be addressed in the budget. That is what is wrong with it.

What could have been a budget for jobs is a partnership with the Tories. What could have been a budget for front-line services is a package of cuts. What could have been a budget to meet social and economic need is a political fix. What a profound waste the budget has been.

Let me close on a controversial note. Derek Brownlee made a good and revealing speech because he hit on a fundamental truth—what he told members is that this is a Conservative budget. That is why Labour will not vote for it.

16:00

Patrick Harvie (Glasgow) (Green): I begin with an apology to you, Presiding Officer, and to the Presiding Officer who was in the chair at the beginning of the debate. I am aware that the Presiding Officer asks members who wish to participate in a debate to be present throughout it. It is a mark of the lateness of the work that has to take place in this budget process that I was unable to be present for part of the debate. I apologise for that.

Hugh Henry: If Patrick Harvie could enlighten us as to what was discussed when the First

Minister called him from the chamber earlier this afternoon, it would help the rest of us who have been in the chamber to reach a conclusion come the end of the debate.

Patrick Harvie: This is my speech to outline my position on the budget. If Hugh Henry wants to talk about gossip, he can ask me afterwards.

I want to say something about how we got here. In the previous session, when my party had more members—but apparently less influence—and the Administration had a majority, there was already discussion about whether our budget process cut the mustard and whether parliamentary scrutiny of changing budget lines from year to year could be effective and efficient. In documents commissioned by the previous Administration there was discussion whether a coalition agreement, regardless of which political parties were involved, was likely to lead to a coherent economic or financial approach in a Government's programme.

Those criticisms were made; then we were suddenly thrown into a minority Administration and we are still trying to do the job with a scrutiny system that was not even up to the previous scenario. Whatever happens at 5 o'clock tonight, I ask every political party to agree that an urgent process must be undertaken to ensure that we never again find ourselves in this situation. The eyes of not just the Scottish but the UK media are watching this last-minute process in which MSPs run about, firing e-mails back and forth between the political parties, trying to reach agreement minutes before the debate begins—even after the debate begins. Written statements are being provided, promises are being offered and people are hum-ing and ha-ing and wheeling and dealing. This is an inadequate process, whatever happens at the end of the day.

Hugh Henry: Do not keep us guessing. Tell us.

Patrick Harvie: The clock says that I have two minutes and 47 seconds left, Mr Henry.

I will say something about the proposal that we put to the cabinet secretary on 1 October last year. It was not a vague concept, but a detailed proposal, which we believed would cost in the region of £100 million a year, for a 10-year programme to insulate Scotland and provide a retrofit programme for hard-to-treat houses. I do not need to remind members that we had support from the construction industry and non-governmental environment organisations. We had positive comments in committees. Even the Government's Council of Economic Advisers recognises the need for a transformation in the level of home insulation.

Our estimate of the cost was £100 million a year. If the cabinet secretary had been able to put

numbers on his estimate of the cost, even more than six days ago, we would be in a much better position than we are now. As it stands, a proposal to undertake the work at £22 million a year seems inadequate to me, and I will not be able to vote for that.

Our proposal is not a last-minute, unrealistic, impossible or unwise demand, such as slashing the level of the variable income tax in Scotland, with all the knock-on effects that that would have on public services. Pretty much every political party other than the Liberal Democrats recognises that their demand is unrealistic and unwise. Our proposal is proportionate and economically beneficial, given the short payback time, and it would support jobs and cut emissions and people's fuel bills.

I do not believe that anything less than 50 per cent more than what the Government has offered would allow us even to make a start on things. The Scottish Government's initial suggestions during negotiations were for little more than a pilot exercise. We already have pilot exercises; the time for those has passed. Another pilot exercise will not even generate the data that we need on the efficiencies of scale and cost savings that will be achieved by working area by area, street by street and door by door. That is the nature of our proposal. I believe that nothing less than a 50 per cent increase on what the cabinet secretary proposed in his opening speech would allow us even to make a start.

So that is where we stand. At the moment, I am unable to support the budget and—I can inform Mr Henry—I will vote against it unless those changes are promised in the cabinet secretary's closing speech. I recognise how difficult it is to make a last-minute change of that nature, but I am afraid that that is the situation with which he is faced.

16:06

Margo MacDonald (Lothians) (Ind): Any minority Administration seeking to get its budget passed is subject to pressure from all sides. If the Administration is not prepared to make concessions, it will fail.

By the way, what we call a budget is in fact just the decision on how to distribute a block grant, which is a very different thing. We can call it a budget as long as we do not forget that it is not the real thing. We must resolve to embed a proper budgeting process into our work as soon as possible.

A minority Government cannot satisfy every demand from whatever quarter. If it did so, its budget would have no economic theme or social coherence. Such a budget would be a pick-and-mix of spending commitments lacking any sense

of priority or direction. Parliament must accept that a minority Government, in trying to be a good Government, will have the same objective as Governments with comfortable majorities: the production of a budget that reflects its priorities and that fits those priorities into a coherent programme. In trying to maintain that coherence, because of the limits placed on the ability to manoeuvre by the constraints of devolution that Mr McLetchie mentioned, the finance secretary has very little leeway to meet demands from other parties.

However, whether they are faced by a minority or majority Government, Opposition parties and individuals must try to persuade the Government to incorporate some of their ideas and policies. Like every other member, I issued a manifesto and was elected on that manifesto. That gives me some right to try to pursue it. Last year, I persuaded Mr Swinney to incorporate a capital city supplement to help to defray the cost of the extra services and facilities that the City of Edinburgh Council must provide to meet the duties and demands of Edinburgh's role as our capital city. For that recognition of the special status and responsibilities of the capital, Mr Swinney has my sincere thanks.

However, in the same way as the Arbutnott formula for sharing out NHS spending recognised that need in the then Greater Glasgow Health Board area was greater than in other health board areas, I suggest that we need to look at the share-out of the moneys that are made available by the cabinet secretary. Whereas health expenditure in Edinburgh ended up being underfinanced, we made no complaint because we accepted that Glasgow had a greater need.

Margaret Curran: Is the member not persuaded that the cities growth fund in previous years better allowed the diverse needs of our cities to be recognised? The city of Edinburgh properly received an allocation from that fund, but so did other cities.

Margo MacDonald: Unfortunately, although I supported the cities growth fund, the fund did not prove adequate to Edinburgh's needs because the city's population growth was much greater than anyone had anticipated.

It was right that need was the determining factor in deciding how much money went to the NHS in Glasgow. As I have said, the Edinburgh region's share of NHS spending is less per head than elsewhere.

However, the general economic situation is changing in the region that I represent. The need for affordable housing is growing probably at a faster rate than in other local authorities, with 145 people chasing every council or housing

association house that comes up for rent. Because of the Edinburgh region's reliance on financial services, economists are now confirming the fears that I have voiced to Mr Swinney both in this chamber and elsewhere when I have bumped into him. The shortage of affordable rented accommodation could produce a housing and homelessness crisis because of the high percentage of people made redundant by the banks, who could find that their mortgage repayments are now impossible to meet.

While I welcome the recent moves by the Government to direct money into housing associations to buy up property that the private sector is unable to sell—an idea that I floated with house builders in Edinburgh before the summer break because it will make more social housing available—unfortunately the number of houses announced yesterday by the other cabinet secretary, Ms Sturgeon, will not be enough.

I am aware of the limitations of the money available to the finance minister. There are statutory obligations that must be met, and certain essentials that the Parliament committed him to, such as care for the elderly and free bus passes. Those and other spending items severely restrict the amount of free spending room he has. However, I and other MSPs who represent Edinburgh and Lothians must not allow our sympathies for his predicament to blind us to the fact that, if the prognosis of serious economists is correct, we face an avalanche of job losses and repossessions, with all that that implies, such as broken families and a substantial rise in the number of people who need social housing. I sincerely hope that those economists are wrong.

There is a lot riding on the G20 meeting in a few weeks' time in London. If there is genuine co-ordination of policies designed to pull us out of recession around the globe, and the trend towards protectionism is defeated, things might turn out better than we presently fear. However, if that is not the case, the Government will have to respond to what will be a social tragedy for many families, which will create a demand for more social housing as a matter of priority. I hope that the finance minister can assure me that he will respond with an adequate financial package, taken from contingency or adjustment within the discretion built into the budget, for example a share of the moneys earmarked for housing that currently are not allocated to Edinburgh and Glasgow.

16:12

Jackie Baillie (Dumbarton) (Lab): If anyone happened to turn on the radio this morning, they would be forgiven for thinking that members of the Scottish Parliament were lining up for an almighty

square go, and that, like children in a school playground, we were falling out with each other and making new, but perhaps temporary, friends. There has been a lot of sound and fury from Mr Swinney and his right-hand man, Derek Brownlee, and a touch of the amateur dramatics from our resident panto dame, Alex Neil. We have the vision of Alex Salmond scurrying out of the chamber as he pushes negotiations to the 11th hour, 59th minute. I have much sympathy with Patrick Harvie's comments in regard to the process. However, we must not let John Swinney blind us with his assertions, no matter how loudly he makes them and how much he thumps the table. What the Parliament needs is facts.

The Parliament takes its responsibility on the budget very seriously. As a member of the Finance Committee, I know that to be the case across the parties. The truth is, though, that if the Government does not get support for its budget tonight, it can introduce another budget bill with a shortened timetable. It does not mean any overall loss of funds to the Scottish budget, that capital spending, which has been accelerated, will somehow vanish, or that local government will suffer.

I remind Mr Swinney of legislation introduced in previous sessions of Parliament. Legislation to deal with the Noel Ruddle case took a couple of weeks, as did legislation to deal with the sickness absence of the Lord President. Please, let us not have any nonsense about the budget process.

Joe FitzPatrick: Does the member acknowledge that local councils throughout Scotland are well down the road to finalising their budgets, which they intend to set in just two weeks' time?

Jackie Baillie: The date, 12 February, is not a statutory date; it is merely an administrative date. If the member waits until the end of my speech, he will hear my suggestion for how we should deal with that.

I turn to the substance, and deal with health first. In general terms, the health budget achieved a 4.3 per cent increase last year. However, the initial allocation to health boards amounted to 3.3 per cent. That might not sound like a great deal of difference, but kept at the centre was something like £350 million across all boards. Glasgow lost £77 million, Lothian lost £41 million, and Grampian lost £28 million, and so on. This year, I understand that that problem occurs again, and that not all money will be passed to health boards. We know that budgets are tight, and we know that some boards are using efficiencies to make real cuts. They are starting to experience real pain in the delivery of front-line services. It is incumbent on us to ensure that every penny reaches those who need it most. I am therefore disappointed that the

finance secretary was unable to convince the health secretary that that was the right thing to do.

I listened carefully to Mr Swinney and there was no mention of hospital-acquired infections. I regard that as woeful, as will the families of those who have been affected by *Clostridium difficile*. The 15-point plan to tackle hospital-acquired infections was not drawn up by me or by people on this side of the chamber; it was shaped with the assistance of Hugh Pennington, who is an emeritus professor of microbiology, and Professor Brian Toft, who is one of the UK's leading experts on patient safety. But, oh no—the Government knows better.

The plan is supported by the families. It was offered to the Government and to the Parliament so that we could take action. I know that the Parliament cares about the issue. The plan represents a comprehensive approach, not a piecemeal approach. At a time when C diff is rising, when new 078 strains have been identified and may be in our hospitals, and when C diff is in our care homes at levels that we do not yet know; and at a time when this is the main challenge for the health service, I have invited the cabinet secretary to make 2009 the year when Scotland got serious about C diff. The response is silence.

Why does the cabinet secretary not adopt some of the measures that have been proposed? Why does he not cut C difficile rates in hospitals and make our hospitals cleaner and safer? Why does he not ensure that we collectively reduce mortality rates from C diff? I acknowledge the will of Parliament to take measures forward; it was evidenced yesterday by the Public Petitions Committee's unanimous support for the families' call for a public inquiry.

At the end of the day, this budget is about the economy. It is about jobs, skills and training, and about accelerating investment in infrastructure. It is about protecting local people. The current budget does not recognise the scale of the challenge that we face.

The budget line on accelerating investment in infrastructure contains £90 million for local government. That is welcome, but it is spread thinly over 32 local authorities. It will not have the impact that it could have.

No pipeline projects are coming through from the SNP Government. All the approvals have been for projects that were started under the previous Government. How is that stimulating construction? Unemployment in my area has doubled in the past few months. People and families have been devastated by this recession, and I want the Parliament and the Scottish Government to do more in the interests of those people.

Much has been said about what will happen next, and I want to finish on that point. The budget

can come into effect for 1 April provided that a bill is passed by 14 February. There is therefore sufficient time for public bodies to know their spending allocations and for the bill to achieve royal assent. The bill can be reintroduced; it can be reintroduced this evening. There can be a shortened parliamentary process. I think that that can work.

If the Budget (Scotland) (No 2) Bill does not come into force on 1 April, there are emergency provisions in section 2 of the Public Finance and Accountability (Scotland) Act 2000. Those provisions will come into play, and the allocations from the previous year will move forward. The challenge for us in the chamber is to co-operate and to improve the budget, to make it the best that we can for the people of Scotland in testing economic times.

16:19

Keith Brown (Ochil) (SNP): While listening to the debate, I have tried to discern points of principle in the Opposition arguments against the budget—except, of course, in the case of the Lib Dems, because there was not much point in looking for principles in the first place.

The Greens have put their arguments consistently, and their arguments have been consistent with their principles. For them, the debate seems to be about the scale and pace of the change that they seek.

Last year, Labour members voted for an amendment to the budget. Then, when that amendment was agreed to, they voted against the budget or abstained from the vote. This year, as we have already heard, Labour has been against the budget, then has been for the budget, and is now going to vote against it. Labour has chopped and changed. It has provided no alternative budget and lodged no amendments. I think that we can conclude that there is no principle behind what Labour is doing today.

That point was confirmed by Andy Kerr when he characterised Labour's view of the budget process as a game. It is not a game to council tax payers in Clackmannanshire, who will face a 29 per cent increase in council tax unless there is additional support for council tax freezes. It is not a game to people who would lose investment in infrastructure across Scotland. It is not a game to small businesses across the country that would lose the money from reduced business rates that is helping jobs. It is not a game to people who would lose their jobs without that assistance.

It is not a game to town centres such as that of Alloa. Shortly before the election in 2007, there was a report on some of the worst-affected town centres in Scotland, in which Alloa was prominent.

I am delighted that there is to be a town centre regeneration fund, and I very much hope that Alloa will benefit from it.

It is also not a game to all those people throughout Scotland who are currently very worried. We heard a great deal from Jackie Baillie about the different methods by which another budget could be produced, but whether or not it was true, it missed the basic point. One of the biggest problems that we face just now in the economy is a lack of confidence. If the Parliament fails to vote through the budget, councils throughout the country will be unable to budget with any certainty. Jackie Baillie's understanding of how local government finance works is a wee bit short of what it should be if she thinks that councils' budgets can be changed as readily as she described.

Jackie Baillie: Will the member take an intervention?

Keith Brown: No, I will not.

At a time when there is so much uncertainty in the economy, she seriously underestimates the effect on confidence of not voting for the budget tonight and of public bodies not knowing their allocations or having any certainty in their planning for the future.

There has been remarkably little principle in this debate. Last week, we had a debate about borrowing powers. On Sunday, Wendy Alexander said that it was urgent that the Scottish Government did this and that. However, when asked about borrowing powers and whether the Calman commission should look into them quickly, she said, "That is for the future." What a difference we could make with this year's budget if we had borrowing powers—we could use hundreds of millions of pounds for infrastructure investment.

Ms Wendy Alexander (Paisley North) (Lab): Can the member explain why the Scottish Government has failed to make submissions to the Calman commission on borrowing or on any other matter? Can he also explain why the scale of procurement through the private finance initiative, public-private partnership and the non-profit-distributing model has slumped from more than £1.3 billion to less than £500 million?

Keith Brown: On her first point, Wendy Alexander well knows that, from the very start, the Calman commission ruled out the SNP's option of independence. It is a bit rich to ask for our involvement afterwards.

On her point about investment and her preferred method of PPP, she may have seen a report in *The Times* yesterday that showed that funding for PPP throughout England and Wales has dried up. For example, the M25 projects will not proceed

because the private finance for them cannot be raised. That is Labour members' preferred method and it is falling down around them.

It is in Scotland's interests that we have borrowing powers. We could make a huge difference, perhaps a greater difference than anything else in the budget could make, if we had borrowing powers—and there does not seem to be a great deal of opposition within the chamber to such powers. The Calman commission does not have to meet every three months or so; it could meet quickly, reach a decision and make a recommendation. Why is that not being done? Why is there no urgency in dealing with that if there is so much urgency around the other measures that Labour members say they want?

Burns has been mentioned a couple of times today, first by the moderator of the General Assembly of the Church of Scotland. To my mind, Andy Kerr and Iain Gray are far less men of independent mind and much more wee, cowering, timorous beasties. They should grow up and support the budget.

16:23

Marilyn Livingstone (Kirkcaldy) (Lab): This afternoon's debate is crucial to all of Scotland's people. It is vital that we get it right and do what is best for those we represent. We are all aware of the economic climate in which we are operating, and we must set a budget that will allow us to pursue our medium and long-term objectives of achieving sustainable economic growth while putting in place measures that will allow us to sustain and develop the competitive advantage that a highly skilled workforce brings. The budget must ensure that we develop and protect that advantage and put in place measures that will allow us to maintain it.

Like my colleagues, I am very concerned that the budget does not recognise the challenges that we need to meet together. The spending allocation that is before us is out of date and not fit for purpose. The one major change to the budget compared with the one that was published more than a year ago is the result of Westminster action that has enabled the Scottish Government to accelerate £227 million of capital spending to support 4,700 jobs. That is just not good enough. Although that change is very welcome, it is incumbent on the Scottish Government to produce measures that will help those who need help the most in all of Scotland's communities.

Tricia Marwick: Will Marilyn Livingstone explain to me—and, more important, to the people of Levenmouth, whom we both represent—why she is prepared to vote against a budget that includes

additional investment in Methil energy park, which is so important for the future of that area?

Marilyn Livingstone: I say to Tricia Marwick that if I vote against the budget this evening, it is because I want the best for that area. I will make the decision that I think will support my communities, and I will explain why.

I want to concentrate on two important issues. It will come as no surprise to anyone that the first is our need for a highly skilled workforce, because I have talked about that in practically every speech I have made in this chamber. The second issue is town centre regeneration. Town and city centres are, as Margaret Curran noted, important to the social and economic wellbeing of our communities. They are the engine houses of the Scottish economy and are under threat from changing retail patterns. They need investment in their physical fabric. Plans such as the Kirkcaldy town centre master plan are good, and I am pleased with today's announcement about town centres. However, what will the Scottish Government do to make the funding available as quickly as possible to support sustainable economic growth?

Our request for 23,400 new modern apprenticeship places over three years is proportionate, sustainable and, indeed, sensible. I am very disappointed that the cabinet secretary will not accept that very achievable proposal. If the Government was serious about seeking consensus, it would know that everyone in the chamber could support that policy.

The budget must be about helping Scots to meet the challenges that they face. As convener of the cross-party group on construction, I am all too aware of the significant skills gaps that existed before the current economic slowdown. It is crucial that we invest for the industry's future. We must fully support skills and training to ensure that we can take full advantage of the future economic upturn.

Earlier, the cabinet secretary said that every attempt will be made to find alternative employment or training for apprentices who have lost or will lose their jobs. Will the cabinet secretary clarify whether that support will be retrospective, and state how much additional funding will be made available to support people who find themselves in that worrying position? Investment in our young people is achievable. It is vital that we invest in apprenticeships for our young people and adults.

Like Tricia Marwick, I am from a mining community, and I can remember all too well the devastation that my community and communities across Scotland faced in the 1980s. We cannot allow a return to the scale of youth unemployment

that we saw then. That is why I support the Labour position and ask the cabinet secretary to change his mind. The construction industry estimates that it will need an average of 5,000 new construction apprentices each year. Today, the Economy, Energy and Tourism Committee considered the issue of improving housing standards in our communities, and concluded that we face a major skills gap. Building the skills base for our future is vital to our economic success, as well as our social wellbeing.

In April, the SNP Government scrapped adult apprenticeships in tourism and hospitality, which it says are key sectors. The SNP talks about the importance of tourism to Scotland, but surely cutting apprenticeships without proper consultation with the industry is unsustainable. Duncan Macleod, the director of a training business in Stirling called YouTrain, said:

"The SNP talk about the importance of vocational qualifications and lifelong learning, but really has treated the work based learning providers with some contempt. Can you imagine funding for a whole swathe of academic qualifications being withdrawn on no notice and with no consultation?"

I am genuinely concerned that the budget could lead to job losses, particularly in the public sector. Schools throughout Fife face cuts that will affect our most vulnerable young people. The Government's budget does not recognise the challenge that Scotland faces and it does not address the current economic situation. Importantly, it does not help ordinary people up and down our country to get jobs to help them through these challenging times.

16:29

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): Joe FitzPatrick, who is, regrettably, no longer in the chamber, argued that this is the only possible budget for Scotland. The Conservatives are satisfied to settle for £60 million—out of a budget of £30 billion—for a scheme that they know has cross-party support.

Both the cabinet secretary and SNP members have argued that there is only one choice and one chance, and that any member could have sought advice on procedure during the budget process, but they know that the Government can bring forward a further budget if this one is defeated. Indeed, guidance that was issued when the Parliament was established states that it is good practice for the budget bill to be passed by the Parliament by 14 February each year. If the Parliament decides that the budget is insufficient given the economic crisis that we face, there is an opportunity for the Government to come back next week or the week after with a new budget. Indeed, the Parliament could meet during the recess.

The SNP's argument today is one of a minority Government with a majority ego. This, seemingly, was the argument from Patrick Harvie, until he introduced his "Price is Right" comments this afternoon—

Margo MacDonald: Will Mr Purvis give way?

Jeremy Purvis: I will in a moment.

Patrick Harvie said that a £22 million scheme that was presented to Parliament not in an amendment at stage 3 but in a minister's speech was insufficient, but that a £33 million project that was not in an amendment that the Parliament could scrutinise but which is in a summing-up note that has just been presented to the cabinet secretary is sufficient. We are led to believe that the budget now hangs in that balance. That is inconsistent with the rest of Mr Harvie's comments.

Patrick Harvie: Will the member give way?

Jeremy Purvis: I promised to give way to Margo MacDonald, but as I named Mr Harvie I will give way to him.

Patrick Harvie: I am grateful. Will the member at least acknowledge that our figures were not presented at the last minute? We have been presenting our case to the cabinet secretary in detail for months. That is a far cry from the Liberal Democrats' position, which is to put a figure on not one bit of their £800 million tax cut.

Jeremy Purvis: Mr Harvie chose not to take part in the debate on our proposals that we brought to the Parliament in the autumn. I recognise that he has argued for his proposal—indeed, he has done so in *The Herald* most days for the past couple of weeks. The problem is that we are in the stage 3 process of the budget bill. The Government should lodge amendments and seek agreement. The budget should not hang in the balance because of the content of summing-up speeches or an £11 million difference in a £33 billion budget.

The issue is not necessarily the £11 million that may well swing it this afternoon. Mr Harvie and others should understand that, if the Parliament thinks that the budget is insufficient, the First Minister should get the other party leaders together and next week bring to the Parliament a budget that has overall support.

Margo MacDonald: If the budget is brought back, will Mr Purvis be willing to drop his main demand?

Jeremy Purvis: I refer to the point that I made to Mr Harvie about what will happen if the Parliament decides this afternoon that the budget is an insufficient response. If the First Minister acts in the spirit of the remarks that he made when this

session of Parliament was opened, he will bring all the party leaders together for discussions and bring back a proper budget next week.

We do not have a situation in which there are no amendments, because commitments worth £60 million and £11 million have been made in a speech. Margo MacDonald should understand that, in a stage 3 debate on the budget, changes that are worth £71 million in a £33 billion budget are not a sufficient response. Mr Harvie and Mr FitzPatrick should know that the guidance from the clerk to the Finance Committee is perfectly clear—indeed, we should all appreciate that.

David McLetchie and others argued about the percentage of the Scottish budget that can be altered. In unprecedented times for the Scottish economy, we hope that the Government will use the flexibility that we have to the hilt. Beyond that, however, Mr McLetchie and I part company, because he thinks that the maximum change that can be made amounts to 0.17 per cent of the budget. I do not think that that is sufficient.

