



The Scottish Parliament
Pàrlamaid na h-Alba

Passage of the
**Budget (Scotland) (No.2)
Bill 2013**

SPPB 184



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Pàrlamaid na h-Alba

Passage of the
Budget (Scotland) (No. 2) Bill 2013

SP Bill 22 (Session 4), subsequently 2013 asp 4

SPPB 184

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Contents

	Page
Foreword	
<i>Introduction of the Bill</i>	
Bill (As Introduced) (SP Bill 22)	1
Accompanying Documents (SP Bill 22-AD)	15
Delegated Powers Memorandum (SP Bill 22-DPM)	16
<i>Before Stage 1</i>	
Report on the Budget (Scotland) Bill, Subordinate Legislation Committee	19
<i>Stage 1</i>	
Extract from the Minutes of the Parliament, 22 January 2013	24
Official Report, Meeting of the Parliament, 22 January 2013	25
<i>Stage 2</i>	
Extract from the Minutes, Finance Committee, 30 January 2013	57
Official Report, Finance Committee, 30 January 2013	58
<i>Stage 3</i>	
Extract from the Minutes of the Parliament, 6 February 2013	61
Official Report, Meeting of the Parliament, 6 February 2013	62

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.

This volume includes web-links 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 was the second Budget Bill introduced in the fourth session of the Parliament.

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, the Equal Opportunities Committee and the European and External Relations Committee 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;
- the draft budget phase, during which subject committees, the Equal Opportunities Committee and the European and External Relations Committee 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 Bill to which this volume relates. The debate on the Finance Committee's report on the draft budget phase (9th Report, 2012 (Session 4) (SP Paper 231)¹) took place on 20 December 2012².

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.

In this case, the Bill was not amended at Stage 2 or Stage 3 and hence no "As Amended at Stage 2" or "As Passed" versions of the Bill were produced.

¹ See http://www.scottish.parliament.uk/S4_FinanceCommittee/report_2013.pdf For the Scottish Government's response to the Report, see: http://www.scottish.parliament.uk/S4_FinanceCommittee/SG_2013.pdf and http://www.scottish.parliament.uk/S4_FinanceCommittee/20130128_CSFESG_to_Convener_re_SFT_response_correction.pdf

² For the Official Report and Minute of Proceedings see: <http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=8303&mode=pdf> and http://www.scottish.parliament.uk/S4_BusinessTeam/pm-v2n56-s4.pdf

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 Bill to which this volume relates see: <http://www.scotland.gov.uk/Resource/0041/00412616.pdf>

Budget (Scotland) (No.2) Bill

[AS INTRODUCED]

CONTENTS

Section

PART 1

FINANCIAL YEAR 2013/14

Use of resources etc.

- 1 The Scottish Administration
- 2 Direct-funded bodies
- 3 Borrowing by statutory bodies

The Scottish Consolidated Fund

- 4 Overall cash authorisations
- 5 Contingency payments

PART 2

FINANCIAL YEAR 2014/15

- 6 Emergency arrangements

PART 3

MISCELLANEOUS

Amendment and repeal

- 7 Budget revision orders
- 8 Repeal of spent provisions

Final provisions

- 9 Interpretation
- 10 Commencement
- 11 Short title

Schedule 1—The Scottish Administration
Schedule 2—Direct-funded bodies
Schedule 3—Borrowing by statutory bodies

ACCOMPANYING DOCUMENTS
Accompanying Documents are printed separately as SP Bill 22-AD.

Budget (Scotland) (No.2) Bill

[AS INTRODUCED]

An Act of the Scottish Parliament to make provision, for financial year 2013/14, for the use of resources by the Scottish Administration and certain bodies whose expenditure is payable out of the Scottish Consolidated Fund, for the maximum amounts of borrowing by certain statutory bodies and for authorising the payment of sums out of the Fund; to make provision, for financial year 2014/15, for authorising the payment of sums out of the Fund on a temporary basis; and for connected purposes.

PART 1

FINANCIAL YEAR 2013/14

Use of resources etc.