Some Government back benchers remarked that a tax cut is inconceivable and impossible. When Mr Neil replied to Mr Whitton, however, it seemed that a tax cut was possible. Mr Neil said that a local income tax would indeed represent an £800 million tax cut, but he did not say how many cuts would be made in front-line services. The principle of a fiscal stimulus that would directly and indirectly support more than 9,000 jobs is the important issue.

We should not think for a moment that all businesses and families in Scotland are not going through their finances and examining every area of spending to make savings or get better value for money. The Government seemingly is unwilling to do the same, and is letting those people down. That is why it is better for the budget to be brought back next week. I hope that Mr Harvie and other members accept that we might be able to get more than £11 million.

16:35

Gavin Brown (Lothians) (Con): Through sensible negotiations, the Scottish Conservatives have sought to secure a sensible budget for the people of Scotland. From the beginning, we had two main aims in our discussions: pushing for the inclusion of Conservative policies and arguing for measures to help the economy and mitigate Labour's recession. With that in mind, we are pleased by the cabinet secretary's announcement about our proposals for a town centre regeneration fund. We particularly welcome the size of the fund, which stands at £60 million for the next financial year. It is a good, strong Conservative policy that will help the economy throughout Scotland.

Andy Kerr: I have a question, in order to clarify one point for the record. Does Gavin Brown agree with his colleague Derek Brownlee that it is a Conservative budget that is being approved today?

Gavin Brown: We do not think that the budget is perfect, but we have sought to shape it to the extent that we can vote for it.

We have campaigned vigorously on the issue of a town centre regeneration fund since January 2007, and that it can proceed this afternoon is a great result. Our towns and villages are the lifeblood of our local communities, and many of them the length and breadth of Scotland have been at a competitive disadvantage for a number of years. Sometimes all it takes is a few boarded-up shops, graffiti and crime to lead to a downward spiral for one part of a town. The announcement is a booster that can help to put our towns back on an upward spiral and build some momentum in regenerating them.

Jeremy Purvis: Does the member accept that the sum in the budget that the Conservatives have agreed to is broadly the same as last year's cut in enterprise network regeneration funding, which his party supported?

Gavin Brown: Mr Purvis needs to be a little less Hollywood and to spend a little less time reading *Hello!* magazine with his colleague Liam McArthur and more time looking at budgets. Yes, there was a cut to the enterprise networks, but the money was transferred to all 32 local authorities in Scotland. So it was not a cut, it was simply a transfer, so that local regeneration could be handled by local authorities while regional and national regeneration continued to be handled by Scottish Enterprise, as Mr Purvis well knows.

We welcome today's announcement, which comes on the back of what we argued for last year: 1,000 extra police to prevent and fight crime, an acceleration of the small business rates cut, and a drugs strategy with an emphasis on recovery instead of the damage limitation and damage maintenance that we had for eight years. We look forward to those policies improving lives across Scotland.

The small business bonus scheme will benefit small and medium-sized businesses everywhere. More than 150,000 of them, which make up the backbone of our economy, will benefit. Even better, more than 120,000 small businesses will pay no business rates at all from 1 April. Best of all, those business rates cuts do not have any strings attached: businesses can decide what best to do with the saving. I hope that the Minister for Enterprise, Energy and Tourism will take on board the fact that we need to ensure maximum take-

up—it would be wrong for even one business that is entitled to the bonus to miss out.

I turn now to the contributions—if they can be called that—from members of some of the other parties in today's debate. The Liberal Democrats blew it once again: for the sixth month in a row, on being asked by every single speaker, they have failed to tell us where the £800 million of public service cuts would come from. They said that their proposal was popular with business and good for the economy, but, once again, they failed to mention a single Scottish business organisation that supports it.

Of course, that proposal goes with the £8 billion of spending commitments that the Liberal Democrats have proposed since September 2008. They have made 90 separate proposals, which is more than one for every sitting day of Parliament since then. I am therefore excited to learn what the Lib Dem spending proposal for today is.

Mike Rumbles: Will the member take an intervention?

Gavin Brown: Perhaps Mr Rumbles will say at this late stage what that proposal is.

Mike Rumbles: I would like to ask the member a question. Will he tell us where cuts in the budget will be made to get the £60 million that the Conservatives have apparently secured for regeneration?

Gavin Brown: It would be better to stay in the chamber during debates and listen instead of storming out, as Mr Rumbles typically does during debates, committee meetings and just about every other type of meeting.

The Labour Party is still in denial about Gordon Brown's culpability for the Labour Party recession. It talks about the global recession, but our recession will be deeper and longer than those of other countries. We should consider the weakness of sterling, which is at a 25-year low against the dollar and has hit a record low against the euro. The Labour Party talks about green shoots of recovery. The only green shoots of recovery in Labour's Britain and broken economy are for pawnbrokers, pound shops and pizza delivery companies.

The Conservatives have taken a sensible and responsible approach. We want regeneration and business rates cuts, which is why we support the budget.

16:41

David Whitton (Strathkelvin and Bearsden (Lab): Two weeks ago, when the budget bill passed stage 1, negotiations were still taking place with the SNP over its final shape. Since

then, there have been a number of meetings and telephone calls, but Mr Swinney has, sadly, failed to live up to his reputation this year as the SNP's financial Mr Fix-It.

Two weeks ago, I said that it is important to emphasise that

"this is a Parliament of minorities"

and that there would have to be

"some give and take, and ... even an acceptance that another policy ... is better than"—[*Official Report*, 14 January 2009; c 13974.]

one's own. The Tory theft of our town centre regeneration fund proposals is proof that our policy is better than that of the Tories.

David McLetchie: Will the member take an intervention?

David Whitton: No, I will not. We have heard enough from Mr McLetchie.

In the meetings that I attended with my colleagues, Mr Swinney seemed to be listening to Labour. However, we know now that it was a dialogue with the deaf.

My colleague Mr Kerr talked about our suggestions in his speech. As we did last year, we want more modern apprenticeships to be created—23,400 more over the next three years—because we believe that improving the skills of our workforce is vital, and we want to offer learning opportunities to those who are leaving school and second chances at learning to those who missed out first time round or who could lose their job but want to change their career now. Mr Swinney has not offered any suggestions yet.

At the launch of the SNP's economic strategy last year, the First Minister said that the focus of the strategy would include

"the alignment of investment in learning and skills with other key priorities; a supportive business environment; investment in infrastructure and place".

That is a typical Salmond soundbite. It turns out to be meaningless. His and his Government's actions do not come close to matching their rhetoric.

There is some good economic news on the front page of today's *Scotsman*. Scottish shipyards are to recruit 1,000 new apprentices. There are supportive quotes from Scott Ballingall, who is a third-year apprentice and one of 70 out of more than 1,000 applicants to be selected for an apprenticeship. Gaining a trade as a fabricator is great for him and I wish him well, but what about the other 930 applicants? What are they doing now? Labour members believe that everyone should have an equal chance to make something of themselves, which is why we have asked for a massive step change in modern apprenticeship recruitment. We have also asked for an apprentice

guarantee scheme so that no one is left in the position of not being able to complete their training. Our colleagues at Westminster are working closely with the Scottish Government to get agreement on that. I hope that they will get it.

We have focused on what can be done for people who have lost their jobs or who will lose their jobs this year. Partnership action for continuing employment teams do a great job, but they will need much more investment. So far, Mr Swinney has been unable to tell us how much that investment will be. There is to be a PACE conference early next month. I hope that the Cabinet Secretary for Education and Lifelong Learning will tell us then about new levels of investment, but why are we not being told about that now? I am afraid that it appears that she does not know the difference between a training place and a modern apprenticeship or where there are skills gaps in the Scottish economy, which may explain why we still do not have a skills strategy from the Government that is worthy of the name. What a dereliction of duty by a Government minister, but Ms Hyslop is not alone in that regard.

Mr Swinney mentioned accelerated capital investment that could be at risk if his budget falls. He did not mention the chaos that is being caused by his refusal to drop plans for the Scottish Futures Trust, a fact that my colleague Hugh Henry mentioned. The plan was supposed to be so good for infrastructure investment that it would replace all other methods, but what has happened to date? Absolutely nothing. As Mr Kerr said, the construction of Low Moss prison in my constituency has been delayed, because the SNP still does not know how to pay for it. The same is happening with other projects. As a result, thousands of construction-related jobs are being lost now. Mr Swinney and the SNP should spare us any crocodile tears about possible lost capital spending—they are responsible for those job losses that are happening today, right now.

What did Labour suggest to the SNP in our 15-point plan? Point number 2 states:

"Unblock the public building pipeline by putting the Scottish Futures Trust on hold and reverting to PPP and traditional procurement practices."

Perhaps Mr Alex Neil should speak to John Swinney occasionally about the plan because, unlike Mr Swinney, he has described it as being very helpful. Never mind not listening to Mr Neil, Mr Swinney is not even listening to the CBI, the Federation of Small Businesses, the Scottish Trades Union Congress, Scottish Chambers of Commerce or the Scottish Building Federation, all of which have criticised the SFT and the delay in public projects.

"Real change is not being delivered as promised and we now begin to see some sloth appear on the agenda."

Those are not my words but those of David Watt of the Institute of Directors Scotland.

Of course, those organisations are not the only ones that have realised in the past year that the SNP is full of empty promises. Many local authorities now know to their cost what the real impact of the historic concordat is turning out to be. My colleague Mr Henry gave graphic details of the cuts that are taking place in his area. In my constituency, difficult decisions will have to be made as East Dunbartonshire Council tries to find £7 million of savings.

Mr McLetchie asked how we could support the budget at stage 1 but vote against it now. Keith Brown made the same point. For the record, I will quote Mr Kerr, who said:

"we will allow the budget bill to proceed today, but that is in order to allow the Government to improve ... its budget. We cannot, of course, give any guarantees or assurances whatever about the position that we will adopt at stage 3".—[*Official Report*, 14 January 2009; c 13934.]

Let us talk about responsibility. It is the SNP Government's responsibility to produce a budget that the Parliament can support. It has had weeks and months to do that but, today, it has chosen instead to indulge in the worst kind of brinkmanship, scaremongering and downright deceit, culminating in the shameful sight of Mr Swinney trying to pull budget rabbits out of the hat on his feet in the chamber, and of the First Minister—who is now sitting at the front—skulking round the back of the chamber pleading with other parties to get him off the hook. Who knows, Mr Swinney might try to pull more rabbits out of the hat in his closing speech. That is no way to deal with the future of young Scots or of those who might be facing redundancy. The budget does not contain the PACE funding, the town renewal funding or the energy efficiency measures that Mr Swinney has tried to pull out of his sleeve. If the SNP is now willing to improve its budget, it should withdraw the present one, do the responsible thing and come back tomorrow with a budget that it believes is right for Scotland and that the Parliament can support. Anything else would be playing games.

Mr Swinney said on the radio this morning:

"The duty for me is to put forward a budget that convinces Parliament."

He has failed in that duty. He has not convinced me or my colleagues and we will find out shortly whether he has convinced anyone but those members who are sitting behind him. If we are short of apprentice places next year, we will blame John Swinney; if there is not enough money for PACE teams to deal with job losses, we will blame John Swinney; when the NHS and local councils see front-line services faltering, we will blame John Swinney; and if the budget is not passed

today, there is only one person who can be blamed—John Swinney.

16:49

John Swinney: The debate has brought to a conclusion a budget process and dialogue that has involved Parliament, ministers and all shades of opinion. At stage 1, I gave Parliament a commitment that I would engage in discussion with all shades of opinion across the political spectrum to ensure that we secured agreement in Parliament at stage 3.

I had brief discussions with the Liberal Democrats about their views on the budget. The point of principle that the Liberal Democrats advanced was that we should reduce income tax by 2p in the pound. Given the resultant impact of a reduction in spend on public services of £800 million, I did not judge that that was the correct way to proceed. My judgment of the balance of opinion in Parliament is that Parliament agrees with that into the bargain. I have seen no appetite in any of the debates in which I have taken part for anyone, other than the Liberal Democrats—parties are of course free to express their opinion—to articulate a case for an £800 million cut in public expenditure.

I have taken forward a number of discussions with the Labour Party covering a range of issues. It is quite wrong to characterise what happened as our having no ability to reach agreement. Today, I have announced that important guarantees about apprenticeships are being put in place.

John Park (Mid Scotland and Fife) (Lab): Will the cabinet secretary confirm that the Government would have announced that anyway, regardless of the budget process?

John Swinney: Mr Park has now got down to an absurd level of splitting hairs. The Government has announced it; he should have the good grace to accept what the Government has said. He should equally have the good grace to accept what the Government has said about improving the PACE organisation. If the town centre turnaround fund was such a Labour idea, why does Labour not have the good grace to accept that I have announced it today and that I have put it in place for the benefit of our communities?

While we are at it, Labour should accept the assurance that I have given, on behalf of the Deputy First Minister, that the moneys that are held centrally in the health service to support Jackie Baillie on hospital-acquired infection will be made available to the relevant health boards, as they always are.

It is absurd for the Labour Party to come here and complain about the local government finance

settlement when it has not raised a whimper about it in any of the discussions that we have had about the funding of public services in Scotland.

In the course of the discussions with the Labour Party, I have attempted to find common ground, but we have not been able to do that.

Of course, I have engaged with all political groupings and individuals within Parliament. I have honoured the commitment that I made to Margo MacDonald in the budget process last year that we would introduce a capital city supplement to reflect the unique issues with which Edinburgh, as our capital city, has to wrestle.

I say to Margaret Curran that Glasgow still benefits from the resources that are available through the cities growth fund, which exists for the other cities in Scotland, too, and which is incorporated into the local government finance settlement. Into the bargain, the Government is taking a whole host of decisions, not least of which are the decisions to increase the local government finance settlement for Glasgow; to take forward the M74 contracts, which the previous Government was not able to do; to take forward the Southern general hospital; and to give financial support to the Commonwealth games.

The Government is entitled to due credit for the resources that it is putting in place. I say to Margo MacDonald, who raised the issue of housing in Edinburgh, that ministers are aware of the issues around affordable housing in Edinburgh. The City of Edinburgh Council has applied to the council house construction fund for support for a particular application. That is currently being considered by ministers, so it would be inappropriate for me to make any judgment about it. Of course, the issue will be considered properly by ministers.

Margo MacDonald: Will the cabinet secretary give way?

Mike Rumbles: Will the cabinet secretary give way?

John Swinney: I will give way to Margo MacDonald, given that I mentioned her.

Margo MacDonald: Will the cabinet secretary say whether he could run a couple of pilots in Glasgow and Edinburgh for the scheme that I spoke of earlier—tax increment financing? I know that that has support in the councils and I know that they have been in touch with them.

John Swinney: We are already involved in discussions with the city council about tax increment finance. I think that it is an idea that has many strengths. Of course, I will take forward those discussions with the city council.

Patrick Harvie raised issues relating to the home insulation fund that the Government has put in

place and which I announced to Parliament today. In my opening speech, I said that we will commit £22 million of resources from central Government for the first stage of the programme this year. That will properly insulate 66,000 properties in Scotland. I went on to say that, with our social partners, we will be able to cover up to 100,000 houses in area-based schemes. To do that, we will commit to leveraging in resources from our social partners to bring the total spend up to £33 million. In the same way, we will work with our social partners to lever into the town centre regeneration fund additional initiatives to maximise the economic impact that can arise from the initiatives that we are announcing in Parliament today.

Jeremy Purvis: Will the cabinet secretary give way?

John Swinney: No, I am going to close my remarks in a moment.

Patrick Harvie: Will the cabinet secretary take an intervention?

John Swinney: I will give way to Mr Harvie.

Patrick Harvie: I am grateful to the cabinet secretary for giving way rather than taking a chance. Will he make a commitment that, if social partners are unable to provide that additional funding, the Scottish Government will?

John Swinney: The Government has said what it has said, and it will ensure that that happens. I make it clear to Parliament today—[*Interruption.*]

The Presiding Officer (Alex Fergusson): Order.

John Swinney: It has been suggested that voting down the budget today will have no consequences; of course there will be consequences. Our local authorities intend to set their council tax rates shortly. The health secretary wants to give health boards due notice of the expenditure that they can incur. The Government wants to ensure that there is an orderly stewardship of Scotland's public finances so that we can properly invest in Scotland's public services. It is absurd for people who have demanded that the Government accelerate capital expenditure to take a reckless decision not to support a budget that will deliver that capital expenditure. That is what the Government delivers, what the budget is about and why the budget should be supported at decision time.

The Presiding Officer: Members should pay attention. The final question is, that motion S3M-3299, in the name of John Swinney, on the Budget (Scotland) (No 2) Bill, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

For

Adam, Brian (Aberdeen North) (SNP)

Ahmad, Bashir (Glasgow) (SNP)

Aitken, Bill (Glasgow) (Con)

Allan, Alasdair (Western Isles) (SNP)
 Brocklebank, Ted (Mid Scotland and Fife) (Con)
 Brown, Gavin (Lothians) (Con)
 Brown, Keith (Ochil) (SNP)
 Brownlee, Derek (South of Scotland) (Con)
 Campbell, Aileen (South of Scotland) (SNP)
 Carlaw, Jackson (West of Scotland) (Con)
 Coffey, Willie (Kilmarnock and Loudoun) (SNP)
 Constance, Angela (Livingston) (SNP)
 Crawford, Bruce (Stirling) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Don, Nigel (North East Scotland) (SNP)
 Doris, Bob (Glasgow) (SNP)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 FitzPatrick, Joe (Dundee West) (SNP)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Gibson, Kenneth (Cunninghame North) (SNP)
 Gibson, Rob (Highlands and Islands) (SNP)
 Goldie, Annabel (West of Scotland) (Con)
 Grahame, Christine (South of Scotland) (SNP)
 Harvie, Christopher (Mid Scotland and Fife) (SNP)
 Hepburn, Jamie (Central Scotland) (SNP)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Adam (South of Scotland) (SNP)
 Johnstone, Alex (North East Scotland) (Con)
 Kidd, Bill (Glasgow) (SNP)
 Lamont, John (Roxburgh and Berwickshire) (Con)
 Lochhead, Richard (Moray) (SNP)
 MacAskill, Kenny (Edinburgh East and Musselburgh) (SNP)
 MacDonald, Margo (Lothians) (Ind)
 Marwick, Tricia (Central Fife) (SNP)
 Mather, Jim (Argyll and Bute) (SNP)
 Matheson, Michael (Falkirk West) (SNP)
 Maxwell, Stewart (West of Scotland) (SNP)
 McGrigor, Jamie (Highlands and Islands) (Con)
 McKee, Ian (Lothians) (SNP)
 McKelvie, Christina (Central Scotland) (SNP)
 McLetchie, David (Edinburgh Pentlands) (Con)
 McMillan, Stuart (West of Scotland) (SNP)
 Milne, Nanette (North East Scotland) (Con)
 Mitchell, Margaret (Central Scotland) (Con)
 Morgan, Alasdair (South of Scotland) (SNP)
 Neil, Alex (Central Scotland) (SNP)
 Paterson, Gil (West of Scotland) (SNP)
 Robison, Shona (Dundee East) (SNP)
 Russell, Michael (South of Scotland) (SNP)
 Salmond, Alex (Gordon) (SNP)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, John (Ayr) (Con)
 Smith, Elizabeth (Mid Scotland and Fife) (Con)
 Somerville, Shirley-Anne (Lothians) (SNP)
 Stevenson, Stewart (Banff and Buchan) (SNP)
 Sturgeon, Nicola (Glasgow Govan) (SNP)
 Swinney, John (North Tayside) (SNP)
 Thompson, Dave (Highlands and Islands) (SNP)
 Watt, Maureen (North East Scotland) (SNP)
 Welsh, Andrew (Angus) (SNP)
 White, Sandra (Glasgow) (SNP)
 Wilson, Bill (West of Scotland) (SNP)
 Wilson, John (Central Scotland) (SNP)

AGAINST

Alexander, Ms Wendy (Paisley North) (Lab)
 Baillie, Jackie (Dumbarton) (Lab)
 Baker, Claire (Mid Scotland and Fife) (Lab)
 Baker, Richard (North East Scotland) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brown, Robert (Glasgow) (LD)
 Butler, Bill (Glasgow Anniesland) (Lab)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)

Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Curran, Margaret (Glasgow Baillieston) (Lab)
 Eadie, Helen (Dunfermline East) (Lab)
 Ferguson, Patricia (Glasgow Maryhill) (Lab)
 Finnie, Ross (West of Scotland) (LD)
 Foulkes, George (Lothians) (Lab)
 Gillon, Karen (Clydesdale) (Lab)
 Glen, Marlyn (North East Scotland) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Gordon, Charlie (Glasgow Cathcart) (Lab)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (East Lothian) (Lab)
 Harper, Robin (Lothians) (Green)
 Harvie, Patrick (Glasgow) (Green)
 Henry, Hugh (Paisley South) (Lab)
 Hume, Jim (South of Scotland) (LD)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Kelly, James (Glasgow Rutherglen) (Lab)
 Kerr, Andy (East Kilbride) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Ken (Eastwood) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 McArthur, Liam (Orkney) (LD)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Tom (Hamilton South) (Lab)
 McConnell, Jack (Motherwell and Wishaw) (Lab)
 McInnes, Alison (North East Scotland) (LD)
 McMahon, Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Mulligan, Mary (Linlithgow) (Lab)
 Munro, John Farquhar (Ross, Skye and Inverness West) (LD)
 Murray, Elaine (Dumfries) (Lab)
 O'Donnell, Hugh (Central Scotland) (LD)
 Oldfather, Irene (Cunninghame South) (Lab)
 Park, John (Mid Scotland and Fife) (Lab)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Pringle, Mike (Edinburgh South) (LD)
 Purvis, Jeremy (Tweeddale, Ettrick and Lauderdale) (LD)
 Rumbles, Mike (West Aberdeenshire and Kincardine) (LD)
 Scott, Tavish (Shetland) (LD)
 Simpson, Dr Richard (Mid Scotland and Fife) (Lab)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Iain (North East Fife) (LD)
 Smith, Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Stewart, David (Highlands and Islands) (Lab)
 Stone, Jamie (Caithness, Sutherland and Easter Ross) (LD)
 Tolson, Jim (Dunfermline West) (LD)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Whitton, David (Strathkelvin and Bearsden) (Lab)

The Presiding Officer: The result of the division is: For 64, Against 64, Abstentions 0.

It is a well-established convention here and elsewhere that Presiding Officers cast in favour of the status quo. As the passing of the bill would result in a change to the present position with regard to the budget, and as I advised all business managers, I cast my vote against the motion.

Motion disagreed to.

The Presiding Officer: The Budget (Scotland) (No 2) Bill therefore falls.

Margo MacDonald (Lothians) (Ind): On a point of order.

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): On a point of order.

Iain Gray (East Lothian) (Lab): On a point of order.

The Presiding Officer: Order. I will first take the point of order from the cabinet secretary.

John Swinney: In light of the vote that has just taken place and the serious position in which that leaves Scotland, the Scottish Government will not delay in seeking to resolve the budget issues for next year. I give notice to Parliament that I will reintroduce the 2009-10 budget bill to Parliament at the earliest possible opportunity, and certainly within a matter of days.

The Government recognises its important obligation to put in place a budget that is effective for the people of Scotland from the start of the financial year. That is why we will take early action still to achieve that for 2009-10. We all have an interest in considering the matter as soon as Parliament's processes allow. The Government will introduce such a bill at the earliest possible opportunity.

The Presiding Officer: I thank the cabinet secretary for that statement. I will now take the point of order from Iain Gray.

Iain Gray: I welcome the cabinet secretary's point of order, which—initially—was not dissimilar to mine. There has been much wild talk of the consequences of a no vote this evening, and we have now arrived at that point.

Presiding Officer, will you give further clarity on what the standing orders say on the introduction of a new budget bill and exactly how quickly that can happen? My second point is similar. Will you clarify what the standing orders say on the lodging of a motion of no confidence in either ministers individually or an Administration collectively?

The Presiding Officer: I will take the second point first. If there is to be a motion of no confidence, that is up to members; it is not up to me.

On the procedure from now on, my intention is to seek to call a meeting of the Parliamentary Bureau tomorrow to take forward the potential timetable for the new legislation.

The Minister for Parliamentary Business (Bruce Crawford): On that point—

The Presiding Officer: I will bring in the Minister for Parliamentary Business.

Bruce Crawford: In light of what has just happened, Presiding Officer, it is obvious that the business programme for next week, which was set out in a business motion that we have just agreed to, can no longer go forward. The Local Government Finance (Scotland) Order 2009 cannot be taken before the budget has been agreed. I will therefore seek urgent discussions with my fellow business managers on lodging a revised business motion for Parliament to consider at 5 o'clock tomorrow, if that is what they wish to do.

The Presiding Officer: That is very useful. Thank you, Mr Crawford.

I will now take the point of order from Margo MacDonald.

Margo MacDonald: On a point of order, Presiding Officer. As this is a learning process for all of us, I wish to question whether your vote was cast according to the status quo convention or whether, under our standing orders and "Erskine May", it would be preferable, given that the motion is of such importance, for the matter to be decided by the whole house.

The Presiding Officer: As I explained, my vote was cast in terms of the status quo convention. The position is clear; it is the same as the position that I took last year. All business managers were informed of that position.

It might be difficult for members to leave the chamber quietly, but it would be greatly appreciated if they could do so.

Budget (Scotland) (No.3) Bill

[AS INTRODUCED]

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ACCOMPANYING DOCUMENTS
Accompanying Documents are printed separately as SP Bill 20-AD.

Budget (Scotland) (No.3) Bill

[AS INTRODUCED]

An Act of the Scottish Parliament to make provision, for financial year 2009/10, for the use of resources by the Scottish Administration and certain bodies whose expenditure is payable out of the Scottish Consolidated Fund, for authorising the payment of sums out of the Fund and for the maximum amounts of borrowing by certain statutory bodies; to make provision, for financial year 2010/11, for authorising the payment of sums out of the Fund on a temporary basis; and for connected purposes.

PART 1

FINANCIAL YEAR 2009/10

Use of resources

1 The Scottish Administration

- (1) Resources other than accruing resources may, in financial year 2009/10, be used by the Scottish Administration for the purposes specified in column 1 of schedule 1—
 - (a) so far as the use of resources consists of incurring liability in respect of recoverable VAT, without limit as to amount, and
 - (b) in any other case, up to the amounts specified in the corresponding entries in column 2.
- (2) Accruing resources of the types specified in column 3 of schedule 1 may, in financial year 2009/10, be used by the Scottish Administration for the purposes specified in the corresponding entries in column 1 up to the amounts specified in column 4.
- (3) Accruing resources in respect of recoverable VAT may, in financial year 2009/10, be used, without limit as to amount, by the Scottish Administration for any purpose for which resources are authorised to be used by virtue of subsection (1).
- (4) Accruing resources of the types specified in column 1 of each Part of schedule 2 may, in financial year 2009/10, be used by the Scottish Administration for the purposes specified in the corresponding entries in column 2 up to the overall amount specified at the end of that Part.
- (5) Accruing resources authorised to be used by virtue of subsection (3) or (4) may be so used only through the part of the Scottish Administration through which they accrue.

(6) The Parts of schedule 2 set out the types of accruing resources, purposes and overall amounts by reference to the parts of the Scottish Administration through which the resources accrue and may be used.

(7) In this section, references to recoverable VAT are to value added tax in respect of which a claim for a refund may be made by the Scottish Administration under section 41(3) of the Value Added Tax Act 1994 (c.23).

2 Direct-funded bodies

(1) Resources other than accruing resources may, in financial year 2009/10, be used by the direct-funded bodies mentioned in column 1 of schedule 3 for the purposes specified in that column—

(a) so far as the use of resources consists of incurring liability in respect of recoverable VAT, without limit as to amount, and

(b) in any other case, up to the amounts specified in the corresponding entries in column 2.

(2) Accruing resources of the types specified in column 3 of schedule 3 may, in financial year 2009/10, be used by those bodies for the purposes specified in the corresponding entries in column 1 up to the amounts specified in column 4.

(3) Accruing resources in respect of recoverable VAT may, in financial year 2009/10, be used, without limit as to amount, by any direct-funded body mentioned in column 1 of schedule 3 for any purpose for which resources are authorised to be used by that body by virtue of subsection (1).

(4) Accruing resources of the types specified in column 1 of each Part of schedule 4 may, in financial year 2009/10, be used by the direct-funded body to which that Part relates for the purposes specified in the corresponding entries in column 2 up to the overall amount specified at the end of that Part.

(5) In this section, references to recoverable VAT are to value added tax in respect of which a claim for a refund may be made by the direct-funded body concerned under section 41(3) of the Value Added Tax Act 1994 (c.23).

The Scottish Consolidated Fund

3 Overall cash authorisations

For the purposes of section 4(2) of the 2000 Act, the overall cash authorisations for financial year 2009/10 are—

(a) in relation to the Scottish Administration, £28,507,402,000,

(b) in relation to the Forestry Commissioners, £77,400,000,

(c) in relation to the Food Standards Agency, £10,900,000,

(d) in relation to the Scottish Parliamentary Corporate Body, £89,665,000,

(e) in relation to Audit Scotland, £6,577,000.

4 Contingencies: payments out of the Fund

- (1) This section applies where, in financial year 2009/10, it is proposed to pay out of the Scottish Consolidated Fund under section 65(1)(c) of the Scotland Act 1998 (c.46), for or in connection with expenditure of the Scottish Administration or a direct-funded body, a sum which does not fall within the overall cash authorisation specified in section 3 in relation to the Scottish Administration or, as the case may be, that body.
- (2) The sum may be paid out of the Fund only if its payment is authorised by the Scottish Ministers.
- (3) The Scottish Ministers may authorise payment only if they consider that—
 - (a) the payment is necessarily required in the public interest to meet urgent expenditure for a purpose falling within section 65(2) of the Scotland Act 1998, and
 - (b) it is not reasonably practicable, for reasons of urgency, to amend the overall cash authorisation by an order under section 7 of this Act.
- (4) But the Scottish Ministers must not authorise payment of the sum if it would result in an excess of sums paid out of the Fund over sums paid into the Fund.
- (5) The aggregate amount of the sums which the Scottish Ministers may authorise to be paid out of the Fund under this section must not exceed £50,000,000.
- (6) Where the Scottish Ministers authorise a payment under this section they must, as soon as possible, lay before the Scottish Parliament a report setting out the circumstances of the authorisation and why they considered it to be necessary.

Borrowing by certain statutory bodies

5 Borrowing by certain statutory bodies

In schedule 5, the amounts set out in column 2 are the amounts specified for financial year 2009/10 for the purposes of the enactments listed in the corresponding entries in column 1 (which make provision as to the net borrowing of the bodies mentioned in that column).

PART 2

FINANCIAL YEAR 2010/11

6 Emergency arrangements: overall cash authorisations

- (1) This section applies if, at the beginning of financial year 2010/11, there is no overall cash authorisation for that year for the purposes of section 4(2) of the 2000 Act.
- (2) Until there is in force a Budget Act providing such authorisation, there is to be taken to be an overall cash authorisation for each calendar month of that year in relation to each of—
 - (a) the Scottish Administration, and
 - (b) the direct-funded bodies,
 of an amount determined in accordance with subsection (3) of this section; and section 4 of the 2000 Act has effect accordingly.
- (3) That amount is whichever is the greater of—

- (a) one-twelfth of the amount specified in section 3 in relation to the Scottish Administration or, as the case may be, the direct-funded body in question, and
 - (b) the amount paid out of the Scottish Consolidated Fund under section 65(1)(c) of the Scotland Act 1998 (c.46) in the corresponding calendar month of financial year 2009/10 for or in connection with expenditure of the Scottish Administration or that body.
- (4) Subsection (2) is subject to any provision made by Budget Act for financial year 2010/11.

PART 3

MISCELLANEOUS AND SUPPLEMENTARY

Budget revisions

7 Amendment of this Act

- (1) The Scottish Ministers may by order made by statutory instrument amend—
- (a) the amounts specified in section 3,
 - (b) schedules 1 to 5.
- (2) No order may be made under subsection (1) unless a draft of it has been laid before, and approved by resolution of, the Scottish Parliament.

Supplementary

8 Repeal

Part 2 (financial year 2009/10) of the Budget (Scotland) Act 2008 (asp 2) is repealed.

9 Interpretation

- (1) References in this Act to “the 2000 Act” are references to the Public Finance and Accountability (Scotland) Act 2000 (asp 1).
- (2) References in this Act to accruing resources in relation to the Scottish Administration or any direct-funded body are to such resources accruing to the Scottish Administration or, as the case may be, that body in financial year 2009/10.
- (3) References in this Act to the direct-funded bodies are references to the bodies mentioned in section 3(b) to (e) of this Act; and references to a direct-funded body are references to any of those bodies.
- (4) Except where otherwise expressly provided, expressions used in this Act and in the 2000 Act have the same meanings in this Act as they have in that Act.

10 Short title

This Act may be cited as the Budget (Scotland) Act 2009.

SCHEDULE 1
(introduced by section 1)

THE SCOTTISH ADMINISTRATION

<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
1. For use by the Scottish Ministers (through the First Minister's portfolio) on support for the cultural heritage of Scotland, including the Gaelic language; cultural organisations and cultural development; Historic Scotland; central government grants to non-departmental public bodies, local authorities and other bodies and organisations; international relations and development assistance; expenditure on corporate and central services; expenditure in relation to running costs of Her Majesty's Chief Inspector of Prosecution in Scotland	£265,145,000	Sale of land, buildings and equipment	—
2. For use by the Scottish Ministers (through their Finance and Sustainable Growth portfolio) on running and capital costs of the Scottish Public Pensions Agency; expenditure on committees, commissions and other portfolio services; expenditure and grant assistance in relation to public service reform and efficiency; data sharing and standards; support for the running costs of Scottish Futures Trust Limited; support for passenger rail services, rail infrastructure and associated rail services; support for the development and delivery of concessionary travel schemes; funding for major public transport projects; the running costs of Transport Scotland; funding for the Strategic Transport Projects Programme; funding for travel information services; the maintenance and enhancement of the trunk road infrastructure; support for ferry services, loans for vessel construction, grants for pier and other infrastructure and funding for a pilot of road equivalent tariff; support for Highlands and Islands Airports Limited, support for air	£3,394,657,000	Repayment of voted loans (capital) by Scottish Enterprise and Caledonian Maritime Assets Limited; repayment of loans by Independent Piers and Harbours Trusts; repayment of loans by Scottish Water; repayment of public dividend capital; sale of buildings, land and equipment	£32,900,000

	<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
5	services and funding for the Air Discount Scheme; support for the bus industry; support for the Forth Estuary Transport Authority and Tay Road Bridge Joint Board; support for the freight industry; support for British Waterways Scotland; funding to promote sustainable and active travel; contributing to the running costs of Regional Transport Partnerships and of other bodies associated with the transport sector; funding for road safety; costs in relation to funding the office of the Scottish Road Works Commissioner; loans to Scottish Water and Scottish Water Business Stream Holdings Limited; climate change activities; grants in respect of third sector development and the Scottish Investment Fund; planning; architecture; building standards; tourism; grant in aid for Scottish Enterprise and Highlands and Islands Enterprise; Regional Selective Assistance including Innovation and Investment grants; telecommunications infrastructure; European Structural Fund grants to public corporations, non-departmental public bodies, local authorities and other bodies and organisations and EU programme administration costs; energy related activities; central government grants to local authorities; sundry enterprise related activities			
40	3. For use by the Scottish Ministers (through their Health and Wellbeing portfolio) on hospital and community health services; family health services; community care; central government grants to local authorities; social care; welfare food (Healthy Start); the Mental Health Tribunal for Scotland; payments to the Skipton Fund; other health services; sportscotland and the delivery of the 2014 Commonwealth Games; housing subsidies; Scottish Housing	£10,435,534,000	Sale of property, land and equipment; repayment of loans	£300,000,000

	<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
5	Regulator running costs; Energy Assistance Package; repayment of debt and any associated costs; other expenditure, contributions and grants relating to housing; activities relating to homelessness; research and publicity			
10	and other portfolio services; sites for gypsies and travellers; grants to housing associations; grants for the Fairer Scotland Fund and other services;			
15	community engagement; regeneration programmes; grants for Vacant and Derelict Land Fund; programmes promoting social inclusion; expenditure relating to equality issues			
20	4. For use by the Scottish Ministers (through their Education and Lifelong Learning portfolio) on schools; training and development of teachers; educational research, development and promotion; international and other educational services; qualifications assessment and skills; funding of the Additional Support Needs tribunal and HM Inspectors of Education; Disclosure Scotland and Social Work Inspection Agency; childcare, including care for vulnerable children; youth work, including youth justice and associated social work services; central government grants to local authorities; grant in aid for the Scottish Further and Higher Education Funding Council, Skills Development Scotland Limited, Scottish Qualifications Authority, Learning and Teaching Scotland, Scottish Children's Reporter Administration and Scottish Social Services Council; funding for the Student Awards Agency for Scotland and related costs, including the Student Loan Scheme; Enterprise in Education; funding activities associated with young people Not in Education, Employment or Training; research related activities and science related programmes	£2,786,887,000	Sale of surplus land, buildings and equipment; the repayment of student loans	£68,000,000
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	<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
5	delivered by the Chief Scientific Adviser for Scotland, including the funding of fellowships (including those funded by the Royal Society of Edinburgh); sundry lifelong learning activities including the provision of Education Maintenance Allowances and funding for International Students			
10				
15	5. For use by the Scottish Ministers (through their Justice portfolio) on legal aid (including the running costs of the Scottish Legal Aid Board); the Scottish Legal Complaints Commission; criminal injuries compensation (including administration); certain services relating to crime including the Parole Board for Scotland; the Scottish Prison Service; the Scottish Prisons Complaints Commission; the Scottish Criminal Cases Review Commission; the Risk Management Authority; the Police Complaints Commissioner for Scotland; the Scottish Police Services Authority and other police services and superannuation of police on secondment; police loan charges; Scottish Resilience; central government grants to local authorities; measures in relation to antisocial behaviour; measures in relation to drug abuse and treatment; miscellaneous services relating to administration of justice; community justice services; court services, including judicial pensions; the Accountant in Bankruptcy; certain legal services; costs and fees in connection with legal proceedings	£1,844,703,000	Sale of police vehicles; sale of prison land, buildings, staff quarters, vehicles, equipment and property	£2,700,000
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45	6. For use by the Scottish Ministers (through their Rural Affairs and the Environment portfolio) on market support; support for agriculture in special areas including crofting communities; rural development, agri-environmental and farm woodland measures; compensation to sheep	£545,766,000	Sale of surplus land, buildings and equipment; sale of holdings to existing tenants	£256,000

	<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
5	producers; animal health; agricultural education; advisory, research and development services; botanical and scientific services; assistance to production, marketing and processing;			
10	administration, land management and other agricultural services; assistance to the Scottish fisheries sector; fisheries protection; other services including fisheries research and development and special services; marine management;			
15	natural heritage; environment protection; rural affairs; other environmental expenditure; flood prevention; coastal protection; air quality monitoring; water grants (including the Drinking Water Quality Regulator for Scotland and Water Industry Commission for Scotland)			
20				
25	7. For use by the Scottish Ministers on administrative costs and operational costs; costs of providing continuing services to the Scottish Parliament; costs associated with the functions of the Queen's Printer for Scotland	£273,177,000	Income from sale of surplus capital assets	£35,000
30	8. For use by the Lord Advocate (through the Crown Office, the Procurator Fiscal Service and the office of Queen's and Lord Treasurer's Remembrancer) on administrative costs, including costs relating to the office of Queen's and Lord Treasurer's Remembrancer (including special payments made in relation to intestate estates which fall to the Crown as ultimate heir); fees paid to temporary procurators fiscal; witness expenses; victim expenses where applicable and other costs associated with Crown prosecutions and cases brought under the Proceeds of Crime Act 2002	£118,730,000	Sale of surplus assets	£100
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	9. For use by the Scottish Ministers (through their Local Government portfolio) on revenue support grants and	£10,300,663,000	—	—

	<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
5	payment to local authorities of non-domestic rates in Scotland; other local authority grants and special grants relating to council tax and spend-to-save scheme; housing support grant; other			
10	services including payments under the Bellwin scheme covering floods, storms and other emergencies			
15	10. For use by the Registrar General of Births, Deaths and Marriages for Scotland (through the General Register Office for Scotland) on administrative costs and operational costs	£15,697,000	—	—
20	11. For use by the Scottish Ministers and the Keeper of the Records of Scotland (through the National Archives of Scotland) on administrative costs and operational costs (including costs associated with running the ScotlandsPeople Centre)	£10,300,000	—	—
25	12. For use by the Scottish Ministers on pensions, allowances, gratuities etc. payable in respect of the teachers' and national health service pension schemes	£2,689,959,000	—	—
30	13. For use by the Office of the Scottish Charity Regulator on administrative costs and operational costs	£3,700,000	—	—

SCHEDULE 2
(introduced by section 1)

ACCRUING RESOURCES OF THE SCOTTISH ADMINISTRATION WHICH MAY BE USED WITHOUT
INDIVIDUAL LIMIT

PART 1

FIRST MINISTER'S PORTFOLIO

<i>Type of accruing resources</i>	<i>Purpose</i>
1. Income from admissions and retail at monuments operated by Historic Scotland and external partnership funding for capital projects	Expenditure on culture
2. Income from sales and grants in respect of the Royal Commission on the Ancient and Historic Monuments of Scotland	Expenditure on culture
3. Income from marketing	Expenditure on marketing
4. Income in respect of legal costs recovered by the Local Government Boundary Commission for Scotland	Payments to the Local Government Boundary Commission for Scotland

Overall amount: £26,600,000

PART 2

FINANCE AND SUSTAINABLE GROWTH PORTFOLIO

<i>Type of accruing resources</i>	<i>Purpose</i>
1. Administration charges in respect of services undertaken by the Scottish Public Pensions Agency	Running costs of the Scottish Public Pensions Agency
2. Recovery of grant awarded to local authorities under the Bellwin scheme covering floods, storms and other emergencies	Expenditure on floods, storms and other emergencies
3. Repayment of loans by Scottish Water	Expenditure on Scottish Water
4. Repayment of loans by Scottish Water Business Stream Holdings Limited	Expenditure on Scottish Water Business Stream Holdings Limited
5. Recovery of unused grant from third sector organisations	Expenditure on third sector development

Schedule 2—Accruing resources of the Scottish Administration which may be used without individual limit

Part 3—Health and Wellbeing portfolio

	<i>Type of accruing resources</i>	<i>Purpose</i>
	6. Refunds of grants for Regional Selective Assistance including Innovation and Investment	Expenditure on Regional Selective Assistance including Innovation and Investment
5	7. Income from electricity statutory consent fees	Expenditure on the administration of electricity statutory consents
	8. Rents from land and property	Expenditure on motorways and trunk roads
10	9. Any sums accruing as a result of the dissolution of Scottish Transport Group	Payments to former members of Scottish Transport Group pension schemes
	10. Sums accruing from Enterprise related activities	Expenditure on Enterprise related activities
15	11. Income from European Union including the European Social Fund and the European Regional Development Fund	Expenditure on European Union eligible support
	12. Income from the European Union for administration costs	Expenditure on administration of European Union programmes

Overall amount: £224,000,000

PART 3

HEALTH AND WELLBEING PORTFOLIO

	<i>Type of accruing resources</i>	<i>Purpose</i>
	1. Income from the sale of research results and publications; other minor miscellaneous income	Miscellaneous expenditure
25	2. Capital sums accruing from housing related activities	Expenditure on housing related activities
	3. Recovery of grants or loans awarded to individuals and recovery of grants awarded to local authorities and Registered Social Landlords	Expenditure on housing
30	4. Income from local authorities in respect of right to buy sales following housing stock transfer	Expenditure on housing
	5. Receipts from local authorities arising out of housing	Repayment of local authority

<i>Type of accruing resources</i>	<i>Purpose</i>
stock transfers	housing debt and associated costs
6. Income from loans related to housing	Expenditure on housing
7. Recovery of unused regeneration monies	Expenditure on regeneration
5 8. Charges to private patients; income generation schemes; charges for the processing of plasma for the Department of Health, Social Services and Public Safety in Northern Ireland; handling charges for blood products; sales of antibodies and related products; repayments of Project 2000 bursaries; National Insurance contributions	Expenditure on hospital and community health services
10 9. Prescription charges collected by dispensing doctors, pharmacists, Health Boards and appliance suppliers; sales of prescription pre-payment certificates; payments under the Pharmaceutical Price Regulation Scheme; rental of national health service properties; charges collected by dental practitioners and ophthalmologists; recovery of charges from patients, dispensing contractors and practitioners	Expenditure on family health services
15 10. Sales of publications; fees for conferences and courses; royalties from projects developed with portfolio assistance; sales of vitamin drops and tablets at national health service clinics; other miscellaneous income	Expenditure on other health services
20 11. Income from fees charged by the Scottish Commission for the Regulation of Care	Expenditure on community care

25 Overall amount: £3,000,000,000

PART 4

EDUCATION AND LIFELONG LEARNING PORTFOLIO

<i>Type of accruing resources</i>	<i>Purpose</i>
30 1. Recovery of costs by HM Inspectors of Education	Expenditure on education services
2. Repayment of student awards and interest capitalised on student loans	Expenditure of the Student Awards Agency for Scotland
3. Sums accruing from Lifelong Learning related activities	Expenditure on Lifelong Learning related activities
4. Income from criminal record checks carried out by	Expenditure on Disclosure Scotland

<i>Type of accruing resources</i>	<i>Purpose</i>
Disclosure Scotland	and Education and Lifelong Learning related activities

Overall amount: £69,297,000

5

PART 5

JUSTICE PORTFOLIO

<i>Type of accruing resources</i>	<i>Purpose</i>
10 1. Superannuation contributions for police officers on secondment to the Scottish Police College (SPC); charges for students from outwith Scottish Police Forces; charges for use of the SPC for various activities	Expenditure of the SPC
15 2. Contributions made by the Scottish Police Federation to the cost of salaries, etc. of their secretary and chairman; receipts from fixed penalty notices	Expenditure on police services
3. Income from sale of prison-manufactured goods, services and other industries income; various income including income from land and buildings	Expenditure of the Scottish Prison Service
20 4. General income of the Scottish Fire Services College, including that from fire related and other organisations which use the college's teaching and conference facilities on a repayment basis	Expenditure on Scottish Resilience
25 5. Civil contingencies income from sale of surplus and obsolete equipment; course income; rents from other bodies using radio masts or stations owned by the Scottish Executive	Expenditure on Scottish Resilience
6. Superannuation contributions collected by the Scottish Legal Aid Board	Expenditure on legal aid
30 7. Income from cinematography exemption certificate fees and criminal statistics and other miscellaneous receipts	Miscellaneous expenditure
8. Fees for civil cases; rent from minor occupiers	Expenditure of the Scottish Court Service
9. Income relating to sequestration etc.	Expenditure on the Accountant in Bankruptcy

<i>Type of accruing resources</i>	<i>Purpose</i>
10. Amounts recovered under the Proceeds of Crime Act 2002	Expenditure on Community Safety

Overall amount: £57,000,000

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PART 6

RURAL AFFAIRS AND THE ENVIRONMENT PORTFOLIO

10

15

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<i>Type of accruing resources</i>	<i>Purpose</i>
1. Funding from European agricultural and fisheries funds	EU Common Agricultural Policy (CAP) support, rural development and fisheries subsidy and grant schemes
2. Sale of carcasses; repayment of loans under Crofting Building Loan Scheme; bond fees and insurance; rents and wayleaves; recovery of costs in connection with land drainage; fees for CAP appeals; sales of produce; charges under livestock schemes; pension contributions from members of the Crofters Commission; charges for cattle passports; charges for relevant publications and statistics	Related rural and agricultural services expenditure
3. Charges for advisory visits, certifications, testing fish and hire of equipment	Related Fisheries Research Services and Scottish Fisheries Protection Agency expenditure
4. Repayment of loans by harbour authorities; charges for relevant publications and statistics	Related fisheries expenditure
5. Charges for plant health and control work, seed and variety testing and pesticides work; sales of produce; charges for advisory visits, certifications, testing plants and animals	Related rural services and rural payments and inspections expenditure
6. Sale of research results and publications; charges for licences under the Food and Environment Protection Act 1985; pension contributions from members of the Deer Commission	Expenditure on environmental services

Overall amount: £560,000,000

PART 7

SCOTTISH EXECUTIVE (ADMINISTRATION)