1 The Scottish Administration

- (1) The Scottish Administration may use may use resources in financial year 2013/14 for the purposes specified in column 1 of schedule 1—
 - (a) in the case of resources other than accruing resources, up to the amounts specified in the corresponding entries in column 2 of that schedule,
 - (b) in the case of accruing resources, up to the amounts specified in the corresponding entries in column 3 of that schedule.
- (2) Despite paragraphs (a) and (b) of subsection (1), the resources which may be used for a purpose specified in column 1 may exceed the amount specified in the corresponding entry in column 2 or (as the case may be) column 3 if—
 - (a) in the case of resources other than accruing resources, the first condition is met,
 - (b) in the case of accruing resources, the second condition is met.
- (3) The first condition is that the total resources (other than accruing resources) used in financial year 2013/14 for all purposes specified in column 1 does not exceed the total of the amounts specified in column 2.
- (4) The second condition is that the total accruing resources used in financial year 2013/14 for all purposes specified in column 1 does not exceed the total of the amounts specified in column 3.

2 Direct-funded bodies

- (1) A direct-funded body may use resources in financial year 2013/14 for the purposes specified in column 1 of schedule 2 in relation to the body.
- (2) Resources other than accruing resources may be used for those purposes up to the amounts specified in the corresponding entries in column 2 of that schedule.
- (3) Accruing resources may be used for those purposes up to the amounts specified in the corresponding entries in column 3 of that schedule.

3 Borrowing by statutory bodies

In schedule 3, the amounts set out in column 2 are the amounts specified for financial year 2013/14 for the purposes of the enactments listed in the corresponding entries in column 1 (which make provision as to the net borrowing of the statutory bodies mentioned in that column).

The Scottish Consolidated Fund

4 Overall cash authorisations

- (1) For the purposes of section 4(2) of the PFA Act 2000, the overall cash authorisations for financial year 2013/14 are as follows.
- (2) In relation to the Scottish Administration, £32,048,441,000.
- (3) In relation to the direct-funded bodies—
 - (a) the Forestry Commissioners, £66,846,000,
 - (b) the Food Standards Agency, £10,800,000,
 - (c) the Scottish Parliamentary Corporate Body, £75,148,000,
 - (d) Audit Scotland, £6,195,000.

5 Contingency payments

- (1) This section applies where, in financial year 2013/14, it is proposed to pay out of the Scottish Consolidated Fund under section 65(1)(c) of the Scotland Act 1998—
 - (a) for or in connection with expenditure of the Scottish Administration, a sum which does not fall within the amount specified in section 4(2) in relation to it, or
 - (b) for or in connection with expenditure of a direct-funded body, a sum which does not fall within the amount specified in section 4(3) in relation to the 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 of the sum 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.

- (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.
- 5 (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.

PART 2

FINANCIAL YEAR 2014/15

10 6 Emergency arrangements

- (1) This section applies if, at the beginning of financial year 2014/15, there is no overall cash authorisation for that year for the purposes of section 4(2) of the PFA Act 2000.
- (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
15 of—
 - (a) the Scottish Administration,
 - (b) the direct-funded bodies,of an amount determined under subsection (3).
- (3) That amount is whichever is the greater of—
20
 - (a) one-twelfth of the amount specified in section 4(2) or (3) in relation to the Scottish Administration or (as the case may be) the direct-funded body in question,
 - (b) the amount paid out of the Scottish Consolidated Fund under section 65(1)(c) of the Scotland Act 1998 in the corresponding calendar month of financial year
25 2013/14 for or in connection with expenditure of the Scottish Administration or (as the case may be) that direct-funded body.
- (4) Section 4 of the PFA Act 2000 has effect accordingly.
- (5) This section is subject to any provision made by a Budget Act for financial year 2014/15.

30 PART 3

MISCELLANEOUS

Amendment and repeal

7 Budget revision orders

- (1) The Scottish Ministers may by order amend—
35
 - (a) the amounts specified in section 4(2) and (3),
 - (b) schedules 1 to 3.
- (2) An order under this section is subject to the affirmative procedure.

8 Repeal of spent provisions

Part 2 (financial year 2013/14) of the Budget (Scotland) Act 2012 is repealed.