	<i>Type of accruing resources</i>	<i>Purpose</i>
5	1. Payments from outwith the Scottish Executive for professional services; income from the Statistical Office of the European Union; discounts; recovery of legal costs; income from payment for services and recovery of other costs; recovery of National Insurance Fund payments; New Deal income; profit from sale of surplus capital assets; repayments of loans made to members of staff for house purchase; rent from minor occupiers; European Fast Stream income	Scottish Executive core directorates running costs
10		
15	2. Recovery of salaries and other expenses of outward seconded and loaned staff; recovery of salaries of staff assigned to the Criminal Injuries Compensation Agency (CICA)	Expenditure on outward seconded and loaned staff and staff assigned to CICA

Overall amount: £18,200,000

PART 8

CROWN OFFICE AND PROCURATOR FISCAL SERVICE

	<i>Type of accruing resources</i>	<i>Purpose</i>
20	1. Fees charged for administering the estates of persons who die intestate and without known heirs; income from such estates; income from disposal of ownerless or abandoned property which falls to the Crown; sale of Statute Amendments; income from the sale of waste paper and obsolete office machinery; minor occupancy income; minor miscellaneous income; profit on sale of surplus capital assets	Running costs of the Crown Office and Procurator Fiscal Service
25		

Overall amount: £600,000

PART 9

REGISTRAR GENERAL OF BIRTHS, DEATHS AND MARRIAGES FOR SCOTLAND

	<i>Type of accruing resources</i>	<i>Purpose</i>
5	1. Income from sales of records services; reappportioned income from minor occupiers	Expenditure on Records Enterprise, ScotlandsPeople, the ScotlandsPeople Centre and registration expenditure
10	2. Royalties from sales on the internet	Expenditure on Records Enterprise, ScotlandsPeople and the ScotlandsPeople Centre
15	3. Income from Scottish Executive for running the National Health Service Central Register; income from sales of information by National Health Service Central Register; income from sales of vital statistics; reappportioned income from minor occupiers	Expenditure on vital events and national health service
	4. Income from the Improvement Service for providing information to support the Citizen's Account	Expenditure on vital events
20	5. Income from sales of Census and other geographical information; sales of population statistics; reappportioned income from minor occupiers	Expenditure on Census and population statistics

Overall amount: £5,600,000

PART 10

KEEPER OF THE RECORDS OF SCOTLAND

	<i>Type of accruing resources</i>	<i>Purpose</i>
25	1. Fees and other income for the issue of photocopy orders; professional searchers contract fees; inspection fees; microfilm and digital imaging services; sale of publications; income from conservation and specialist services; income from Registers of Scotland Executive Agency for services provided	Running costs of the National Archives of Scotland
30		

Overall amount: £1,000,000

Schedule 2—Accruing resources of the Scottish Administration which may be used without individual limit

Part 11—Scottish Executive (Scottish teachers' and NHS pension schemes)

PART 11

SCOTTISH EXECUTIVE (SCOTTISH TEACHERS' AND NHS PENSION SCHEMES)

5

<i>Type of accruing resources</i>	<i>Purpose</i>
1. Contributions in respect of teachers' and national health service superannuation	Expenditure on teachers' and national health service superannuation

Overall amount: £1,500,000,000

SCHEDULE 3
(introduced by section 2)

DIRECT-FUNDED BODIES

	<i>Purpose</i>	<i>Amount of resources other than accruing resources</i>	<i>Type of accruing resources</i>	<i>Amount of accruing resources</i>
5				
10	1. For use by the Forestry Commissioners in or as regards Scotland on the promotion of forestry in Scotland including advising on the development and delivery of forestry policy, regulating and supporting, through grant in aid, the forestry sector, managing the national forest estate in Scotland; administrative costs	£93,800,000	Miscellaneous income	£15,000,000
15				
20	2. For use by the Food Standards Agency in or as regards Scotland on administrative and operational costs, including research, monitoring and surveillance and public information and awareness relating to food safety and standards; the Meat Hygiene Service	£11,000,000	Miscellaneous income	£100
25				
30	3. For use by the Scottish Parliamentary Corporate Body on ongoing costs associated with the administration and operation of the Scottish Parliament; payments in respect of the functions of the Scottish Parliamentary Standards Commissioner, the Commissioner for Public Appointments in Scotland, the Scottish Public Services Ombudsman, the Scottish Information Commissioner, the Commissioner for Children and Young People in Scotland and the Scottish Commission for Human Rights; any other payments relating to the Scottish Parliament	£103,548,000	Miscellaneous income and capital receipts	£100
35				
40	4. For use by Audit Scotland, including assistance and support to the Auditor General for Scotland and the Accounts Commission for Scotland and other audit work for public bodies and for payment of pensions to former Local Government Ombudsmen and their staff	£7,279,000	Income from sale of IT equipment and furniture	£20,000
45				

SCHEDULE 4
(introduced by section 2)

ACCRUING RESOURCES OF DIRECT-FUNDED BODIES WHICH MAY BE USED WITHOUT INDIVIDUAL LIMIT

PART 1

FORESTRY COMMISSIONERS

<i>Type of accruing resources</i>	<i>Purpose</i>
1. Recovery of grants; repayments by staff of loans and other recoverable expenses; miscellaneous income from sales of publications, training courses etc.	Policy, regulatory and grant-giving functions

Overall amount: £6,100,000

PART 2

FOOD STANDARDS AGENCY

<i>Type of accruing resources</i>	<i>Purpose</i>
1. Recovery of costs from Radioactive Site Operators in relation to the Food Standards Agency's role in assessing the impact of proposed radioactive waste disposal authorisations on the food chain; income from sale of publications and income generation schemes	Expenditure of the Food Standards Agency in or as regards Scotland
2. Income from industry levied charges in respect of statutory veterinary services and inspections undertaken by the Meat Hygiene Service	Expenditure of the Food Standards Agency in or as regards Scotland in supporting the provision of the Meat Hygiene Service

Overall amount: £100

PART 3

SCOTTISH PARLIAMENTARY CORPORATE BODY

<i>Type of accruing resources</i>	<i>Purpose</i>
1. Broadcasting income; income from sale of gifts; income from commercial sales and other services provided to the public	Expenditure on administrative costs of the Scottish Parliament

Overall amount: £800,000

PART 4

AUDIT SCOTLAND

<i>Type of accruing resources</i>	<i>Purpose</i>
<p>5 1. Fees and charges for audit work; recovery of costs associated with the functions of the Auditor General for Scotland and the Accounts Commission for Scotland; miscellaneous income from publications, conferences, provision of administrative services etc.; rental income etc.; recovery of costs of seconded staff; repayment of</p> <p>10 loans by staff; recovery of car leasing payments; interest received on working balances</p>	<p>Expenditure of Audit Scotland, the Auditor General for Scotland and the Accounts Commission for Scotland</p>

Overall amount: £22,000,000

SCHEDULE 5

(introduced by section 5)

BORROWING BY CERTAIN STATUTORY BODIES

<i>Enactment</i>	<i>Amount</i>
<p>1. Section 25 of the Enterprise and New Towns (Scotland) Act 1990 (c.35) (Scottish Enterprise)</p>	<p>£10,000,000</p>
<p>2. Section 26 of that Act (Highlands and Islands Enterprise)</p>	<p>£1,000,000</p>
<p>20 3. Section 48 of the Environment Act 1995 (c.25) (Scottish Environment Protection Agency)</p>	<p>Nil</p>
<p>4. Section 42 of the Water Industry (Scotland) Act 2002 (asp 3) (Scottish Water)</p>	<p>£215,300,000</p>
<p>25 5. Section 14 of the Water Services etc. (Scotland) Act 2005 (asp 3) (Scottish Water Business Stream Holdings Limited)</p>	<p>Nil</p>

Budget (Scotland) (No.3) Bill

[AS INTRODUCED]

An Act of the Scottish Parliament to make provision, for financial year 2009/10, for the use of resources by the Scottish Administration and certain bodies whose expenditure is payable out of the Scottish Consolidated Fund, for authorising the payment of sums out of the Fund and for the maximum amounts of borrowing by certain statutory bodies; to make provision, for financial year 2010/11, for authorising the payment of sums out of the Fund on a temporary basis; and for connected purposes.

Introduced by: John Swinney
On: 29 January 2009
Supported by: Alex Salmond, Bruce Crawford
Bill type: Budget Bill

BUDGET (SCOTLAND) (NO.3) BILL

ACCOMPANYING DOCUMENTS

SCOTTISH GOVERNMENT STATEMENT ON LEGISLATIVE COMPETENCE

1. On 29 January 2009, the Cabinet Secretary for Finance and Sustainable Growth (John Swinney MSP) made the following statement:

“In my view, the provisions of the Budget (Scotland) (No.3) Bill would be within the legislative competence of the Scottish Parliament.”

PRESIDING OFFICER’S STATEMENT ON LEGISLATIVE COMPETENCE

2. On 29 January 2009, the Presiding Officer (Alex Fergusson MSP) made the following statement:

“In my view, the provisions of the Budget (Scotland) (No.3) Bill would be within the legislative competence of the Scottish Parliament.”

BUDGET (SCOTLAND) (NO.3) BILL

DELEGATED POWERS MEMORANDUM

PURPOSE

1. This memorandum has been prepared by the Scottish Government in accordance with Rule 9.4A of the Parliament's Standing Orders, in relation to the Budget (Scotland) (No.2) Bill. It describes the purpose of the subordinate legislation provision in the Bill and outlines the reasons for seeking the proposed power.

2. The contents of this Memorandum are entirely the responsibility of the Scottish Government and have not been endorsed by the Scottish Parliament.

Outline of Bill provisions

3. The Budget Bill is the vehicle through which the Scottish Government seeks Parliamentary approval of its spending plans for the coming financial year (in this case, 2009-2010), since all spending, both in terms of overall amounts and the purpose for which resources are to be used, must be subject to prior Parliamentary authorisation.

Rationale for subordinate legislation

4. The Bill contains one subordinate legislation power. This is contained in section 7.

Delegated power

Section 7 – Amendment of this Act

Power conferred on: Scottish Ministers
Power exercisable by: order made by statutory instrument
Parliamentary procedure: affirmative resolution of the Scottish Parliament

5. It is inevitable that the Government's spending plans will be subject to change during the financial year to which the Bill applies. Such changes might be, for example, to reflect:

- (a) transfers of resources within the Scottish Government, and with Whitehall;
- (b) changes in accounting and classification guidelines; or

- (c) the allocation of resources from central funds including the Contingency Fund and from End Year Flexibility allocations.

6. There is therefore a need for a mechanism to allow Scottish Ministers to seek authorisation for such changes. The use of affirmative statutory instruments for this purpose was originally introduced to implement the pre-devolution Financial Issues Advisory Group's (FIAG's) recommendations for the process (paragraph 3.40 of their Final Report), and is also covered in the Agreement on the Budget Process between the Parliament and the Scottish Government.

7. Since devolution, the Budget Revision process through the use of secondary legislation has become a regular part of the annual budget process. All of the annual Budget Acts have been subject to at least one revision by secondary legislation, and Budget Acts 2003 and 2004 were both subject to three revisions – colloquially known respectively as the Summer, Autumn and Spring Budget Revisions. The Budget Act and subsequent revisions roughly mirror the UK Parliament's process (since Scotland's drawdown from the UK consolidated fund must also be approved by the UK Parliament) through Main and Supplementary Estimates.



The Scottish Parliament

Subordinate Legislation Committee

7th Report, 2009 (Session 3)

Budget (Scotland) (No.3) Bill

Published by the Scottish Parliament on 4 February 2009



The Scottish Parliament

Subordinate Legislation Committee

Remit and membership

Remit:

1. The remit of the Subordinate Legislation Committee is to consider and report on-

(a) any-

(i) subordinate legislation laid before the Parliament;

(ii) Scottish Statutory Instrument not laid before the Parliament but classified as general according to its subject matter,

and, in particular, to determine whether the attention of the Parliament should be drawn to any of the matters mentioned in Rule 10.3.1;

(b) proposed powers to make subordinate legislation in particular Bills or other proposed legislation;

(c) general questions relating to powers to make subordinate legislation; and

(d) whether any proposed delegated powers in particular Bills or other legislation should be expressed as a power to make subordinate legislation.

(Standing Orders of the Scottish Parliament, Rule 6.11)

Membership:

Jackson Carlaw
Malcolm Chisholm
Bob Doris
Helen Eadie
Tom McCabe
Ian McKee (Deputy Convener)
Jamie Stone (Convener)

Committee Clerking Team:

Clerk to the Committee

Shelagh McKinlay

Assistant Clerk

Jake Thomas



The Scottish Parliament

Subordinate Legislation Committee

7th Report, 2009 (Session 3)

Budget (Scotland) (No.3) Bill

The Committee reports to the Parliament as follows—

1. The Subordinate Legislation Committee considered the delegated powers provision in the Budget (Scotland) (No.3) Bill at its meeting on 3 February 2009. The Committee reports to the Parliament on the provision under Rule 9.16.3 of Standing Orders.

General

2. The Bill makes provision for the Scottish Administration's budget for the financial year 2009/10. The Committee notes that, like its predecessors in previous years, the Bill contains one delegated power that permits certain parts of the Bill to be amended by Order.

Delegated power – Section 7: Amendment of the Act

3. Section 7 confers power on the Scottish Ministers to make adjustments to the overall cash authorisations set in section 3 of the Bill and to the schedules to the Bill, by Order made by statutory instrument, to take account of changing circumstances throughout the financial year. Any such Order will be subject to affirmative resolution procedure.

4. **The Committee approves the power without further comment.**

EXTRACT FROM MINUTES OF PROCEEDINGS

Vol. 2, No. 51 Session 3

Meeting of the Parliament

Wednesday 4 February 2009

Note: (DT) signifies a decision taken at Decision Time.

The meeting opened at 2.30 pm.

2. Business Motion: Bruce Crawford, on behalf of the Parliamentary Bureau, moved S3M-3378—That the Parliament agrees the following revision to the programme of business for Wednesday 4 February 2009—

delete

followed by Stage 1 Debate: Budget (Scotland) (No.3) Bill

followed by Business Motion

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business - debate on the subject of S3M-3293 Murdo Fraser: Combating Human Trafficking

and insert

followed by Scottish Government Motion to treat the Budget (Scotland) (No.3) Bill as an Emergency Bill

followed by Stage 1 Debate: Budget (Scotland) (No.3) Bill

followed by Parliamentary Bureau Motions

followed by Committee of the Whole Parliament: Stage 2 Proceedings on the Budget (Scotland) (No.3) Bill

followed by Parliamentary Bureau Motions

followed by Stage 3 Proceedings: Budget (Scotland) (No.3) Bill

followed by Business Motion

followed by Parliamentary Bureau Motions

5.00 pm Decision Time

followed by Members' Business – debate on the subject S3M-3293 Murdo Fraser:
Combating Human Trafficking

The motion was agreed to.

3. Budget (Scotland) (No.3) Bill: The Cabinet Secretary for Finance and Sustainable Growth (John Swinney) moved S3M-3381—That the Parliament agrees that the Budget (Scotland) (No.3) Bill be treated as an Emergency Bill.

The motion was agreed to.

4. Budget (Scotland) (No.3) Bill: The Cabinet Secretary for Finance and Sustainable Growth (John Swinney) moved S3M-3362—That the Parliament agrees to the general principles of the Budget (Scotland) (No.3) Bill.

The motion was agreed to.

The meeting was suspended at 2.37 pm

Vol. 2, No. 51A Session 3

Meeting of the Parliament

Wednesday 4 February 2009

The meeting opened at 2.37 pm.

Budget (Scotland) (No.3) Bill - Stage 2: The Bill was considered at Stage 2.

Section 1, schedules 1 and 2, section 2, schedules 3 and 4, sections 3 to 5, schedule 5 and sections 6 to 10 were agreed to without amendment.

The long title was agreed to without amendment.

The meeting closed at 2.37 pm.

Vol. 2, No. 51 (cont'd) Session 3

Meeting of the Parliament

Wednesday 4 February 2009

The meeting re-convened at 2.37 pm.

5. Budget (Scotland) (No.3) Bill: The Cabinet Secretary for Finance and Sustainable Growth (John Swinney) moved S3M-3380—That the Parliament agrees that the Budget (Scotland) (No.3) Bill be passed.

After debate, the motion was agreed to ((DT) by division: For 123, Against 2, Abstentions 0).

Budget (Scotland) (No 3) Bill (Emergency Bill)

14:36

The Presiding Officer (Alex Fergusson): The next item of business is consideration of motion S3M-3381, in the name of John Swinney, on treating the Budget (Scotland) (No 3) Bill as an emergency bill.

Motion moved,

That the Parliament agrees that the Budget (Scotland) (No.3) Bill be treated as an Emergency Bill.—[*John Swinney.*]

Motion agreed to.

Budget (Scotland) (No 3) Bill: Stage 1

14:36

The Presiding Officer (Alex Fergusson): The next item of business is consideration of motion S3M-3362, in the name of John Swinney, on the general principles of the Budget (Scotland) (No 3) Bill.

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): It would be pleasant if it was as straightforward as this every time.

I move,

That the Parliament agrees to the general principles of the Budget (Scotland) (No.3) Bill.

Motion agreed to.

14:37

Meeting suspended.

Committee of the Whole Parliament

[THE CONVENER *opened the meeting at 14:37*]

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

The Convener (Alex Fergusson): We move to stage 2 proceedings on the Budget (Scotland) (No 3) Bill. The bill will be considered by the Committee of the Whole Parliament, for which the occupant of this chair is known as the convener.

Section 1 agreed to.

Schedules 1 and 2 agreed to.

Section 2 agreed to.

Schedules 3 and 4 agreed to.

Sections 3 to 5 agreed to.

Schedule 5 agreed to.

Sections 6 to 10 agreed to.

Long title agreed to.

Meeting closed at 14:37.

Scottish Parliament

14:37

On resuming—

Budget (Scotland) (No 3) Bill

The Presiding Officer (Alex Fergusson): I reconvene today's meeting of Parliament—I am sorry, but it has to be done—for consideration of stage 3 of the bill. The next item of business is a debate on motion S3M-3380, in the name of John Swinney, that the Budget (Scotland) (No 3) Bill be passed. The question on the motion will be put at decision time.

I remind members that Presiding Officers will not give any one-minute warnings. We are tight for time, so I urge all members to stick to the time limits that they are given.

14:38

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): At decision time last Wednesday, there could not have been one member of this Parliament who believed that the institution was in a good place; some people will never come to terms with that fact. In the intervening seven days, we have seen real and substantial co-operation across the political spectrum to ensure that Parliament fulfils one of its central requirements, which is to put in place a budget that adequately funds public services and supports the development of the Scottish economy. That requirement could not be more relevant or of greater significance at this stage in the development of our country.

As people face up to uncertainties about their employment or their ability to support their mortgage or the future of their business, they expect Parliament to fulfil its obligation to them and to take wise decisions about the future. The people of Scotland expect politicians of all parties to reach mature agreement on an effective budget that meets the nation's needs in these challenging economic times.

This afternoon, as a consequence of productive discussion over the past week, I am certain that Parliament will fulfil its obligation to the public. I express the Government's appreciation for the constructive attitude that all the parties that are represented in the Parliament have taken over the past few days. We have listened hard to what other parties have said and have been flexible when we have been able to be.

The budget bill as introduced had at its core the need to deliver real action on the economy, but

our discussions with others have without doubt strengthened the capability of the budget to deliver on that aim. Of course, our dialogue with other parties has been longstanding. Labour's 15-point plan included a number of practical and constructive suggestions to help the economy that the Government has taken forward, such as on the manufacturing advisory service and on supporting credit unions. The Conservatives have argued for more support to encourage new entrants into business. The Liberal Democrats have argued for a strategic approach to key economic and financial issues. The Greens have made a strong case for a home insulation programme. We want to take forward that input in a constructive way.

The total Scottish budget is in the order of £33 billion. In the budget, we seek to boost public spending, to bring forward capital projects so that we can get construction workers and apprentices into jobs and to help businesses and families wherever we can. Through our spending, we will continue to deliver on the commitments that we made during our first 20 months in office. We will reduce business rates for small companies, provide the resources to freeze the council tax, put more police on the streets, work to tackle climate change and invest in our health and public services. Building on the concordat, we will take forward our proposals in partnership with local government, in recognition of the leadership that local authorities are showing in every part of the country.

For our economic recovery programme, we will focus on the skills that Scotland's people need to remain in the workforce and to keep our businesses competitive. I have already announced to Parliament the enhancements that we will make to the partnership action for continuing employment initiative to help people to deal with redundancy. I am pleased that the Scottish Further and Higher Education Funding Council will support that initiative further by allocating £7 million of its own budget so that colleges can work more closely with PACE.

Over the past few days, we have revisited the arguments from the Labour Party on the need for additional measures to boost skills and employability, as we work to meet our target of 50,000 Scots in appropriate training by the end of the current parliamentary session. I am pleased to announce that we will provide £16 million in 2009-10 to increase apprenticeship recruitment. By our detailed calculations, we believe that that will allow for the recruitment of 18,500 new apprentices in our economy at this vital time. We will actively promote those opportunities to a broad range of groups in society and across a broad range of sectors in the economy, including tourism and shipbuilding.

We will give sympathetic consideration to increasing the number of modern apprenticeships in 2010-11, when the experience of the next year and the financial position becomes clearer. Those issues will also be considered by a summit on apprenticeships that the Cabinet Secretary for Education and Lifelong Learning will convene, at the request of the Labour Party.

That investment will be in addition to the £50 million that we plan to draw in from the European social fund to assist with skills development and employability initiatives. We have worked hard to secure money through that scheme to support people in employment who may be facing redundancy.

At the same time, we know that we need to do more for our young people, who face tough times. I am pleased to announce that we will now provide additional funding for the charity Columba 1400, so that it can do even more of its vital work to help our country's disadvantaged young people to reach their full potential.

Through the budget, we are targeting resources to help those who need it most and to offset the effects of recession by providing a jobs boost for Scotland. Our spending plans include a major programme of capital investment of more than £3.5 billion both this year and next. In addition, I have already said that we will bring forward an additional £230 million of accelerated capital expenditure in 2009-10 to improve health facilities across the country and, with our local government partners, to deliver major infrastructure projects. Through that spending, colleges and universities will also benefit from improvements that will assist energy efficiency and other objectives. That money will generate work and support jobs—4,700 in total on the basis of our detailed plans—and provide a much-needed lifeline for our economy at a crucial time.

Improving infrastructure means investing in Scotland's town centres so that they are able to face major challenges in the current economic climate. The cause of town centres has been championed by the Conservatives and argued for by Labour, and we have listened. That is why, in the autumn budget revision—and I confirm the agreement that I made with the Conservatives in advance of the previous budget discussion—we will bring forward provision for a town centre regeneration fund of £60 million that will deliver real improvements in towns the length and breadth of Scotland.

As part of the budget, we will invest to improve our built environment in other ways. As I announced last week, the Government will take forward stage 1 of a programme of home insulation measures that we have discussed with the Green party. In Scotland, more than half a

million homes for which it would be suitable do not have cavity wall insulation; and a million homes have either no loft insulation or inadequate loft insulation. That is a real waste of resources and it contributes to fuel poverty. That is why, through this budget, we will provide £15 million from Government, and will leverage in £15 million from other sources, to provide up to 90,000 homes with advice and assistance on energy efficiency, and with insulation where it is suitable and appropriate. It will be the biggest such scheme to be implemented in Scotland. The scheme will be area based and will be targeted at those who need it most. We are clear that those who are able to pay should make a contribution, and that those who are not able to pay will receive the service free.

Through this budget, we will invest in our companies to help to safeguard jobs in all our constituencies. The budget will allow us to complete the proposals that we agreed last year for the full implementation of the small business bonus scheme in April 2009. On top of the £180 million that we have already committed to spend from the European programmes in 2007 to 2013, we will bring forward a significant share of the remaining £385 million of European structural funds. That in turn will support 300 high-quality projects nationwide, stimulating the Scottish economy. Again, that will bring jobs to all our constituencies.

We will go further. We have listened to the suggestion presented by the Liberal Democrats—that a finance sector jobs task force should be established within the context of the Financial Services Advisory Board. I am pleased to announce today that we will present that proposal—as a Government recommendation—at the next meeting of FiSAB on 10 February.

Over the past few days, we have listened to the case put forward by others to provide greater help to new businesses. Even in the face of recession, businesses can thrive, and we want to do all that we can to ensure that this generation of young Scottish business talent is supported in these challenging times. That is why, in response to representations from across the political spectrum, we have agreed to provide a grant to the Prince's Scottish Youth Business Trust to assist it in its valuable work in encouraging new entrepreneurs among the 18 to 25-year-old age group.

Challenging economic times require a country to draw on all the mechanisms at its disposal to assist recovery. I welcome the case that the Liberal Democrats have made to the Calman commission—that

“the Scottish Parliament should have the power to borrow”.

In response to that suggestion, I can confirm that the Government will submit evidence to the

Calman commission on extending the powers of the Scottish Parliament—particularly, the power to borrow.

Looking ahead, it is important that this Parliament faces up to the responsibility of recalibrating our strategic financial plans in light of the changing and reducing profile of public funding over the forthcoming years. We have accepted the proposals from the Liberal Democrats to have a joint strategic review of public spending in Scotland. This Government believes that that is required to help us to face the very difficult challenges arising from the changed public spending assumptions made in the chancellor's November pre-budget report. I will chair the review, and I will invite the political parties across this chamber to take part in that valuable and significant initiative.

In the past seven days, Parliament has focused on delivering a budget for economic recovery. However, I believe that we have achieved a great deal more than that. We have demonstrated that we have an overwhelming will to take the correct action to support public services and the Scottish economy. We have demonstrated that, in the face of major challenges over the future of public spending, we can agree on a way ahead. We have demonstrated that, when necessary, Government and Opposition can find common ground.

That is the Parliament that the people elected and, as a Parliament, we have the opportunity to deliver for our people. I commend the Budget (Scotland) (No 3) Bill to Parliament.

I move,

That the Parliament agrees to the general principles of the Budget (Scotland) (No.3) Bill.

14:49

Andy Kerr (East Kilbride) (Lab): I welcome much of what the cabinet secretary has said, and I hope that we will be in a better place—as he described it—at 5 o'clock this evening. I endorse his view that the actions of the past seven days have demonstrated a will on behalf of all the parties in the Parliament to ensure that we reach agreement on some of the big issues that face the Parliament and the budget.

At the outset of our original discussions on the budget some weeks ago, I said—with stronger powers of prediction than I thought I had—that the media would take a far greater interest in what we had to say about it, and it is clear that that has been the case in the past seven days. The media attention reached a crescendo last Wednesday when the vote was lost and the budget was rejected, but it allowed us to ensure that our discussions over the past wee while have been conducted in a mature fashion and in a way that is

appropriate in a Parliament that is governed by a minority Administration.

We should reflect on the events of last week and the way in which the situation developed, because some key principles were at stake during those discussions. Mr Swinney stated clearly from the outset—quite rightly and bravely—that it was his responsibility and that of the minority Administration to produce a budget that the Parliament could support. In turn, it is our responsibility and that of the Parliament to engage positively and constructively in that process. That is even more important, as I said, in a Parliament with a minority Government.

That minority Government has a greater duty to reflect the views of the Scottish people who voted for representatives of other parties, and other parties have a greater responsibility to ensure that the values, concerns and aspirations of those people who voted for them are addressed in the budget. The test of whether to vote for a budget is not that every Opposition party must agree with every word in it, but that they are convinced that the Government of the day has heard and acknowledged the concerns that the people who elected us want us to represent in the Parliament.

Voting against a budget is no easy matter, and I assure members that no one on the Labour benches who voted against last week's budget did so lightly. We did so in sorrow, not in anger. *[Laughter.]* I note the maturity of members of the Tory party—I will come to them in just a second. It is about the manner in which the budget was presented to us, and the fact that it fell short of our aspirations for Scotland. In those circumstances and at that point, I believe that it was right and proper for us to deny the Government our support.

It is simply not good enough for some members on the Tory benches to be so subservient to the Scottish National Party on so many occasions. I give Michael McMahon due credit for his comment about Derek Brownlee being the Mini Swinney of the Tory benches, but that role masks a total lack of responsibility and of any attempt to hold the Government to account.

Derek Brownlee (South of Scotland) (Con): Is there a Mini Andy Kerr anywhere?

Andy Kerr: That is very good—I did not quite get it, but there you go.

It is simply not good enough—it is bad for Scots, for Parliament and for opposition—for an Opposition party not to oppose. With regard to the debate about the alliance that is being formed in the Parliament, it is irresponsible for the Tories, in their frenzied preparations for a United Kingdom general election, to use every item in the Parliament as part of their campaign. That is what they do and what they will continue to do: we have

an Opposition Tory party in the Scottish Parliament that cannot oppose.

I will say one last word on the Tories. Having listened to the somewhat uncharacteristic rant from Annabel Goldie, who lectured us about irresponsibility in voting against the budget, it was hugely ironic for us then to hear their deputy leader, Murdo Fraser, say that if £1 were to change in the budget—for which they voted last week—they could not guarantee their support for the budget this week.

It is, apparently, irresponsible of us on the Labour benches to put forward our principles of reflating the economy, giving young people opportunities through modern apprenticeships and increasing support for those who face redundancy—but it would be irresponsible in the extreme not to vote for a budget in which £1 has changed from last week to this week. There is a clear contradiction at the heart of the Tory strategy.

It has been painful to watch the Liberals walk away in a strop from the budget process, only to re-enter it by ditching their only policy in favour of a mixture of vague promises and easily agreed concessions. However, the unintended consequence of the exchange in the chamber last week between Mr Swinney and Patrick Harvie is that we have had a more inclusive approach to the budget in the past seven days.

It is to the substantial points of the budget process that we need to address ourselves. The new measures that Mr Swinney outlined are important, substantial changes that have been made to this year's budget. These are tough economic times and we are going through a tough challenge in terms of the economy, so special measures are indeed required. That is why Labour felt it was so important that apprenticeships for Scotland's young people should be retained as a key part of the budget process. The new measures, in turn, gain my support and that of my colleagues in the Parliament.

As Iain Gray has made clear, the process was not about the price of Labour votes. Unlike others in the chamber, we understand that our role as an Opposition party is to successfully influence the actions of the minority SNP Administration. As a result of Labour discussions and Labour negotiations, an extra 7,800 Scots will have the opportunity to take up an apprenticeship. As Mr Swinney said, the total number of new starts will now be 18,500. That will in some way ensure that we do not return to the mass youth unemployment of the Thatcher years in the face of the recession. Instead, people will gain the skills to see them through the recession and onwards into a more successful Scottish labour market.

Adults will have the opportunity to shift into new roles as a result of apprenticeship training. An insulation programme, which is supported by Labour, will allow those apprentices to train and put their skills to good use. In our tourism industry, we will see many more of the skills that are required for Scotland to remain a competitive tourism destination. As a result of Labour action, if apprentices are laid off, they will have the completion of their apprenticeship guaranteed. I am pleased to acknowledge Mr Swinney's confirmation that we will have a summit of all the key players and providers of apprenticeships to explore how this Labour programme can be delivered and further progress made in future years.

As a result of our negotiations, significant new resources of £50 million will be put towards the PACE initiative and support for those who face redundancy in my constituency at Freescale and in constituencies that are represented by other members in the Parliament. As a result of those negotiations, significant resources will be put into our town centres to help them deal with the recession and the effect that it is having on the high street. In addition, on the first day of the financial year, the health boards will receive all their resources.

However, the budget does not answer all our ills or take on all the challenges that we face. As Mr Swinney acknowledged, we suggested in our recovery plan of last year a fundamental review of the budget in the light of the current economic climate. I think that I welcome the Liberals' support for that view, which came latterly, but I am keen to hear the detail of their proposals.

We have said before and will say again that the settlement for our health services is extremely tight and challenging this year and will continue to be so in the years ahead. Throughout our local authorities, we will see increasing charges, reduction of services and, tragically, some staff roles being lost. It will be a challenging year for them too.

Although we recognise and welcome the steps that the Government has taken today, including those that were taken in response to our economic recovery plan, we cannot kid ourselves into believing that, as a result of our actions today, our troubles are over. We will continue to chase the Government and monitor its actions in response to the challenges that we face.

I make it clear that the Labour Party will vote for the budget bill. Our engagement with the Government has been successful in securing additional apprenticeship places, the guaranteed completion scheme for our apprentices, the enhancement of PACE, the resources and support

for our town centres, and other measures. That is why we agree to support the bill.

14:58

Derek Brownlee (South of Scotland) (Con): I pay tribute to the Government for the constructive approach that it has taken throughout the budget process. I have to give credit to the Labour Party, because it has been more constructive in the past week than it has been before, but it is a little bit rich for it to blame the Conservative party for last week's shambles, given that we voted for the budget. The Labour Party might wish to reflect on the fact that it was not as a result of Conservative votes that we had the shambles of the past week.

At Westminster, the defeat of a budget would bring down the Government. At Holyrood, it seems, it brings down the Opposition, or at least some of it. The Scottish Conservatives have behaved throughout the budget process in a constructive and responsible manner. We will vote for the budget today for the same reasons we voted for it last week—all 234 million of them. To mention just three wins, we have secured more police, tax cuts for small businesses and a £60 million town centre regeneration fund.

We do not have to fashion an elaborate story about why we are changing our position, because we are not changing our position. We said that we wanted to ensure the delivery of Conservative policies and measures to mitigate the recession—or what the Prime Minister now seems to think is a depression. We got those things and, as a result, we voted for the budget.

The public do not expect political parties to abandon their principles. However, given this Parliament of minorities, they expect us to compromise. If the public want a Conservative budget, they can elect a Conservative majority to the Parliament. Until then, we will do whatever we can to advance our ideas—the same is expected of all other parties.

For months now, at every discussion on the budget or the economy, the Liberal Democrats have lectured us on the need for an unfunded income tax cut and on how awful the budget is because of its less than 1 per cent difference from last year's budget. The budget deal that was struck yesterday between the Liberal Democrats and the SNP might not be the most expensive ever struck by the Government, but it has at least forced the Liberal Democrats to change the record. We should be grateful for small mercies.

When the Greens voted against the budget, they at least did so in the full knowledge that it would fall. Labour and the Liberal Democrats voted no thinking that the budget would pass regardless. It must have come as a shock to them when it was

defeated. We had the frankly bizarre spectacle of Iain Gray standing up and asking for clarity about what happens next. He might at least have bothered to find out before he plunged the country into chaos.

As we pointed out last week, voting down the budget has serious consequences for public services, council tax levels and small businesses. It should not have taken the actual voting down of the budget to make that apparent to the other Opposition parties.

Those who voted against the budget last week have been damaged. However, although I do not particularly care if the Labour Party, the Lib Dems or even the Greens have been humiliated, I care when the institution of Parliament is damaged. It took this place years to claw back any semblance of public respect after the Holyrood fiasco, and after last week's shambles we are in danger of going back to square one.

Andy Kerr: How does the member equate his comments with those of his deputy leader, Murdo Fraser, who said that there was no guarantee that he would support the budget and, in fact, he would not do so if it did not suit him?

Derek Brownlee: We voted for the budget last week and we are voting for it again today. I do not understand the member's problem; in fact, I do not think that the member himself understands his problem.

I welcome the belated outbreak of common sense on the other Opposition benches. Long may it continue, because Scotland and the United Kingdom do not have their troubles to seek. I also welcome the Government's announcement of next year's spending review, which, as my speeches both in December's Finance Committee debate on the budget process and last week confirm, the Conservatives have raised throughout the budget process. The mess that the public finances are in thanks to Labour will impact on the Scottish budget for the next decade, and the Parliament will have to confront difficult choices on spending priorities.

Margo MacDonald (Lothians) (Ind): Will the member give way?

Derek Brownlee: I am sorry, I want to make some progress.

If all this signals a culture change at Holyrood to deliver greater value for money in the long run, taxpayers will benefit.

The Institute for Fiscal Studies green budget, which was published on the day that this Parliament voted down its own budget, shows that real-terms cuts of 2 per cent per annum for the Scottish Government are a realistic prospect in the next spending review. This year, we heard

complaints that the real-terms increase in spending is 1.7 per cent but, over three years, the difference between a 1.7 per cent real-terms increase and a 2 per cent real-terms cut will be £3.7 billion, which is more than the combined budgets of the justice and transport portfolios. That is the scale of what might confront us and why we should all pause for thought. It is also why a 2p tax cut was—and remains—unrealistic.

Throughout and outwith the budget process, we have raised the issue of how hospital-acquired infections might be tackled. I welcome the Deputy First Minister's constructive engagement on that matter and her willingness to consider creative ideas such as bed-by-bed infection monitoring. We will continue to work positively with the Government on that and other issues.

The Scottish Conservatives are proud of what we have achieved in this year's budget and what we achieved in last year's budget with our constructive and responsible approach. As I have said, we have secured more police; business rates reductions for 25,000 Scottish businesses and the scrapping of such rates for 125,000 more; and a new town centre regeneration fund that has been set at £60 million this year. With a total of £234 million of budget changes, our record speaks for itself. That is why, this afternoon, the Conservatives will vote again for the budget.

15:04

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): Yesterday, the Cabinet Secretary for Finance and Sustainable Growth said that the Government had not planned to make a submission to the Calman commission. We are pleased that things have changed. I need not quote to some members what they have said about the Calman commission, but the recognition that participation in its work is potentially the best way of delivering enhanced powers for the Parliament is welcome. I hope that there is cross-party support for the move throughout the Parliament.

The Liberal Democrats believe that in relation to the Parliament's financial powers and how we handle our budgets, the status quo is unsustainable. Every party is now working with the Calman commission, and we have a real chance of getting real change for a purpose—so that there can be political choices on finance and borrowing powers for the Scottish Parliament and a different relationship within the UK. I am sure that that will not be the content of a joint submission from us and the SNP, but we will consider the offer of a joint submission. Nevertheless, at the weekend, Professor Curtice said that perhaps

“the most interesting long-term consequence”

of the budget situation is the consideration of the powers of the Parliament and the submission to the Calman commission.

The cabinet secretary's response to last Wednesday's vote, the result of which most people in Scotland were baffled and intrigued by, does him credit. He immediately signalled the need for open and genuine discussion with others to secure the budget's passage as soon as possible. Last week, the Conservatives screamed in a press release that Labour, for example, was “descending into hysteria”. Of course, the Tories could never be accused of being hysterical. The next day, Bill Aitken shouted in a press release:

“jobs and lives are at stake here.”

Annabel Goldie said:

“there will be fewer police on our streets and there will be less care money for our elderly.”

Indeed, she spoke the language of treason against anyone who voted against the budget, and she suspected a coup d'état.

Derek Brownlee: Will the member take an intervention?

Jeremy Purvis: I will if I have time to do so.

Annabel Goldie (West of Scotland) (Con): Will the member give way to a lady?

Jeremy Purvis: I give way to Miss Goldie.

Annabel Goldie: As Oscar Wilde said:

“There is only one thing worse ... than being talked about, and that is not being talked about.”

I am therefore delighted by the length of time that Mr Purvis is devoting to me. However, he must accept that my party voted for the budget last week to try to ensure that all essential providers and services in Scotland continued to be funded. Why were the Liberal Democrats unable to do the same? They have secured not one penny more in the intervening seven days.

Jeremy Purvis: We know that the Conservatives voted for the budget and that they sent apocalyptic messages on the same evening. However, my local authority, which is run by a Conservative coalition, managed to set its budget on Monday this week, seemingly unimpressed by Ms Goldie's tales and predictions of lives being at risk.

Last night, Roseanna Cunningham got things just right in a radio discussion with me and representatives of other parties. She said that a budget process is never without pain and that difficult decisions have to be made. She also said that what had happened demonstrates the need for everyone to have a plan B.

Our view remains that the proposal for a reduction in taxation is an immediate and radical response to Scotland's economic crisis. Last week's gross domestic product figures show the desperate state of the economy. We know from those figures that Scotland is likely to be in a deeper and longer recession than the rest of the UK will be. On top of that, in 2011 every worker in Scotland will pay more national insurance tax as a result of the VAT cut from the pre-budget review in London. That is the situation that we are in and which we should consider in the in-year strategic spending review discussions with the Government.

The First Minister has written to Tavish Scott to say that the Government is keen to take forward the suggestion that we need to have a more strategic review of public spending in Scotland. He recognises our belief that that is required to reduce taxation. We respect the Government's view on there being a potential funding gap because of decisions that the Westminster Government has taken. That draws into sharp focus our need to change the Scottish Parliament budget processes, but it also means that each party will be able to take into the processes their own beliefs about how resources should be identified.

Indeed, we still believe that lowering the burden of taxation on lower and middle-income earners is necessary, as is identifying areas for funding to boost the Scottish economy, such as marine renewables technology or minimum income guarantees. I think that the Scottish Conservatives agree with us that there should be a review of Scottish Water. We will be able to bring such proposals to the table under the process for considering this and next year's budget.

Last week Derek Brownlee said:

"We welcome the accelerated capital spend, but the hangover will come in 2010-11."—[*Official Report*, 28 January 2009; c 14413.]

The Conservatives' warning was clear, but what they did not say is what the Scottish Parliament information centre confirmed to us today: the £60 million for the Conservatives' town centre fund is accelerated capital that has to be repaid next year—that is £60 million of cuts in town centre or capital funding for the year after. We will monitor and scrutinise that issue closely, even if the Conservatives do not.

15:11

Joe FitzPatrick (Dundee West) (SNP): It is with a certain feeling of regret that I find myself speaking in the second stage 3 debate on the 2009-10 budget. The fact that, for the first time, a budget was voted down by this Parliament when we are facing the first recession in a devolved

Scotland and the deepest recession since world war two might have damaged the trust that has been built up in this chamber over the past 10 years.

Today, we have the opportunity to start rebuilding that trust. No one can be in any doubt that failing to pass the budget, even for a week, has caused real concerns for people and businesses in all our constituencies. Local authorities want to know with certainty how much funding they will receive, small businesses want to know whether they will get the lifeline of a rates cut, and people want the shadow of council tax increases to be removed.

Johann Lamont (Glasgow Pollok) (Lab): For clarification, I tell the member that everybody understands the seriousness of the situation. Does he suggest that there ought not to be an opportunity to vote down a budget? Does he have a proposal to change the rules, because that is the logic of the position that he proposes?

Joe FitzPatrick: I am suggesting that, particularly during a recession, there is a duty on the Opposition to act responsibly in the interests of the people of Scotland.

There are things that will make a difference. The chief executive of the Scottish Chambers of Commerce, Liz Cameron, summed it up on Sunday when she said that every day the budget is delayed is damaging to Scotland's economy. We all have a responsibility to our parties, but we also have a responsibility to those whom we are here to represent. It is impossible to argue that Scotland and our constituents would be better off if £1.8 billion of funding was delayed. As was the case last week, I am happy to add my support for the Scottish Government's budget. It meets the needs of Scotland's households and businesses at this time of economic uncertainty.

I welcome the support of the Liberal Democrats, not least because it gives me something new to say—after several debates on this year's budget, I was running out of derogatory adjectives. In all seriousness, I congratulate the Liberals on their pragmatic approach this week. They have recognised that taking a constructive approach—as the Conservatives and Margo MacDonald have done throughout—can be beneficial for all parties and those whom we represent.

I also welcome the Labour Party's support for the budget. It is unfortunate that it did not feel able to support the budget earlier, because it would have saved a lot of angst throughout Scotland. Labour and the SNP might not agree entirely on some issues, but with the consensus that we have reached on the budget today, it is clear that we agree that this is the right budget at the right time for Scotland. I hope that that wave of consensus is

the start of a new approach to politics by both the Labour and Liberal parties. If that is the case, it is the people of Scotland who will be the winners.

At the heart of the budget is an approach by the Scottish Government to make things fairer and to ease the burden on those who are most at risk from the economic downturn. The budget allocates a further £70 million to allow local authorities to freeze their council tax for the second year running. In previous years, the regular round of council tax rises led to a doubling of council tax in a decade. That time is past, and I am confident that councils throughout Scotland are working hard to deliver a second historic council tax freeze this year.

Today's budget is also about support for small businesses, which are the bedrock of our economy and vital for employment in Scotland. In the economically challenging year ahead, we must ensure that we take the necessary measures to ensure their continued economic success.

Phase 2 of the small business bonus scheme will benefit 150,000 small businesses throughout Scotland. With the passing of the budget, 7,500 businesses in Dundee alone will have their rates scrapped or cut.

The budget addresses the need to protect jobs in the current economic climate, particularly in the construction industry. I therefore welcome the £230 million of capital expenditure that is being brought forward from future budgets, which will help to support 4,700 Scottish jobs.

As was the case last week, today's budget is a clear choice between supporting families and businesses in Scotland and turning our backs on the problems of our constituents. I believe that the whole Parliament acknowledges that, which is why we have seen much greater consensus this week. I hope that that consensus will result in unanimity by the end of the debate.

Throughout the budget process, and in the past few days, parties throughout the chamber have come together to ensure that we do the right thing for the people of Scotland. Be in no doubt: this Parliament let down the people of Scotland by failing to pass the budget last week. Today, we have an opportunity to make amends. A unanimous vote will send the people of Scotland a strong signal that this Parliament takes its responsibilities seriously.

15:16

James Kelly (Glasgow Rutherglen) (Lab): I welcome the opportunity to take part in this afternoon's budget debate. In many ways, this is like groundhog day: it is another Wednesday and we are having another budget debate; again, I am

following Joe FitzPatrick in the debate; and, again, Derek Brownlee has launched an attack on the Labour Party in his speech. I am sure that we all welcome the fact that we will not see a repeat of last Wednesday's scenes when, from my current vantage point, I watched various SNP representatives offer Patrick Harvie bits of paper, like chips at a casino. It was like sitting in the front row during "The Price is Right".

The key thing to understand is why we are back here again this Wednesday. We are here because the cabinet secretary made a political miscalculation, in that he thought that he had the support of the Greens, and because Parliament sent the SNP Administration a strong signal that the budget that was before us last Wednesday was not fit for purpose.

It is perfectly reasonable to vote against a budget, particularly when we do not feel that it is good enough for the hard economic times in which we live. Indeed, the Liberal Democrats described the budget as "woefully inadequate". There was a lack of investment in jobs and not enough hope for our youngsters. There were concerns that there had been a failure to protect front-line services in the national health service. As a result, the budget was voted down. Today, we have before us an improved, enhanced budget, on which I think we can all agree. Scotland will be better for the amended budget that is before us today and for the fact that the previous budget was voted down a week ago.

We have absolutely no truck with the Conservatives' scaremongering in the aftermath of last week's vote. As I said, the Parliament sent the SNP Administration a clear signal that the budget was not good enough. To give the cabinet secretary his due, he has worked hard over the past seven days in discussions with other political parties to bring to the chamber an amended budget that can be agreed on tonight. A week on, we have ended up with a budget that, I hope, can be agreed upon, and the world has not fallen apart, despite what the Conservatives predicted last Thursday. Perhaps they should turn up at Waverley station tomorrow to retract the leaflets that they were handing out last Thursday morning.

Margo MacDonald: Is the member attempting to say that, as a Parliament, we should explain to our fellow Scots that the process that we have just undergone is good for everyone? From his background, he will recognise that it is called negotiation.

James Kelly: The member is leading me on to the points that I want to make.

I welcome some of the amendments that have been made to the budget. It is good news for people in my community of Cambuslang and

Rutherglen and for people throughout Scotland that, as a result of the process that we have gone through over the past week, there will be 7,800 additional apprentices. Those apprentices will be able to take up places in the insulation programme, the capital programme—which has been enhanced to the tune of £230 million—and the housing investment programme. I welcome the investment of £50 million in partnership action for continuing employment, the additional £7 million that the cabinet secretary announced today and the guarantees for apprentices who are threatened with redundancy, which will be particularly useful in my constituency, where 150 job losses are threatened at Vion.

I welcome the town regeneration fund of £60 million. Labour campaigned for such a fund, which was included in our 2007 manifesto and our negotiations on the budget. It will be welcomed throughout the country at a time when “for sale” and “to let” signs are going up in our main streets.

Some concerns remain to be addressed. Michael Levack from the Scottish Building Federation has expressed concerns about the slowness of the pipeline for capital investment. Local government and our health boards face serious challenges, and there are issues relating to health inequalities.

I welcome the amended budget that is before us, but there are still serious areas of concern, which Labour will monitor closely. I hope that the Parliament will agree to the amended budget at decision time.

15:22

David McLetchie (Edinburgh Pentlands) (Con): It is indeed another week, another budget, following the collapse of the stout parties that are now settling for some very thin rations.