*Final provisions***9 Interpretation**

- 5 (1) In this Act, the “PFA Act 2000” means the Public Finance and Accountability (Scotland) Act 2000.
- (2) References in this Act to accruing resources in relation to the Scottish Administration or a direct-funded body are to such resources accruing to the Administration or (as the case may be) that body in financial year 2013/14.
- 10 (3) References in this Act to the direct-funded bodies are to the bodies listed in section 4(3) (and references to a direct-funded body are to any of those bodies).
- (4) Except where otherwise expressly provided, expressions used in this Act and in the PFA Act 2000 have the same meanings in this Act as they have in that Act.

10 Commencement

15 This Act comes into force on the day after Royal Assent.

11 Short title

The short title of this Act is the Budget (Scotland) Act 2013.

SCHEDULE 1
(introduced by section 1)

THE SCOTTISH ADMINISTRATION

<i>Purposes</i>	<i>Amount of resources (other than accruing resources) £</i>	<i>Amount of accruing resources £</i>
<p>1. Through their Culture and External Affairs portfolio, for use by the Scottish Ministers on: support for the arts, culture and creativity in Scotland; cultural organisations; the creative industries; Historic Scotland; central government grants to non-departmental public bodies, local authorities and other bodies and organisations; international relations; development assistance.</p>	<p>217,480,000</p>	<p>35,000,000</p>
<p>2. Through their Finance, Employment and Sustainable Growth portfolio, for use by the Scottish Ministers on: the 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; funding of strategic contracts to increase the resilience and capacity of third sector organisations; planning; architecture; building standards; tourism; grant in aid for Scottish Enterprise and Highlands and Islands Enterprise; industry and technology grants; energy-related activities; central government grants to local authorities; sundry enterprise-related activities; the Accountant in Bankruptcy.</p>	<p>490,881,000</p>	<p>186,000,000</p>
<p>3. Through their Health and Wellbeing portfolio, for use by the Scottish Ministers on: hospital and community health services; family health services; community care; social care; welfare food (Healthy Start); payments to the Skipton Fund; other health services; sportscotland; delivery and legacy of the 2014 Commonwealth Games; expenditure relating to equality issues.</p>	<p>12,052,698,000</p>	<p>2,050,000,000</p>
<p>4. Through their Education and Lifelong Learning portfolio, for use by the Scottish Ministers on: schools; training and development of teachers; educational research, development and promotion; the Gaelic language; Bòrd na Gàidhlig; Gaelic Media Service (MG Alba); qualifications assessment and skills; funding of Education Scotland, Disclosure Scotland and Additional Support Needs Tribunals for Scotland; childcare, including care for vulnerable children; youth work, including youth justice and associated social work services; central government grants to local</p>	<p>2,908,968,000</p>	<p>179,000,000</p>

<i>Purposes</i>	<i>Amount of resources (other than accruing resources) £</i>	<i>Amount of accruing resources £</i>
<p>authorities; grant in aid for the Scottish Further and Higher Education Funding Council, Skills Development Scotland, Scottish Qualifications Authority, Children's Hearings 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 for young people to develop skills in connection with training and work; activities associated with the Chief Scientific Adviser for Scotland; international and other educational services; the provision of Education Maintenance Allowances and funding for international college and university activities; sundry lifelong learning activities.</p>		
<p>5. Through their Justice portfolio, for use by the Scottish Ministers on: legal aid, including the running costs of the Scottish Legal Aid Board; criminal injuries compensation (including administration); certain services relating to crime, including the Parole Board for Scotland; the Scottish Prison Service; the Scottish Criminal Cases Review Commission; the Risk Management Authority; the Scottish Police Authority and Police Investigations and Review Commissioners; additional police services; the Scottish Fire and Rescue Service; the payment of police and fire pensions; Scottish Resilience; central government grants to local authorities for Criminal Justice Social Work; measures in relation to community safety and antisocial behaviour; measures in relation to drug abuse and treatment; the Scottish Tribunal Service; miscellaneous services relating to the administration of justice; residential accommodation for children; community justice services; court services, including judicial pensions; certain legal services; costs and fees in connection with legal proceedings.</p>	2,524,686,000	39,700,000
<p>6. Through their Rural Affairs and the Environment portfolio, for use by the Scottish Ministers on: market support, including grants in relation to agriculture; support for agriculture in special areas, including grants for rural development; rural development generally; agri-environmental and farm woodland measures; compensation to sheep producers; animal health; agricultural education; advisory, research and development services; botanical and scientific services; assistance to production, marketing and processing; administration, land management and other agricultural services; core marine functions involving scientific research, compliance, policy and management of</p>	467,155,000	602,100,000