I begin by giving the Labour Party in general, and Jim Kelly in particular, given his speech, a wee lesson on the subject of chronological order—a concept that Labour members appear to have great difficulty grasping in the context of town centre regeneration. I start with the period 1999 to 2007, now better known as the wilderness years. During that period, the sum total of the Labour-Liberal Democrat Scottish Executive's contribution to town centre regeneration was nothing—zero, zilch, nada, nowt.

Next we come to the 2007 Scottish Parliament elections. On 28 January 2007, the Scottish Conservatives announced proposals for a town centre regeneration scheme, as part of a package of measures to support small businesses and traditional shopping areas that are under pressure from out-of-town retail parks and supermarkets. The policy was highlighted when we published our

election manifesto on 2 April 2007. The first cheep that we heard from the Labour Party came when it published its manifesto. I point out to Mr Kelly that that was on 10 April 2007—eight days after the Tory manifesto launch, and after eight years in which the Labour Party had done precisely nothing on the subject, despite having every opportunity to address it.

Jeremy Purvis: Will the member take an intervention?

David McLetchie: No thank you. It is Labour members who I am attacking. Mr Purvis's turn is coming.

Mr Frank McAveety (Glasgow Shettleston) (Lab): Will the member give way?

David McLetchie: No thank you. The member will just have to bide his time.

I appreciate that the Labour Party wants a fig leaf to cover its embarrassment in light of its budget climbdown, but its claim on town centre regeneration is not a fig leaf but a straw at which it is clutching.

As we all know, our consideration of the budget is set against the backcloth of Labour's economic recession, the collapse of our currency and a rising tide of unemployment. We need serious measures for serious times. Unfortunately, serious measures have not been much in evidence in this session of the Parliament. Two weeks ago, in the debate on the report of the Council of Economic Advisers, Scottish Labour's response amounted to a proposal that John Swinney should speak first in parliamentary debates on the economy and that we should establish a formal link between the Council of Economic Advisers and the national economic forum. We were suitably underwhelmed by that recession-busting measure.

When I heard the proposal, I thought that we had reached a new low point of surreal irrelevance, but I was wrong. Never ones to be outdone when the chocolate teapot prize is at stake, the Liberal Democrats have surpassed themselves with their efforts of the past week. First, there was the letter: the Liberal Democrats forced Alex Salmond to write a letter to Sir Kenneth Calman seeking borrowing powers for the Scottish Government. Frankly, if Sir Kenneth does not know that Alex Salmond is in favour of borrowing powers for the Scottish Government, he must be the only person in the country to fall into that category.

We can but picture the scene in Bute house: Mr Salmond is propped up in bed, a Wee Willie Winkie hat on his head and a guttering candle on the bedside table. It is freezing cauld in Bute house, because Patrick Harvie did not get enough money to insulate the roof. The First Minister

starts on his tortuous letter with the words “Dear Santa”—I am sorry; I should have said “Dear Sir Kenneth”. He goes on to say, “I don’t have enough pocket money to spend. My friend Lavish Tavish, who knows a thing or two about spending money, says that you should let me borrow. Please give me that and I promise that I will be a good boy. Love from Alex.” So much for the letter.

Then there was the next Lib Dem masterstroke: a committee on financial sector jobs. They called it a committee, then a sub-committee and then said, “Oh, let’s call it a task force.” How imaginative! I had never heard that suggestion before. The Scottish Conservatives have no objection to a task force or any other body coming up with imaginative ideas to help to repair our broken economy—broken by a Labour Government—but, in the debate tomorrow, let us ensure that we set in place a mechanism to monitor the success of the task force.

There is also the other suggestion for—yet again—another committee. This committee is supposed to review Government spending in order to find ways to finance the Liberal Democrat tax cut policy that the Lib Dems could not find themselves in six months of trying. As everyone knows, the reality is that public spending is likely to fall in real terms over the next few years. Scotland is not immune to that. This country will have a hard job sustaining its public services at current levels of taxation never mind at reduced rates.

I will end on a generous note, Presiding Officer: it is in my character to do so. I express my deep gratitude to the Labour and Liberal Democrat parties in the Parliament, whose sheer incompetence and ineptitude over the course of the budget negotiations enabled the Scottish Conservatives to win concessions totalling £234 million from the SNP Government, which all Labour and Liberal Democrat members will end up voting for. That is what I call a real achievement. Let us face it: the next best thing to a Tory Government is a Government that does what the Tories tell it to do and whose policies Opposition parties vote for in any case.

15:28

Keith Brown (Ochil) (SNP): As a supporter of the Scottish Government, I am delighted that it appears possible not only for the budget to be passed but for it to be passed with near-unanimous support. If that were to happen, we should all relish the achievement, which would be an achievement for not only minority government but the inclusive politics for which we all stated our support at the outset, even if the latter has not been much in evidence thus far in the debate.

Even though saying this puts me at risk of being accused of crawling, I will say it: the achievement has a great deal to do with the businesslike and straightforward approach of the Cabinet Secretary for Finance and Sustainable Growth, not least in the way in which he dealt with the less-than-easy job of negotiating with several other parties—parties whose views diverge legitimately from those of his Government and, indeed, of other Opposition parties.

I am sure that, compared with the past few weeks, last year’s budget process now seems like a cakewalk and that the cabinet secretary will take even greater satisfaction in the passing of this year’s budget bill than he did in the passage of last year’s. If it is passed today, the budget will represent an achievement above all for the Parliament. We know that there are many and vocal interests who seem happy only when the Parliament is seen to stumble, and it will be interesting to see how they use this situation to deride the Parliament again—as I am sure they will.

I will focus on an area in which, I believe, the budget has been substantially improved since we discussed it last week. It might not cost any money, and it has already been the subject of some derision by David McLetchie, but I believe that the commitment by some parties to co-ordinate their activities to promote borrowing powers for the Parliament is significant.

I mention that commitment not simply because it has been the subject of one party’s discussions with the Scottish Government over the past week. I mentioned borrowing powers during the debate on the report from the Council of Economic Advisers, and I lodged a consensual motion on the issue two weeks ago. I have sought support from other parties for an agreed approach on borrowing powers, and I hope that those parties will encourage their members to support that motion, especially as we are discussing the matter tomorrow.

How powerful an argument it would be if the whole Parliament could agree on the need for more borrowing powers. It is easy to attach party-political considerations and party advantage to the initiative, but any party in the Parliament that harbours ambitions to govern in the future has to pause for only a second to realise how willing it would be to have those powers even in good economic times, far less during the current economic recession.

Wendy Alexander has previously mentioned the urgent action that is required to tackle the downturn. That is true both in absolute terms, with respect to how quickly action can be taken to help save and promote jobs, and in relative terms, with

respect to how quickly that can be done compared with other economies.

We are substantially behind the curve when it comes to borrowing powers, which are one of the fundamental tools that Governments are currently using to address the economic downturn. As we have heard from civic Scotland—this has been said, for example, by Reform Scotland, the Scottish Trades Union Congress, the Liberal Democrats and, in a previous debate, Malcolm Chisholm—there is general support for the idea of borrowing powers. However, at least not until now, there has been no real urgency on the issue.

In last week's debate, I said that the Calman commission could meet quickly to address the matter. There is no reason why it has to wait for its next meeting: it could meet quickly, agree a position—if there is consensus—and work with the Scottish Government, as now appears possible, on a joint approach to Westminster in order to deal with the issue as quickly as possible.

Public-private partnership is still a matter of division between the parties, and I do not intend to rehearse the arguments, but they are substantially superseded both by the new accountancy procedures that we will be obliged to follow in the late spring and by the fact that PPP projects down south are being delayed and deferred because of the lack of private finance for funding them.

We are perhaps behind civic Scotland on borrowing powers. All sorts of bodies have supported them in the past, and there is no reason why we cannot act quickly now. The fact that we appear to be moving quickly today to agree a budget that was not agreed last week shows that, when the Parliament wants to do something and when there is consensus, we can move very quickly. Members are giving their own reasons for their positions last week, which are not their positions this week, but, whatever those reasons, the severity of the economic downturn is one of the major things that have been playing on people's minds.

I do not mean this on a party basis, but there has perhaps been a time lag for some people in appreciating how severe the economic downturn is and how quickly it is happening. If we vote unanimously, or nearly unanimously, in favour of the budget, having moved very quickly through the three stages of the budget bill in one day, there is no reason why we cannot show the same urgency of action on borrowing powers.

Despite my sometimes harsh words towards the Liberal Democrats in the past, I appreciate the significance of their commitment to campaign against the £500 million of cuts that are coming down to us. That will be a key subject of political

debate in future years, and to have support against the cuts is important.

Considering the various initiatives that members have mentioned—help for apprentices and building works, for example—we could do so much more in the short term if we had borrowing powers. Much more labour-intensive activity would be possible, which would help to soak up unemployment and provide opportunities for apprentices to go into real jobs. That is a crucial aspect in the Parliament's consideration of the current economic crisis.

Some parties might have fun having a go at each other today—that is part of the debate—but I hope that we can concentrate on the fact that, at least for a brief moment, we have some unanimity, consensus and a willingness to work in an urgent fashion. I certainly hope that that carries through into the issue of borrowing powers for the Parliament.

15:34

Johann Lamont (Glasgow Pollok) (Lab): I welcome the opportunity to contribute to the debate.

The budget process is always difficult, and it is self-evidently more difficult for Opposition members because the budget bill can never be a neutral document. The budget reflects the priorities of the Scottish National Party; it is not a Labour budget, so it is our responsibility to try to influence and shape it. That is an understandable part of the process—our role throughout the process has been to seek to influence and shape the budget in the direction of the commitments that Labour would have made and the strategy that we would have had. Nevertheless, the budget bill that we are debating is not the one that we would have introduced.

There is frustration that the budget process has been characterised in commentaries as being about playing games. The sense that horse trading and game playing were going on was reinforced by decisions that the cabinet secretary made, such as his singling out of Edinburgh instead of addressing the needs of all our cities.

Margo MacDonald: Will the member give way?

Johann Lamont: No. There is recognition that problems have been caused by the presentation of decisions and by the pretence that there was no serious negotiation by Labour before last week's vote, which is simply not true. The process was too much about the arithmetic in the Parliament and not enough about genuinely reaching out to members to find ways of improving the budget.

There has also been frustration about the pretence that, in seeking to support proposals that

would improve the budget, we somehow supported the whole budget. It is dishonest to suggest that members who sought to persuade the cabinet secretary of the strength of a particular approach had a reckless disregard for the impact on local communities. That is simply not true—what is happening in our communities has driven and motivated serious negotiation on the part of the Labour Party.

We focused on key issues and we sought to support families and communities who are facing the current economic challenge, so we welcome the announcement of what we sought: a secure guarantee to people who are currently in apprenticeship placements. As a consequence, many young people and their families can have certainty when before there was a great deal of uncertainty. For that alone, today will have been a good day at the office.

We urged the Government to understand the critical role of Government intervention and action that goes beyond simple assertion. We recognised the importance of supporting people who face unemployment and transition to other jobs. We sought significant increases in the number of apprenticeships because we know our history and we remember what happened when Government took a laissez-faire approach and abandoned young people and families to the scourge of unemployment. We recognised the opportunity that apprenticeships would provide for training and planning for the future. The change that we secured in the Scottish budget is a Labour dividend for families; at last there is a firm commitment on apprenticeships.

Critical issues will come into play in the delivery of that commitment. In the past, I have raised significant issues about the importance of equality proofing and anti-poverty proofing the budget and the role of equality impact assessments. I remain concerned that, although the budget allocates moneys, it does not do the hard job of ensuring that we meet the diversity of need in our communities. We can have no confidence that there is any understanding of how people experience disadvantage and discrimination if the budget process does not explicitly set out how such an understanding is arrived at.

Single outcome agreements play a critical part in addressing need locally, and the social inclusion budget has been entirely devolved to local government. Stewart Maxwell has said that equality impact assessments should be done but that if they are not done it is for the Equality and Human Rights Commission to investigate. Such a process would take a long time, and there is a simpler solution, which I urge ministers to accept: if they think that equality impact assessment of single outcome agreements should be undertaken

because of how such agreements affect communities, they should say that an agreement will not be accepted without evidence that an equality impact assessment has been done. It is as simple as that.

I want to ensure that the shift in the budget addresses need. The cabinet secretary has considered Labour's case for modern apprenticeships, and I urge him to apply an equalities approach, too. It is not enough to assert that Government policy inevitably helps disadvantaged people. It has been claimed that free school meals, free prescriptions and the council tax freeze benefit the poor, but in a written answer to a parliamentary question the Government confirmed that there is no evidence of such benefit. We need evidence, so that we can ensure that what we do makes a difference.

As part of the summit on apprenticeships, the cabinet secretary must commit to addressing structural employment issues such as segregation, which reinforces the position of women. If apprenticeships are segregated, it is inevitable that women's experience of low pay will continue. We must consider the sectors in which apprenticeships are offered. Are we improving the care sector, in which there are many women workers? We must address that issue.

We have to consider what we say to employers. I was told today that an apprentice hairdresser earns £60 a week for a 45-hour week. That is unacceptable and would not happen in England. I urge the cabinet secretary to ensure that the summit on apprenticeships addresses that.

An understanding of those issues is critical to driving social inclusion. How much of the town centre regeneration money will go to our most-deprived communities? How will PACE meet the needs of people with disabilities, who are more disadvantaged in the employment market? We need to understand that equality is not a bonus but at the core of spending decisions and policy documents. Otherwise, the budget decisions that we make today will reinforce inequality rather than challenge it.

I welcome the shift that the cabinet secretary has made, but I urge him to ensure that, when he allocates funds for his commitments, he considers how his allocation meets the needs of particular groups in our communities. That is central to our approach, and I look forward to him acknowledging that in his closing speech.

15:41

Liam McArthur (Orkney) (LD): After my remarks last week, I am a little disappointed that nobody got round to making "Groundhog Day 2". I

suspect that the producer felt that a sequel would have undermined and missed the point.

The debate does not quite feel like *déjà vu* all over again—I welcome the tone and much of the content of the cabinet secretary's opening speech—but there have been some exceptions. Astonishingly, having sat through three budget debates in as many weeks, I have yet to hear a Tory MSP mount any critique of the Scottish Government. We have been treated to plenty of well-crafted rage about Labour's recession, which I presume has more to do with pre-UK election posturing than scrutinising the budget or holding the Scottish ministers to account. We have also witnessed the creative genius that gave birth to the Tories' dodgy dossier on the Scottish Liberal Democrats, but it is more the deluded musings of the SNP Government's unpaid research unit than the actions of a serious Opposition party. All that was delivered with trademark wit by Mr Brownlee and with flamboyant bravura by Mr McLetchie, but it was hardly likely to have Mr Swinney overly concerned about how he might secure the Tories' votes.

The overall tone of this afternoon's exchanges has been different from last week, which is appropriate and reflects well on the Parliament. All parties and every commentator sought to interpret the public mood on the crisis that engulfed the Government and its budget last week. Indeed, the Presiding Officer had scarcely made his dramatic intervention before Alex Neil treated us to the inside scoop of what people were telling him. With all due respect to Alex Neil, I suspect that the margin of error in such a poll is unacceptably high.

Since last week's vote, every MSP will have spoken to constituents, gauged their views and reflected on their expectations. As I did that, I certainly detected anger but, as much as anything, it was anger at having been told that, if the budget was not agreed to last Wednesday, public services would grind to a halt, investment in major projects all over Scotland would not take place and an election was inevitable—all of which was clearly untrue. I note that, in a piece of masterly understatement, Bill Aitken insisted that lives were at stake—Mr Neil has some competition.

Speaking to my constituents, I found no echo of the scaremongering that characterised some of the speeches in last week's debate and no desire to see the Government's budget simply rubber-stamped for ministers' convenience. People want agreement to be reached and a budget to be passed that—as far as possible—reflects the economic circumstances in which we find ourselves. They want serious measures for serious times.

The Liberal Democrats have responded to that mood, as has the Government. Notwithstanding

the reservations that I continue to have about aspects of the budget, we have used the process to persuade the Government to make important changes that will lock in long-term benefits for Scotland during the recession and beyond. We remain committed to the need to reduce the tax burden for those on low and medium incomes. That could not be achieved in this budget process, but a platform has been laid for permanent tax cuts in the future through the new strategic review of Government spending.

Bringing to bear the Council of Economic Advisers' depth of knowledge and array of expertise in considering the budget will provide real benefits, as will the Government's change of mind on a finance sector jobs task force. Despite Mr McLetchie's reservations, under the auspices of FiSAB such a task force can provide a real focus for action to assist that key sector through exceptionally difficult times.

Liberal Democrats still believe that the approach of the Scottish Futures Trust is misguided. It has proved costly and resulted in uncertainty and confusion precisely when the construction industry in particular has looked for a clear steer. However, by agreeing to Liberal Democrat demands for councils to receive revenue support under the SFT, Mr Swinney has taken an important step towards ensuring that building programmes for schools and hospitals have a chance of being restarted.

Andy Kerr: Will the member give way?

Liam McArthur: I am afraid that I must crack on.

That news has been particularly welcomed by local authorities around the country, not least by the City of Edinburgh Council. Councillor Jenny Dawe said:

"A proper programme of support for school building will be a very helpful move. So far, this has been missing from the Government's plans."

I dare say that even Lord Foulkes will be pleased by the news, though doubtless Mr Swinney would see that as a perfectly good silver lining being spoilt by a large, dark cloud.

Let me come to the concession that Professor John Curtice has suggested is

"the most interesting long-term consequence of all".

George Foulkes (Lothians) (Lab): I of course welcome the news of SFT support for council building programmes, but I will be satisfied only when I see the first brick laid for each new school. Only then will I believe that the SNP's promise to match brick for brick has been met. I will watch the situation over the next few years very carefully indeed.

Liam McArthur: As, indeed, will we.

In agreeing to make a submission to the Calman commission on the case for additional borrowing powers for Scotland and to free up Scottish Government officials to support the work of the commission, the SNP has not simply reiterated its long-held position. Lord Wallace of Tankerness, a member of the commission, observed:

“As a result of the new position of the Scottish Government, there is now assembled a powerful coalition for change.”

The Government's new position is significant because it brings closer the prospect of meaningful change to, and enhancement of, the powers of the Parliament. It also brings closer to fruition and makes more credible the Scottish ministers' assertions about the Government's major infrastructure plans—for example, that the new Forth bridge can be constructed without jeopardising every other transport project in the country.

The Calman commission is precisely the forum through which to make the case for additional borrowing powers for Scotland. For all the bluster about the national conversation, that approach lacks credibility. I note that, on the Scottish Government's website, the national conversation is represented by an icon of a small man, all alone, shouting through a megaphone. That just about sums it up for me.

Last week, I referred to Mr Swinney as a sooth-saying rodent, but his reaction to the vote was well judged and his engagement with Opposition parties on a range of substantive issues was well managed. I withdraw my previous comparison and look forward to the budget bill being passed at decision time.

15:47

Angela Constance (Livingston) (SNP): Heaven loves nothing more than a repentant sinner, which is perhaps why so many MSPs were present for time for reflection today.

Parents are always encouraged to praise their children for the good things that they do, to focus less on the naughty things that they do and, of course, never to cast up past mistakes. For that reason, I will not speak at length about how last week's events ran the serious risk of disrupting local authorities, including my local authority of West Lothian Council, which could have had a £19 million shortfall and a 40 per cent increase in council tax. However, I would heed the words of Jim Spewart, who said at the weekend that now is not the time for point scoring. It is often the leading lights in civic Scotland and in the business community who speak good old-fashioned common sense. I believe that the political parties,

Parliament and Scotland have moved forward and for the better this week.

As Keith Brown did, I welcome the growing consensus that Scotland should have a budget that makes decisions about raising income as well as about spending it, instead of what happens just now, which is a bun-fight about how we will cut the cake. Many of us will recall the unedifying comments by Tony Blair when he drew comparisons between the Scottish Parliament and English parish councils. Ironically, parish councils can borrow £5 for each person in their area. Furthermore, local authorities can utilise prudential borrowing and the Northern Ireland Assembly can borrow up to £2.5 billion. Instead of having such powers, we have a fixed budget that is given to us by the mother of all Parliaments—apparently, mother knows best. However, I hope that one day our adolescent Parliament will come of age.

I suppose my hope is that, when next we approach budget negotiations, we will have learned the lessons of past budget negotiations and given ourselves a reality check, in order to remember two things. First, the budget is a balancing act for all parties, but all must remember that whatever they propose must find support across the political spectrum. Secondly, a significant proportion of the £30 billion-plus budget is already committed, with fixed and non-negotiable costs as well as statutory obligations.

Before negotiations in smoke-filled rooms, or even before the first handbag is drawn, we must remember that a third of the budget—in excess of £10 billion—has already been eaten up by local government, and pensions liabilities for teachers and NHS staff take up the best part of £3 billion. I bet that by the time we include European Union regulations for agriculture support, for roads, and for police, fire and prison services, at least half the cake has already gone. Maybe Mr Swinney will clarify how much of the budget is available for discretionary spending.

The devolution settlement ensures that no one can be bought and sold for Swinney's gold, I am—of course—sad to say. However, even a limited amount of money can go a long way if it is spent wisely. I have never believed that one political party has a monopoly on good ideas. Spending £230 million on accelerated capital spending, £70 million on affordable housing, and £60 million on town centre regeneration supports 5,000 jobs as well as apprenticeships. Those are the right things to do. Without full economic powers, however, we will never truly tackle poverty or inequality.

We are living through the worst recession in 60 years. As Joe FitzPatrick does, I welcome the comments of Liz Cameron, who was absolutely right to say that

"every day the budget is delayed, that's delaying contracts that could be going out to the private sector."

She urged

"all political parties to get around the table"

and to concentrate on "the bigger prize" that could

"be won ... for the Scottish economy."

The loss of jobs in my constituency has focused the mind. At this time, our resolve and aspirations should be focused on the bigger picture and on, as Liz Cameron put it, the "bigger prize". In a Parliament of minorities, we all have an opportunity to grasp that prize. Ensuring the safe passage of our budget is the responsibility of all 129 members of the Scottish Parliament.

Despite the political commentary describing last week's events as a crisis, I prefer to think of it as a rite of passage, the growing pains of a young Parliament or perhaps the birth pangs of a better nation. The past week has been a defining moment for the Scottish Government and Parliament. Across the political divide, there has been a shift in thinking and in how we do business. Minority government does work, and Scotland has changed forever and for the better. The challenge to all 129 MSPs is to move with the times and not be left behind.

15:52

Patrick Harvie (Glasgow) (Green): I am bound to disdain the mother-knows-best attitude. I hope that the idea that a Parliament that asserts itself against the Government should be compared to an errant child does not come to reflect the SNP Government's attitude.

At the start of the debate, Andy Kerr rightly said that no one would lightly vote down a budget and that it had, in the Labour Party's case, been done more in sorrow than in anger. I have to admit that, for myself, there was no small measure of both in last week's debate.

I argued last week that, without the incorporation of substantial measures along the lines that we proposed, the budget would reflect an inadequate response to the economic situation in which we find ourselves, and to the ecological crisis of our own making. I am sorry to say that the budget still represents an inadequate response to those crises.

Governments in Europe and America are recognising the need to get to grips with the concept of a green new deal. They recognise that recovery from the current economic situation will depend on substantial investment in low-carbon infrastructure. They recognise that we must not only generate energy more cleanly, but cut our consumption radically. We in Scotland should

recognise the opportunities that such an approach could offer. Instead, the Government has continued to pile resources into projects that will increase carbon emissions. I have to go past one of them every morning on the bus coming out of the south side of Glasgow, where concrete piles are being driven into the ground to carry tens of thousands of additional car journeys into and out of the city centre.

We argued from a Green perspective that the budget was not supportable unless it incorporated, as a counterbalance, substantial measures along the lines that we have proposed. I am sad to say that, after months of trying to persuade the Government to adopt just one such positive measure, it still does not get it. The basis of our proposal has been not just scale but universality. A free, area-based approach is the only way to drive up participation rates to the high levels that are needed if we are to cut people's bills, preserve jobs in the construction sector and cut emissions. Sadly, the response that I have had from the Government following last week's debate demonstrates that it still does not get it.

Just today, the National Audit Office has published an assessment of previous fuel poverty campaigns that demonstrates that the target-and-miss approach will have to end. We cannot continue with that approach; if we want to eradicate fuel poverty and to cut our emissions, we need to adopt an approach to insulation that is based on free and universal provision.