<i>Purposes</i>	<i>Amount of resources (other than accruing resources)</i> £	<i>Amount of accruing resources</i> £
Scotland's seas, representing Scotland's interests in relation to common fisheries policy, international fisheries negotiation and aquaculture and freshwater policy, administration of all marine consents required for depositing substances at sea, coastal protection and offshore renewables, grants and other assistance to the Scottish fisheries sector; natural heritage; environment protection; rural affairs; support for crofting communities, including the crofting environment; other environmental expenditure; flood prevention; coastal protection; air quality monitoring; climate change activities, including the Land Managers' Renewables Fund; water grants, including funding for the Drinking Water Quality Regulator for Scotland; digital and broadband technology.		
7. Through their Infrastructure, Investment and Cities portfolio, for use by the Scottish Ministers on: 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 and grants relating to vessel construction, grants for pier and other infrastructure and funding for a pilot of a road equivalent tariff; support for Highlands and Islands Airports Limited; support for air 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 Scottish Canals; funding to promote sustainable and active travel; contributing to the running costs of Regional Transport Partnerships and 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; water grants, including to the Water Industry Commission for Scotland; housing subsidies and guarantees; Energy Assistance Package; Home Insulation Schemes; repayment of debt and any associated costs; other expenditure, contributions and grants relating to housing; activities relating to homelessness; research and publicity and other portfolio services; grants to registered social landlords; loans	2,540,731,000	230,000,000

<div style="text-align: right; padding-right: 10px;">5</div> <i>Purposes</i>	<i>Amount of resources (other than accruing resources)</i> £	<i>Amount of accruing resources</i> £
<div style="text-align: right; padding-right: 10px;">10</div> to individuals; community engagement; regeneration programmes; grants for Vacant and Derelict Land Fund; telecommunications infrastructure; European Structural Fund grants to the Enterprise Networks, local authorities, further and higher education institutions, third sector bodies and other eligible bodies and organisations; costs of delivery and evaluation of European Structural Fund; expenditure on corporate and central services; expenditure in relation to the running costs of Her Majesty's Chief Inspector of Prosecution in Scotland; expenditure on Protocol; funding of payments for welfare purposes; provision for devolved taxes specified in Part 4A of the Scotland Act 1998, including collection and management.		
<div style="text-align: right; padding-right: 10px;">20</div> 8. Through their Local Government portfolio, for use by the Scottish Ministers on: revenue support grants and 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.	10,073,649,000	Nil
<div style="text-align: right; padding-right: 10px;">25</div> 9. For use by the Scottish Ministers on: pensions, allowances, gratuities etc. payable in respect of the teachers' and national health service pension schemes.	2,827,611,000	1,675,000,000
<div style="text-align: right; padding-right: 10px;">30</div> 10. For use by the Scottish Ministers on: operational and administrative costs; costs of providing services to the Scottish Parliament; costs associated with the functions of the Queen's Printer for Scotland.	206,940,000	18,100,000
<div style="text-align: right; padding-right: 10px;">35</div> 11. Through the National Records of Scotland, for use by the Scottish Ministers, the Registrar General of Births, Deaths and Marriages for Scotland and the Keeper of the Records of Scotland on: operational and administrative costs (including costs associated with running the ScotlandsPeople Centre).	20,840,000	8,300,000
<div style="text-align: right; padding-right: 10px;">40</div> 12. For use by the Lord Advocate, through the Crown Office and Procurator Fiscal Service (and the office of Queen's and Lord Treasurer's Remembrancer), on: operational and administrative costs; fees paid to temporary procurators fiscal; witness expenses; victim expenses where applicable; other costs associated with Crown prosecutions and cases brought under the Proceeds of Crime Act 2002;	108,100,000	2,000,000