We argued that that would cost in the region of £100 million a year for a 10-year project. All the Government data that I have seen so far support that assessment. The Scottish Government's initial suggestion on the scale of what could be delivered, however, involved the provision of £4 million a year. It would have taken more than three centuries for that scheme to complete the job throughout Scotland. Last week, a slightly larger scheme was offered, which involved the provision of £22 million a year. It would have taken 44 years for that scheme to complete the job throughout Scotland. Even though the cabinet secretary stated that what was on the table last week remains on the table, he can guarantee only £15 million a year from his own resources, which means it would take 65 years to complete the job throughout Scotland.

This morning, I lodged an amendment to the stage 3 motion, which offered Parliament a final opportunity to endorse the adoption of the free and universal approach for which we have argued. Sadly, it was not selected for debate—not that I would necessarily have expected the other parties to support it.

Angela Constance: How many houses in Scotland need insulation? Very few council houses in West Lothian have no insulation at all.

Patrick Harvie: The initial proposal was for a scheme that would cover 1.8 million properties. That was supported by the Scottish Government. The answer depends on how much we want to do. Do we want to cut emissions only from households that have already had half their loft insulated, or do we want to support everyone to cut their emissions through insulation?

The debate that we should be having is not about the detail or the scale of our proposal; it is about how we have got to where we are. The Liberal Democrats have done a complete U-turn. In the past few weeks, they have described the budget as “wholly insufficient”, and the Government’s response to the economic situation as

“the weakest and most reduced response of any national or devolved Government in western Europe”—[*Official Report*, 28 January 2009; c 14416.]

and “woefully inadequate”. The same budget has now been re-presented and this time they are voting in favour of it. It is greatly disappointing that the wave of criticism from the Labour and Liberal Democrat Opposition has receded and that members have been pacified by the assurance that the SNP still supports its own policy.

Mr Swinney argues that he expects Parliament

“to reach mature agreement on an effective budget”.

Unfortunately, we are being asked to give quiet acquiescence and docile agreement to a business-as-usual budget. At decision time, there may be only two votes against the budget, but given that the science is clear on climate change and peak oil, I do not care about the numbers or about how seriously they are taken by the rest of Parliament. Those votes will represent a wider movement that has been born in an age of increasing recognition of the crises that we face. While the middle ground of politics continues to represent an inadequate response to the central challenges of the 21st century, the Greens will continue to stand for that movement.

15:59

Margaret Curran (Glasgow Baillieston) (Lab): Many speakers have articulated a sense of déjà vu. As Angela Constance made clear, we have learned one overwhelming lesson—that the process that has been gone through this week, which has involved the critical ability to give ground on key areas that matter to other parties and the ability to tie down details and to clinch a deal, should have been gone through last week. If

that had happened, the budget might not have been defeated last week.

In no circumstances—especially grave economic circumstances—should we witness a scramble at the back of the chamber as the First Minister passes notes throughout the afternoon to a member. As Angela Constance acknowledged in her speech, that should not happen again. The SNP Government has learned the lesson that that is not how a Government should negotiate. It will not negotiate like that again in the future.

It is in that spirit that Labour’s central proposals have been reconsidered. This is not the budget that my party or I would have proposed, but the priority that is now being given to work, skills and opportunities is welcome. We welcome the step change that has taken place in the past week, which is about the attention and support that have been given to the substance and the coherence of Labour’s package of proposals. It is not surprising that Labour’s flagship proposal should focus on apprenticeships and skills and the broader impact on the Scottish economy, but in the context of the current economic downturn, it is in all our interests to give ground on such strategic issues.

There is a commitment to almost 8,000 new apprenticeships in next year’s budget. That is not just good news for those individuals; it will directly benefit their families and communities. I echo what Johann Lamont said about the equality impact assessment. I am sure that those of us who were members during the first session of Parliament do not need to remind the members of the SNP Government who were MSPs back then what they said then about the budget and equality. I hope that they are truer to their words now than they have been so far.

However, we now have a guarantee for apprenticeships for people who are threatened with redundancy. That is a confidence boost not just to them but to the Scottish economy. We now have £50 million specifically committed to help to retrain people who are facing redundancy. That will not only help those individuals but will provide direct assistance to key sectors of the Scottish economy. Because of that progress, it is right to negotiate and compromise. I recognise the passion behind Patrick Harvie’s words, but I part company with him on the issue. He is right to flag up the significance of the climate change crisis and of the actions of Government, but there are times when it is right to negotiate and to do a deal. The Government has made enough progress—just enough—to allow us to support the budget.

I still have deep reservations about the budget, though. I hope that the Government is not arrogant after today’s vote, and that it does not assume that all criticisms of its actions will be suspended. That would not be a fair price for us to pay for our

support. The SNP Government has been grossly unfair to Glasgow—I will continue to remind the Government of that. It has presided over a host of missed opportunities—I will remind it of that, too. I make it absolutely clear that I could never be comfortable with a Government that has developed such a close working relationship with the Tories. The SNP and the Tories think that all it takes is a tax cut and they have ticked the business box.

Joe FitzPatrick: Will Margaret Curran tell us her views on the coalition that runs Dundee City Council? The administration there requires the support of the Conservatives to get its budget through and to run the council on a day-to-day basis.

Margaret Curran: Mr FitzPatrick might not be aware, but I was a member of the previous Government, which was a coalition. There is an enormous difference between working with another party to find common ground and delivering that party's political agenda.

David McLetchie made what was perhaps the best remark in the debate, when he described this Government as

“the next best thing to a Tory Government”.

That is exactly what we are witnessing.

Progressive voices know that what we need right now is active Government intervention to maximise spend and link it directly to jobs and economic activity.

We all know that political life requires pragmatism, so I acknowledge the moves that have been made by the cabinet secretary. This is a sobering time, and we cannot afford to be complacent. I also acknowledge the moves that have been made on partnership working and hope that they will continue. Our focus has to be on the economic and social interests of Scotland and on the experience of the people whom we represent. I would not shirk working with anyone in order to make progress with that agenda. Perhaps Mr FitzPatrick will understand that. However, that does not mean that anyone should shirk criticism when that criticism is right. We need to get the balance right—I think Angela Constance made more moves in that direction than Mr FitzPatrick. We have to acknowledge where there is common ground and where criticisms still have to be made.

We live in a time of challenging economic change. Today, we will make some progress in addressing the key issues, especially in relation to work. However, this is just the start. I hope that the cabinet secretary will, when he sums up, indicate his willingness to work with Parliament, and not to ignore Parliament when it suits him.

16:05

Margo MacDonald (Lothians) (Ind): I thank the cabinet secretary for being accessible, for listening and for being fair. He practised with me the message that was preached by Johann Lamont: he acknowledged that I have a mandate, too. It is a more limited mandate than that of the parties in this chamber, and for that reason my objectives were perhaps more limited in my negotiations with the cabinet secretary. It was a pleasure to do business with him, and I look forward to repeating the process all over again next year. I have some ideas in mind.

Next year, Parliament will continue to be a Parliament of minorities—Angela Constance was correct in much of what she said. However, we would all do better to explain to Scots that, in this Parliament of minorities, it will be continuous negotiation and not name-calling that determines the outcome of proceedings. Shame on those who say that one cannot have a good Tory. I used to believe that, too—until I came to this place of consensus. I now think that it is much better to listen to what the Tories have to say, because they have some good ideas—and I do not care whom they pinched them from, so long as we put them into effect.

It is better still, I think, to do what Labour members have suggested and to start the horse trading earlier. Had that happened, we would not have to decide now whether to keep on the hair shirts that were so speedily donned last week, or to cast them off and say, “Everything is all right now.”

I have campaigned for the capital city supplement for years, and I always started early, as every finance minister would admit. However, one outstanding question has arisen from some of the exchanges. I do not want to pursue the idea that there is any division between the twin cities of the plain. It would be an artificial division. I want the cities to work together and I have made moves in that direction. What I want to know is this: should I infer from what Labour members say that they will, the next time they are in government, withdraw the capital city supplement? I ask the question because Edinburgh will still be the capital and will still perform services that are peculiar to the capital on behalf of the rest of Scotland.

Margaret Curran: Will the member take an intervention?

Margo MacDonald: I hope that Margaret Curran will not mind if I do not take an intervention just now. I will see whether I have time at the end—but there is something else that I would like to start negotiating on now.

Parliament is to have a review of public spending, and we are to have a group including

representatives of all the parties in the Parliament. It should also contain representatives of no party in the Parliament. A considerable body of opinion stands behind the idea of independent negotiation. For example, Patrick Harvie can point to opinion outside this chamber, and that opinion should be represented in the group's deliberations. I therefore give notice that I will be knocking on the cabinet secretary's door to suggest my name for a post.

Finally, I thank the cabinet secretary for the courtesy that he accorded me, and for his sheer patience. The city of Edinburgh's capital city supplement is safe, and it will be a year-on-year budget heading because we will continue to be the capital. I also thank the cabinet secretary for sensibly saying that he will give early and sympathetic consideration to Edinburgh's request on council housing. The need is urgent. I did not try to put a figure on it, because I knew that the cabinet secretary was trying to accommodate many other interests.

Having thanked the cabinet secretary, I am now quite prepared to give way to Margaret Curran.

Margaret Curran: I am shocked that Margo MacDonald seems to have abandoned all her criticisms of the Tories, and appears to be cosying up to them. In response to her direct challenge to me, I tell her that Labour recognises the challenges that Edinburgh faces and that the city has a special status as our capital. However, we also recognise the challenges that other cities face—especially Glasgow, which hosts half of Scotland's poor. It is particularly divisive to say that one city's needs override those of another.

Margo MacDonald: That is the last time I will give way to Margaret Curran. I say, following that full exposition of where Ms Curran stands on the position of the cities, that Edinburgh is the capital city. It undertakes unique services and provides unique facilities on behalf of the whole country, so it is not fair that Edinburgh council tax payers should pay for those with the expenditure not being shared throughout the country.

In that respect, Edinburgh is unique. In respect of health, Glasgow is uniquely bad. I kept my tongue between my teeth when it came to reviewing the Arbutnott report on expenditure and how money was allocated according to need, because Glasgow's need is much greater than ours in Edinburgh. However, I would hate an artificial division between the cities to be one of the fall-outs from the current budget process. Aberdeen has a good case in all sorts of ways to argue for specialised cash, as have all the cities. I acknowledge that. I simply argued for on-going recognition of Edinburgh as the capital, and acknowledgement that right now, because of the city's peculiar situation in relation to the fall-out

from the collapse of its financial centre, there is an urgent need for public housing.

The cabinet secretary has satisfied my requests, in that he is willing to take them on fairly.

16:12

Alex Neil (Central Scotland) (SNP): Harold Wilson once said:

"A week is a long time in politics."

I can hardly believe that it is only a week since I was attacking my good friends in the Liberal Democrats and in the Labour Party for their proposals. However, they have made great strides in the intervening week in reaching agreement with the Government.

At the end of the day, this is not about what any party or individual achieves in the negotiations, but about what is best for Scotland as a whole, and for the particular requirements of different sections of our community and the different geographies of Scotland.

Last week, David McLetchie made one of the best speeches in the chamber; he has done the same this week. The first point that he made last week was about the amount of discretionary spend that the cabinet secretary has at his disposal. As Angela Constance very articulately pointed out earlier, when the commitments on local government, salaries, meeting our European Union obligations and all the rest are pared away, the amount that remains to be divvied out in a different way from the previous year is very limited. I congratulate the cabinet secretary on becoming almost a magician in trying to meet the demands of all the parties—with the possible exception of the Greens—in order to achieve a near-unanimous vote.

I share Margo MacDonald's concern: it would be a terrible tragedy if the budget debate ended up setting one part of Scotland against another. The basic principle is that resources need to be allocated on the basis of need. There are particular needs in Edinburgh that result from its status as a capital city, and the cabinet secretary—

Andy Kerr rose—

Alex Neil: I will come to Andy Kerr in a minute.

The cabinet secretary has tried to meet those needs. As I represent Lanarkshire, I know that there are similar needs in Glasgow and Lanarkshire, and I hope that those will be reflected in the additional spend on health, housing and other services. I also hope that the review of local government funding and allocation of resources will help to improve the formula and ensure that

allocations are based on economic and social need.

Andy Kerr: The member's assertion that Labour sought to divide our cities is far from the truth. Through the cities growth fund, Labour sought to ensure that extra resources were made available to all our cities in recognition of their individual needs and circumstances.

Alex Neil: I did not accuse Labour or anyone else of trying to divide us; I just expressed the hope that none of us will fall into the trap of trying to set, or accidentally setting, one part of Scotland against another.

Another important element is the Liberal Democrats' point about borrowing powers. The Northern Ireland Assembly represents a smaller population and has a smaller budget than the Scottish Parliament, but it has the power to borrow up to £2.2 billion. It makes sense, particularly in a time of recession, to give us the flexibility and the additional resource that can come from having the power to borrow. I draw a comparison between what happened last week south of the border and our current limitations north of the border. Quite rightly, Lord Mandelson announced a package of support for the car industry, which is concentrated south of the border; that support, which amounts to £2.2 billion, comprises a combination of different types of borrowing and guarantees.

Just as that support is justified for the car industry in the midlands and elsewhere, it would be entirely appropriate for such funding, if necessary, to be made available from borrowing to help the Scottish economy. For example, it could help us to meet the cost of the new Forth crossing. Scotland requires such support. I hope that, when we discuss borrowing powers, not just in the context of tomorrow's debate but in relation to the direction that the Parliament should take, we will achieve a consensus on the principle that we should have such powers.

However, the debate on borrowing powers is not a naked debate, because it relates to powers over taxation. A Parliament's ability to borrow is enhanced if it also has the power to raise its own money for its own spending. Therefore, I argue, as the Steel commission did, that as well as considering borrowing powers we need to consider revenue-raising powers, even in a devolved situation, because the two go hand in hand.

We all recognise that we are living in difficult times. Last week's International Monetary Fund forecasts were not encouraging for Britain as a whole, and we take our share of those. It is therefore incumbent on every one of us, irrespective of our particular priorities and views, to support the budget at 5 o'clock, not for the sake

of any party or individual but for the sake of Scotland.

16:18

Mr Frank McAveety (Glasgow Shettleston) (Lab): I echo the sentiments that Alex Neil expressed at the end of his speech. Every member in the chamber wants a budget that is right for our country, particularly given the straitened circumstances that we know the country faces in the next couple of years.

Alex Neil quoted Harold Wilson, who said:

"A week is a long time in politics."

After seeing Tavish Scott's performance on "Newsnight", I am tempted to think that six hours is a long time in politics, given the Liberal Democrats' about-turn in relation to their key demands of the Government—but more of that later.

I am sure that the Conservatives will respond to this point, but I was concerned about the leaflet that they rushed out. When I read the horror stories in the leaflet, I thought that it was advertising a film adapted for Scottish circumstances—the Tory version of "Apocalypse Noo". The leaflet said that there was going to be a major meltdown in the Scottish economy. A week later, we know that that was always balderdash. We knew that just 24 hours after last week's vote.

We are in a better position this week because members have come together and recognised that there are areas of mutual concern and consensus. I agree with Margo MacDonald. I do not want there to be a disproportionate distribution of resources between Glasgow and Edinburgh, or between other cities. However, urban policy must reflect the fact that a number of Scottish cities have very different and distinctive needs. Margo MacDonald—and, indeed, my Labour colleagues in Edinburgh and the Lothians—is perfectly right to highlight why Edinburgh should receive a fairer allocation of resources. The same, of course, can be argued of Glasgow by Glasgow members, including me.

Diogenes said that we were born with two ears and one mouth, by which he meant we should listen more and speak less. Of course, I am going to ignore that advice totally for the next three or four minutes. However, the fact that the cabinet secretary has spoken less and listened more has had benefits, although I have to say that I found all the scurrying about the chamber to secure a solution during last week's debate rather unedifying. Mr Swinney might well have been trying to seek solutions but, given the character traits of our First Minister, I am not totally convinced that his approach necessarily led to

last-minute solutions. I see Patrick Harvie nodding, so some secret diary entry about what went on might still emerge.

The fundamental question is: what can we do in the face of a global economic recession? I understand the Tories' natural partisan behaviour in trying to blame a UK Labour Government solely for the situation. There are times for engaging in that debate; however, I will take no lectures from the Conservatives, whose Governments, after all, authored two UK recessions and who never really wanted the Scottish Parliament in the first place. Given the historical facts, I find it very difficult to come to terms with the Tories' language on this matter.

Labour has consistently articulated its position on how we need to respond to the situation. At the weekend, I was disappointed to hear that business leaders were concerned about some of our demands. Given the difficulties faced by individuals in certain sectors, I understand why some might have those concerns, but I think that in the midst of a recession it is wrong to argue that apprenticeships should not be considered for continued support. Indeed, that was the very brutal lesson that we needed to learn in the 1980s and 1990s, given the skills shortage facing the new economy that emerged at the beginning of the century.

I realise that the Liberal Democrats might have moved on in the debate. However, their position today stands in sharp contrast to some of the previous positions that Jeremy and Tavish have articulated. It all puts me in mind of "Pride and Prejudice", with Tavish in the role of Darcy—

The Deputy Presiding Officer (Alasdair Morgan): Please refer to members by their full names.

Mr McAveety: With Tavish Scott in the role of Mr Darcy—[*Laughter.*] I must apologise; I am not a massive enthusiast of Victorian literature.

As I say, in my paraphrase of "Pride and Prejudice", Tavish Scott plays the role of Mr Darcy; unfortunately, Miss Elizabeth will have to be played by John Swinney. In his letter, Mr Darcy writes, "Miss Elizabeth, I have struggled in vain and I can bear it no longer. These past months leading up to the budget have been a torment. I have fought against my better judgement, my family's expectations and circumstance. All these things I am willing to put aside. I ask you to end my agony. I don't understand it, but I love you." Tavish Scott, John Swinney and the First Minister might well have authored such a letter jointly.

Despite all that, the fundamental question in today's debate—and, indeed, in everything that has happened in the past seven days—is whether the budget is better today than it was seven days

ago. I think that it is. Have we reached more of a consensus in the debate on the future of Scotland's budgets? I think so, although I must argue with Alex Neil about the cabinet secretary's room for manoeuvre. Mr Swinney has, for example, £950 million of end-year flexibility that was not available to previous finance ministers in the Scottish Parliament, and access to certain other flexible arrangements might also lead to solutions.

The fundamental message from my constituency is that we need to keep people in work where possible and to sustain the hope that I think young people have begun to have in the 10 years since this Parliament's creation—and, indeed, in the 12 years since the election of a UK Labour Government that had genuinely different priorities. As a result of the debates that we have had, we have managed to get a much better budget. Last week, one of the newspapers said that people get excited and hung up on process, not the end result, but what really matters is that we have a budget that makes a difference for the citizens we care about.

16:24

Jeremy Purvis: I regret that when it seems that all parties that are represented in the Parliament agree for the first time on active participation in the Calman commission, Andy Kerr chose to ridicule that in his opening speech. I hope that he will reflect on his comments and that the Labour Party and the Conservatives—and, indeed, all parties—will see the process as a real and active way of bringing long-standing changes. As members of all parties have said, that could be the most significant long-term effect of the discussions that have taken place over the past week.

The budget is still not the best or the most appropriate budget for the economic situation that we face in Scotland. As Frank McAveety said, it is better than it was last week, but it is still woefully inadequate to deal with the situation that Scotland faces. However, the long-term approach to powers for the Parliament and the way in which our budget discussions will be conducted has improved. A process is starting now for members of the parties that are represented in the Parliament and, potentially, people outside it to consider not only strategically but aggressively lines of budget spend. Critically, for the first time civil service support will be part of the process. That is a significant move.

Patrick Harvie: I have no beef with Jeremy Purvis's assertions about the longer term and borrowing powers. However, does he accept that if the Liberal Democrats still regard the budget on which we will vote tonight as "woefully inadequate", they should have been less keen to

trot along and offer their support immediately after the budget fell last week? That would have given the SNP an incentive to make the budget a little less inadequate today.

Jeremy Purvis: I take note of the negotiating tips that Mr Harvie has given over the past week and will come back to some of his remarks in a moment.

Councils throughout the country have welcomed the agreement that has been reached for the first time that revenue support for schools projects will be forthcoming. The Government knows our views on the Scottish Futures Trust—they are perfectly clear—but the fact that level playing field support, or revenue support as it is now called, is being restored is significant and has been warmly welcomed.

Joe FitzPatrick, Keith Brown and other members have argued consistently for the need to engage in the Calman debate on the powers of the Scottish Parliament. That is also welcome.

David McLetchie was so impressed by his own speech that he thought it unnecessary to listen to many other speeches. However, there was a chronological gap in his lecture. There was a Nixonian missing 18 minutes—I refer to the time when the Conservatives voted to support the abolition of town regeneration funding through the Scottish Enterprise network. That funding was simply not transferred over to councils. He argued that town centre funding was getting close to perfection, as far as his policy was concerned; indeed, before the vote on Wednesday that was already on postcards that were handed out at Waverley station. Within a breath, he attacked us for having uncoded policies to boot.

I have asked SPICe how the Government would fund the regeneration policy—I am sure that the answer was known to Mr McLetchie. SPICe told me today that, as a result of additional Barnett consequential for accelerated capital spending, the £60 million for the town centre policy is accelerated capital spending that must be cut from next year's capital budget. The Conservatives must tell us which councils' budgets or which capital budget lines will have to be cut next year. They have asked where alleged cuts will fall in our policy, which they do not support. It is fair enough that they should ask about that, but it is equally fair for us to ask where the real reductions in next year's capital budget lines will fall. I will not be alone in being concerned about SPICe's confirmation to me this morning that

"It is not yet known how those £60 million of cuts to the capital budgets will be managed next year."

Surely when Mr McLetchie was doing his impersonation of Wee Willie Winkie, he asked how

the £60 million of cuts would be managed next year.

I enjoyed Mr McLetchie's speech—indeed, I always enjoy his speeches. His attacks on us are always well rehearsed. However, in recent weeks, they have been on alleged cuts, and perhaps in them he should have paid cognisance to the fact that there will be real cuts in capital budgets next year. Those cuts will be considered as part of the scrutiny process. No doubt, he will fully engage in the new structures that the cabinet secretary has set up.

Patrick Harvie cited my comments about the budget not only in his speech, but in his intervention. He quoted accurately my concerns about the economy and asked how on earth I could support the bill today. I remember that, at the start of the budget process last year, he said that he would not support that budget because it included funding for the M74 extension. However, he changed his view. Last week, his unshakeable, principled stance on addressing global challenges would have been placated by a last-minute 50 per cent increase in a £22 million scheme.

I was impressed by Mr McAveety's knowledge of both pride and prejudice. Perhaps he unwittingly summed up the debate, which has involved a lot of pride—not only dented, but espoused—and a tinge of prejudice. If we are all wearing hair shirts, as Margo MacDonald said, the budget is ultimately better and I hope that the country's finances will be better, too.

16:31

Gavin Brown (Lothians) (Con): We have heard from an unhappy Mr Purvis today. Perhaps he is suffering from indigestion after gorging on humble pie for the past seven days or so.

What matters to Scotland's people, institutions and businesses is stability and certainty. At times like these, people do not just want that—they demand it. It has been apparent in the past seven days that the mood in Scotland is clear: people want not risky games and brinkmanship but action and delivery. As one business leader said at a recent event,

"I don't care how you do it—just make sure it now happens."

The Scottish Conservatives have attempted to be responsible from the beginning—from early discussions to stages 1 and 2, final negotiations, stage 3, act 1, and stage 3, act 2. We have thought carefully about our position and our tone at all times and we have gained solid achievements.

The consequence of that is £234 million of Conservative policies that would not otherwise

have been implemented. We pick out the town centre regeneration fund, which we welcomed last week, to the tune of £60 million. We have campaigned for that for a number of years—we started back in January 2007. As David McLetchie said, we have campaigned for that fund for longer than any other party has. The cabinet secretary acknowledged last week that

"In their input to the budget process, the Conservatives have set out the arguments for a new fund to support town centres."—[*Official Report*, 28 January 2009; c 14406.]

As he said today, the Conservative party has championed such a fund.

Town and village centres are the life-blood of communities. Many have been at a competitive disadvantage for several years and some have been on a downward spiral. The fund will be a shot in the arm. It has been described—rightly—as new money that can build momentum for regenerating our towns and put them back on an upward spiral in the next couple of years.

That success builds on several successes that the Scottish Conservatives obtained last year—1,000 extra police to go on our streets, an acceleration of the small business rates cut and an emphasis in the drugs strategy on recovery instead of damage limitation or maintenance.

If the bill is passed, the small business bonus will increase again from 1 April. More than 150,000 businesses, in every constituency, stand to gain. Of those, 120,000 will pay no business rates at all from 1 April. The other 30,000 or so will receive a meaningful discount.

Best of all, the small business bonus comes with no strings attached. Businesses decide how best to use the saving, perhaps by creating a new display, installing a new shopfront or employing a new member of staff. In the current climate, the saving might make the difference between keeping and losing a member of staff. It is clear to all Scottish Conservatives that business owners know best how to spend that money, which is why it should not be tied. They know far better than me, the Government, any Opposition politician or any trade union how to spend their money. In these difficult times, such a measure could be the difference between profit and loss or the difference between trading and not trading.

I turn to the other Opposition parties. We have seen the Liberal Democrats and the Labour Party attempting to run the four-minute mile along the road to Damascus. Both parties have expressed a belated desire to appear positive, but what did they get that made it all worth it? David McLetchie offered a good analysis of what the Liberal Democrats got. As one reporter said:

"It would be most unfair to say the Lib Dems have been bought off—their demands would not cost a penny."

Last week, my colleague Derek Brownlee cruelly described the Liberal Democrats as capitulating for the cost of a stamp. Even that is not true, because they can now e-mail the Calman commission, which would make a 27p saving. Perhaps next year the Lib Dems will go for a full pound in their negotiations. Some of the suggestions that the Lib Dems have made are perfectly sensible—some are things for which we have argued for months—but it is hard to see how they square them with the passing of the budget for 2009-10.

Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Will the member take an intervention?

Gavin Brown: I am always happy to take interventions from Mr Rumbles.

Mike Rumbles: Gavin Brown seems genuinely upset that the Liberal Democrats are voting for this consensus-based budget. Why are the Conservatives so upset about that?

Gavin Brown: Mr Rumbles did not even have time to roll over and have his tummy tickled before he agreed to vote for the budget. Although the Lib Dems' support for the budget is belated, we are delighted that they are going to vote for it, with all that that entails.

It is difficult to see what is now on the table that was not on the table before for the Labour Party. As one newspaper reporter said this week:

"Mealy-mouthed Labour leaders skulked around in the background saying plenty but doing nothing".

We have heard once again today that Labour is still in denial about the fact that the recession in the United Kingdom has an awful lot to do with Gordon Brown, which is why, as the IMF said, the recession is projected to be deeper and longer than in any other western country.

The Conservatives have taken a responsible approach from day 1. We have sought to help with measures for the economy and other Conservative policies. We want to see town centre regeneration, business rates cuts, more police on the beat, and accelerated capital spend. In short, we want a budget for the high street. That is why we will support the budget today.

The Deputy Presiding Officer: I call David Whitton. Mr Whitton, you have up to 10 minutes.

16:37

David Whitton (Strathkelvin and Bearsden) (Lab): Thank you, Presiding Officer. I hope that I can rise to the challenge that you have just set me.

A week ago, when the Cabinet Secretary for Finance and Sustainable Growth was doing one of

his many interviews about the budget, he said that it was his duty to put forward a budget that convinced Parliament. As we all know, last week he and the SNP failed that test. However, it is to his great credit that he did not shirk his responsibility or try to deflect any blame that was heading his way for what happened then. Instead, he reintroduced his budget and set about further negotiations in order to be more convincing this time. Has he succeeded? We do not have to wait long to find out.

It is interesting today to reflect on what was said during our debate last week. Derek Brownlee, the so-called financial guru of the Conservative group—at least, that is how Mary Scanlon describes him; I have heard other names for him, but parliamentary privilege prevents me from mentioning them here—spent most of his time attacking the Labour Party. There was nothing new about that. Since the debate last week, and today, he and his sidekick Mr Gavin Brown have been running around boasting about size—the size of their so-called achievement. In typical Tory boy fashion, they go back to the days of Loadsamoney, when biggest meant best. It is a wonder that the Del Boy and Rodney of Scottish politics did not turn up for the talks with Mr Swinney in a yellow Robin Reliant with their nicked policies, such as the town centre regeneration fund, loaded in the back.

David McLetchie: Chronological order!

David Whitton: I say to Mr McLetchie that I am just coming to chronological order. He should just wait. My friend Mr Brownlee and I happen to agree on the need for a town centre fund. It is just a pity that he did not vote for one on 15 January 2008—another date for the chronology on which Mr McLetchie is so keen—when he had the chance to do so in the Finance Committee. However, as Angela Constance pointed out, a sinner who repents should always be welcome—let us welcome a sinner who has repented.

Derek Brownlee: If I remember correctly the detail of the amendment to which the member refers, it proposed to fund town centre regeneration from a non-existent budget line. It was then revealed that the budget line was the local government settlement—Labour wanted to take money from councils and then give it back. How would that have helped regeneration?

David Whitton: The member is talking nonsense, as per normal, but never mind—he repented.

David McLetchie: It was the truth.

Andy Kerr: The money was taken from capital projects.

David Whitton: I will take an intervention from Mr Kerr.

The Deputy Presiding Officer: Order.

David Whitton: Thank you, Presiding Officer. They are a rowdy bunch—typical Tories.

I am sure that Mr Brownlee and his colleagues welcome the fact that his request for £20 million was turned into a £60 million boost for Scotland's small towns, thanks to Labour's intervention.

By a lucky coincidence, a letter from my favourite minister, Mr Jim Mather, arrived at my Kirkintilloch office today. Mr Mather has agreed to meet local traders in my constituency to discuss their concerns. He can rest assured that he may bring his mind maps with him; a reply, with dates, will be sent to him shortly.

Mr Brownlee is a man with an amazing capacity to predict the future. Last week he declared:

"Tavish Scott ... has, since 2007, elevated irrelevance to a point of political principle".—[*Official Report*, 28 January 2009; c 14414.]

Given the events of the past few days, who could disagree with that statement? 2p or not 2p, that was the question. We now know the answer. However, the slings and arrows of outrageous fortune have certainly not gone the way of the Liberal Democrats. In one tortuous interview on "Newsnight Scotland", referred to by my colleague Frank McAveety, Mr Scott was asked for the details of his masterstroke—the get-out-of-jail-free card that he had presented to the First Minister in order to get the budget through. He said, "It's a secret. I can't tell you." That from the party of openness and transparency.

Well, now the secret is out—it is an economic storm rescue plan that involves Mr Salmond writing a letter to the Calman commission about borrowing powers, a subject about which we will hear a lot more tomorrow. My colleague Andy Kerr did not rubbish the commission, as Mr Purvis suggested—all he said was that Mr Scott is seeking vague promises from Mr Salmond. We all know that Mr Salmond likes writing letters, but they are usually addressed to Sir Sean, rather than Santa. I suppose that getting him to correspond with someone else is an achievement, but it will not change the budget by 1p, never mind two. What effect has that policy earthquake had on the Liberal finance spokesman? Alas, poor Jeremy Purvis, I knew him well.

I congratulate Patrick Harvie and the Greens on sticking to their principles. One or two armchair generals sent letters to the papers suggesting that, having had the temerity to vote no last week, they should now get nothing, but that is not the case. The insulation programme, such as it is, will help to provide vacancies for some of the apprentices

whom we want, along with jobs for those who will oversee the work. My only advice to Mr Harvie is that there is an old saying about a bird in the hand being worth two in the bush, and that £33 million is probably worth more than £15 million. I am sorry that he is shaking his head.

Margo MacDonald: Could Mr Whitton advise me of whether, the next time that Labour is in government, it will discontinue the capital city supplement?

David Whitton: I look forward to the next time that we are in government, when we will continue our capital city's growth fund.

Mr Swinney was right last week when he said that the focus of the Government and the Parliament should be

"to produce a budget that does everything"

possible

"to support recovery from the difficult economic conditions that we now face."—[*Official Report*, 28 January 2009; c 14403.]

That is why Labour members were determined that everything possible should be done to create and maintain opportunities for young people and to support those who have already lost their jobs or are facing the prospect of redundancy; several members have spoken about that this afternoon. As my colleague Andy Kerr said on opening for the Labour Party, we in the Labour Party remember clearly the Tory recessions of the 1980s and early 1990s. We remember more than 3 million people being out of work and—worse than that—youngsters leaving school with no job, no training opportunities and no hope.

That is why today's modern apprenticeships are so important. They provide jobs with training and not training for jobs. At present, 10,714 modern apprentices are in training. The SNP has accepted our request to create an additional 7,800 modern apprenticeship places in this budget year—an increase of 70 per cent. That is a step change that will make a difference. The SNP has committed to making further increases next year. We look to Mr Swinney to honour that commitment. He knows the numbers that we are looking for. The young people of Scotland will expect him to deliver on that.

Labour went into the budget negotiations with a package of measures to help to tackle the situation that our country faces. As we said at the time, and many of my colleagues have mentioned in the debate, our top priority was to create those modern apprenticeship places. Last week, we had no firm numbers and no guarantee that young people could finish a course—we had only an assurance. There was no clarity on partnership

action for continuing employment funding or NHS budgets. We voted no and we were right to do so.

What has changed? After further talks with Mr Swinney, a meeting between our leader, Iain Gray, and the First Minister, and yet another exchange of letters between them, what have we achieved? This year, 7,800 more young people will get an apprenticeship with funding to support them through a three-year programme and we have a written commitment that more apprenticeships will be created next year. We have also achieved apprenticeship places that are tied into the accelerated capital expenditure programme, and an apprentice guarantee scheme—not simply an assurance. Also, Iain Gray has persuaded Mr Salmond to hold an apprenticeship summit with key employers from all around Scotland to explore how modern apprenticeship places can be created and maintained. Furthermore, we have achieved £50 million for the PACE programme, £60 million for the town centre fund, and a promise from the Government that it will tell NHS boards at the beginning of the year how much they will get from centrally held funds. Those achievements add up to a package of measures that we on this side of the chamber can now support.

Unlike the Tories, the public are not interested in who got most from the budget process. What counts for the public is what is delivered. Does securing what we have achieved mean that we will support all that the SNP is doing in government? No, it does not. Questions remain about the Scottish Futures Trust, the Government's local income tax proposals and the local government settlement. We will continue to put questions on those matters. For the Labour Party, unlike other parties, the process was never about the price of our votes but about doing the right thing in terms of creating jobs, providing training places and giving hope to those who face redundancy. Our package does that. The SNP has accepted it. We will therefore vote for the budget at decision time.

16:47

John Swinney: Many harsh things have been said during the debate, by members on all sides of the chamber—

Mike Rumbles: Not by you.

John Swinney: Mr Rumbles is absolutely right. I will resist the temptation—the almost all-consuming temptation—to do so.

In the previous stage 3 debate, Mr McArthur accused me of being a sooth-saying rodent. I understand that he used the same terminology in today's debate, but that he has now withdrawn the accusation. I am grateful for the increase in the quality of parliamentary terminology.

David McLetchie spoke of the wilderness years. I became quite worried for him, given the dangerous ground on which he stood when saying that. Some of us have long memories. We remember the real wilderness years that brought some of us into politics to lead our country in the direction of paradise, with a Scottish Parliament and a journey to independence. That said, I listened with interest to David McLetchie's amusing journey through the wilderness years.

There were a couple of contradictions in Margaret Curran's remarks. She seems to think that there is something absolutely and atrociously despicable in the Government coming to an agreement with the Conservatives. Mr Whitton knows full well that his colleagues sit in a coalition with the Conservatives on East Dunbartonshire Council. As Mr FitzPatrick pointed out, the Labour Party works with the Conservatives on a co-operative basis on Dundee City Council.

Margaret Curran: I was trying to make the point that you should be explicit about the coalition that you have with the Government. [*Laughter.*] I beg your pardon: I meant the coalition that you have with the Tories. You should make it clear—Mr McLetchie rightly gave you praise for this—that you are implementing a Conservative approach to Government.

The Deputy Presiding Officer: I remind members to make their remarks through the chair.

Margaret Curran: My apologies.

John Swinney: Margaret Curran is on common ground with the Conservatives about the town centre regeneration fund—although I concede the fact that there is a debate about the chronology. It is being suggested that it is somehow despicable for the Government to work with the Conservatives on certain issues—we are not working with them on all issues; they frequently vote against us—yet it is also being suggested that it is all right for the Labour Party to do the same thing. That is inconsistent.

David Whitton: On a point of information, it is actually a Labour-led coalition in East Dunbartonshire.

John Swinney: That, of course, makes all the difference.

The other contradiction in Margaret Curran's speech centred on a vigorous attack—she always does this, and with tremendous passion—on our having presided over some cuts in taxation. I know that it is hard to believe, but the United Kingdom Labour Government has also, on occasion, cut taxation at different stages. It is obviously okay for it to do so. Of course, the Labour Government has bumped up taxation, too, and it will be bumping it

up again in the future. We must be consistent about the lines of argument that we advance.

Angela Constance made a fantastic contribution to the debate, on the emergence of some of the challenges that the budget process has posed for the Parliament this year. We are going through a learning process as a Parliament that is operating, for the first time, without an in-built majority. Last week, in a pretty painful fashion, we found out the consequences of a budget not succeeding. I readily concede that the public services of Scotland did not emerge with absolutely no money last Thursday morning. However, without the speed of engagement between different political parties that has taken place over the past seven days, we could have stumbled towards a situation where our public services were not properly supported at a time when support is required. Angela Constance made the point that it is important that the debate is driven by the desire to secure an outcome that is right for our people. That shows the correct approach, which is driven by common sense.

Johann Lamont: The Labour side was frustrated because there was not a sufficient speed of engagement before last Wednesday. In fact, Labour negotiated seriously. Does the minister agree that it ill behoves the Parliament to impugn the motives of those who sought to improve the budget, in the way that Labour did?

John Swinney: I will come on to that point. It is not particularly constructive for us to go over old ground. Labour front-bench members may contradict my remarks in public if they wish, but the Government engaged genuinely with the Labour Party in discussion on the budget process—better than we did last year—in advance of the Budget (Scotland) (No 2) Bill being debated in the Parliament last week. There was more and better engagement this year compared with the 2007-08 process. Personally, I felt that we were very close to getting some form of agreement. The areas of division were not that great. In the end, we were not able to bring about an agreement, but we have been able to do so in time for today, which I warmly welcome. In his opening speech, Mr Kerr made it clear that the engagement with the Government had been successful, and he welcomed that.

When we spoke initially about the budget process, the Liberal Democrats advanced their principled position that we should reduce taxation. The Government could not accept that point; we did not think that it was the right thing to do; we thought that it would not have commanded support in the parliamentary chamber. Following the different circumstances in which we found ourselves last Wednesday, we have had a constructive and meaningful discussion. I make

particular reference to the point in the Liberal Democrats' propositions that relates to what is possibly the greatest challenge for the Parliament: public expenditure. We have set out a working-group approach, to advance the arguments around the challenge of the public spending profile in future. I missed the theatrical parts of Frank McAveety's speech—those parts are always entertaining—but I listened to the substantive final 20 seconds of his speech, in which I think that he was reminiscing about the previous eight years, when there was a substantial above-inflation increase in public expenditure. That will not be the case during the next six to 10 years in the Scottish Parliament, so the Liberal Democrats' suggestion that we examine and review our approach to public expenditure is timely and necessary. I look forward to all parties taking part in that process. Whether there will be time on the agenda for Margo MacDonald to participate is an open question, but I am sure that we will manage to squeeze her into the discussions—how could we exclude her?

The Government has tried to work to secure agreement with the Scottish Green Party. Patrick Harvie was right to say that he came to us in October with proposals for a home insulation scheme. We have had a significant amount of engagement on the matter and the Green party has been given access to Government officials, to try to advance the matter in detail. It is unfortunate that we were unable to secure a final agreement, as we found last week.

I appreciate that Mr Harvie might well be disappointed with the quantum of resources that have been allocated to the home insulation scheme. I simply make two points to him and to Mr Harper. First, the Government has tried to introduce the largest home insulation scheme that has been announced and implemented in Scotland. Secondly, to ensure that we brought other political parties to a point of agreement, we have had to identify resources that could be deployed to support commitments on apprenticeships that the Labour Party wanted. As finance secretary, I cannot spend the money twice; I can spend it only once.

Patrick Harvie: I entirely understand that the cabinet secretary cannot spend money in the Scottish budget twice. We have been asking him to spend money differently. We have stressed time and again that a home insulation programme will be successful at driving up uptake if we remove the barrier of cost. Why does he continue to propose a means-tested approach, which has failed, failed and failed again?

John Swinney: For the simple reason that I cannot justify paying for people like me to get home insulation for nothing when people who are

more deserving than I am require it. In the Government programme we are trying to ensure that all aspects of government recognise the contribution that they can make to tackling climate change, through programmes such as the climate challenge fund or through the work of Scottish Enterprise and universities to encourage more innovation and technology developments.

The Government listened carefully to the Parliament during the past couple of weeks. I think that we have understood the importance of bringing people to a point of consensus that can support a budget proposition. I give Parliament the commitment that as we engage in future budget processes, that will be the tone and style of the Government's engagement. We will seek to bring people to a point of agreement so that we can put in place a budget that reflects the needs of the people of Scotland and the aspirations of our country at a difficult time. That will be the thinking process that the Government puts into the formulation of choices on the budget and on the difficult issues that we confront. As a Parliament, we must demonstrate to the people of our country that we have listened to their concern that the financial arrangements to support our public services and deliver for the economy must be in place. That is precisely what the Government's budget is designed to ensure.

The Presiding Officer (Alex Fergusson): That concludes the debate.

Decision Time

17:00

The Presiding Officer (Alex Fergusson):

There are three questions to be put as a result of today's business.

The first question is, that motion S3M-3380, in the name of John Swinney, that the Budget (Scotland) (No 3) Bill be passed, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR

Adam, Brian (Aberdeen North) (SNP)
 Ahmad, Bashir (Glasgow) (SNP)
 Aitken, Bill (Glasgow) (Con)
 Alexander, Ms Wendy (Paisley North) (Lab)
 Allan, Alasdair (Western Isles) (SNP)
 Baillie, Jackie (Dumbarton) (Lab)
 Baker, Claire (Mid Scotland and Fife) (Lab)
 Baker, Richard (North East Scotland) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Brocklebank, Ted (Mid Scotland and Fife) (Con)
 Brown, Gavin (Lothians) (Con)
 Brown, Keith (Ochil) (SNP)
 Brown, Robert (Glasgow) (LD)
 Brownlee, Derek (South of Scotland) (Con)
 Butler, Bill (Glasgow Anniesland) (Lab)
 Campbell, Aileen (South of Scotland) (SNP)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Coffey, Willie (Kilmarnock and Loudoun) (SNP)
 Constance, Angela (Livingston) (SNP)
 Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
 Crawford, Bruce (Stirling) (SNP)
 Cunningham, Roseanna (Perth) (SNP)
 Curran, Margaret (Glasgow Baillieston) (Lab)
 Don, Nigel (North East Scotland) (SNP)
 Doris, Bob (Glasgow) (SNP)
 Eadie, Helen (Dunfermline East) (Lab)
 Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Ferguson, Patricia (Glasgow Maryhill) (Lab)
 Finnie, Ross (West of Scotland) (LD)
 FitzPatrick, Joe (Dundee West) (SNP)
 Foulkes, George (Lothians) (Lab)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Gibson, Kenneth (Cunninghame North) (SNP)
 Gibson, Rob (Highlands and Islands) (SNP)
 Glen, Marlyn (North East Scotland) (Lab)
 Godman, Trish (West Renfrewshire) (Lab)
 Goldie, Annabel (West of Scotland) (Con)
 Gordon, Charlie (Glasgow Cathcart) (Lab)
 Grahame, Christine (South of Scotland) (SNP)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (East Lothian) (Lab)
 Harvie, Christopher (Mid Scotland and Fife) (SNP)
 Henry, Hugh (Paisley South) (Lab)
 Hepburn, Jamie (Central Scotland) (SNP)
 Hume, Jim (South of Scotland) (LD)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Adam (South of Scotland) (SNP)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Johnstone, Alex (North East Scotland) (Con)

Kelly, James (Glasgow Rutherglen) (Lab)
 Kerr, Andy (East Kilbride) (Lab)
 Kidd, Bill (Glasgow) (SNP)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Lamont, John (Roxburgh and Berwickshire) (Con)
 Livingstone, Marilyn (Kirkcaldy) (Lab)
 Lochhead, Richard (Moray) (SNP)
 MacAskill, Kenny (Edinburgh East and Musselburgh) (SNP)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 MacDonald, Margo (Lothians) (Ind)
 Macintosh, Ken (Eastwood) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 Marwick, Tricia (Central Fife) (SNP)
 Mather, Jim (Argyll and Bute) (SNP)
 Matheson, Michael (Falkirk West) (SNP)
 Maxwell, Stewart (West of Scotland) (SNP)
 McArthur, Liam (Orkney) (LD)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Tom (Hamilton South) (Lab)
 McConnell, Jack (Motherwell and Wishaw) (Lab)
 McGrigor, Jamie (Highlands and Islands) (Con)
 McInnes, Alison (North East Scotland) (LD)
 McKee, Ian (Lothians) (SNP)
 McKelvie, Christina (Central Scotland) (SNP)
 McLetchie, David (Edinburgh Pentlands) (Con)
 McMahon, Michael (Hamilton North and Bellshill) (Lab)
 McMillan, Stuart (West of Scotland) (SNP)
 McNeil, Duncan (Greenock and Inverclyde) (Lab)
 McNeill, Pauline (Glasgow Kelvin) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Milne, Nanette (North East Scotland) (Con)
 Mitchell, Margaret (Central Scotland) (Con)
 Morgan, Alasdair (South of Scotland) (SNP)
 Mulligan, Mary (Linlithgow) (Lab)
 Munro, John Farquhar (Ross, Skye and Inverness West) (LD)
 Murray, Elaine (Dumfries) (Lab)
 Neil, Alex (Central Scotland) (SNP)
 O'Donnell, Hugh (Central Scotland) (LD)
 Oldfather, Irene (Cunninghame South) (Lab)
 Park, John (Mid Scotland and Fife) (Lab)
 Paterson, Gil (West of Scotland) (SNP)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Pringle, Mike (Edinburgh South) (LD)
 Purvis, Jeremy (Tweeddale, Ettrick and Lauderdale) (LD)
 Robison, Shona (Dundee East) (SNP)
 Rumbles, Mike (West Aberdeenshire and Kincardine) (LD)
 Russell, Michael (South of Scotland) (SNP)
 Salmond, Alex (Gordon) (SNP)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, John (Ayr) (Con)
 Scott, Tavish (Shetland) (LD)
 Simpson, Dr Richard (Mid Scotland and Fife) (Lab)
 Smith, Elizabeth (Mid Scotland and Fife) (Con)
 Smith, Iain (North East Fife) (LD)
 Smith, Margaret (Edinburgh West) (LD)
 Somerville, Shirley-Anne (Lothians) (SNP)
 Stephen, Nicol (Aberdeen South) (LD)
 Stevenson, Stewart (Banff and Buchan) (SNP)
 Stewart, David (Highlands and Islands) (Lab)
 Stone, Jamie (Caithness, Sutherland and Easter Ross) (LD)
 Sturgeon, Nicola (Glasgow Govan) (SNP)
 Swinney, John (North Tayside) (SNP)
 Thompson, Dave (Highlands and Islands) (SNP)
 Tolson, Jim (Dunfermline West) (LD)
 Watt, Maureen (North East Scotland) (SNP)
 Welsh, Andrew (Angus) (SNP)
 White, Sandra (Glasgow) (SNP)
 Whitefield, Karen (Airdrie and Shotts) (Lab)
 Whitton, David (Strathkelvin and Bearsden) (Lab)

Wilson, Bill (West of Scotland) (SNP)
 Wilson, John (Central Scotland) (SNP)

AGAINST

Harper, Robin (Lothians) (Green)
 Harvie, Patrick (Glasgow) (Green)

The Presiding Officer: The result of the division is: For 123, Against 2, Abstentions 0.

Motion agreed to,

That the Parliament agrees that the Budget (Scotland) (No.3) Bill be passed.