<i>Purposes</i>	<i>Amount of resources (other than accruing resources) £</i>	<i>Amount of accruing resources £</i>
special payments made in relation to intestate estates which fall to the Crown as ultimate heir.		
13. For use by the Scottish Court Service on: operational and administrative costs.	80,166,000	35,000,000
14. For use by the Office of the Scottish Charity Regulator on: operational and administrative costs.	3,050,000	Nil
15. For use by the Scottish Housing Regulator on: operational and administrative costs.	3,800,000	Nil
Total of amounts of resources:	34,526,755,000	5,060,200,000

SCHEDULE 2
(introduced by section 2)

DIRECT-FUNDED BODIES

<i>Purpose</i>	<i>Amount of resources other than accruing resources £</i>	<i>Amount of accruing resources £</i>
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 the forestry sector and supporting it through grant in aid; managing the national forest estate in Scotland; administrative costs.	66,946,000	21,100,000
2. For use by the Food Standards Agency in or as regards Scotland on: operational and administrative costs, including research, monitoring and surveillance and public information and awareness relating to food safety and standards.	10,900,000	Nil
3. For use by the Scottish Parliamentary Corporate Body on: operational and administrative costs of the Scottish Parliament; payments in respect of the Commission for Ethical Standards in Public Life in Scotland (incorporating the Public Standards and Public Appointments Commissioners for Scotland), the Standards Commission for Scotland, the Scottish Public Services Ombudsman, the Scottish Information Commissioner, the Scottish Commission for Human Rights and the	86,912,000	1,000,000

<i>Purpose</i>	<i>Amount of resources other than accruing resources £</i>	<i>Amount of accruing resources £</i>
<p>Commissioner for Children and Young People in Scotland; any other payments relating to the Scottish Parliament.</p> <p>4. For use by Audit Scotland on: the exercise of its functions, including assistance and support to the Auditor General for Scotland and the Accounts Commission for Scotland; other audit work for public bodies; payment of pension to the former Auditor General for Scotland; payment of pensions to former Local Government Ombudsmen and their staff.</p>	6,592,000	22,000,000

SCHEDULE 3
(introduced by section 3)

BORROWING BY STATUTORY BODIES

<i>Enactment</i>	<i>Amount £</i>
1. Section 25 of the Enterprise and New Towns (Scotland) Act 1990 (Scottish Enterprise).	10,000,000
2. Section 26 of that Act (Highlands and Islands Enterprise).	1,000,000
3. Section 48 of the Environment Act 1995 (Scottish Environment Protection Agency).	Nil
4. Section 42 of the Water Industry (Scotland) Act 2002 (Scottish Water).	93,800,000
5. Section 14 of the Water Services etc. (Scotland) Act 2005 (Scottish Water Business Stream Holdings Limited).	Nil

Budget (Scotland) (No.2) Bill

[AS INTRODUCED]

An Act of the Scottish Parliament to make provision, for financial year 2013/14, for the use of resources by the Scottish Administration and certain bodies whose expenditure is payable out of the Scottish Consolidated Fund, for the maximum amounts of borrowing by certain statutory bodies and for authorising the payment of sums out of the Fund; to make provision, for financial year 2014/15, for authorising the payment of sums out of the Fund on a temporary basis; and for connected purposes.

Introduced by: John Swinney
On: 17 January 2013
Supported by: Alex Salmond, Joe FitzPatrick
Bill type: Budget Bill

These documents relate to the Budget (Scotland) (No.2) Bill (SP Bill 22) as introduced in the Scottish Parliament on 17 January 2013

BUDGET (SCOTLAND) (NO.2) BILL

ACCOMPANYING DOCUMENTS

SCOTTISH GOVERNMENT STATEMENT ON LEGISLATIVE COMPETENCE

1. On 17 January 2013, the Cabinet Secretary for Finance, Employment 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 17 January 2013, the Presiding Officer (Rt Hon Tricia Marwick 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, 2013-2014), 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.

Reasons 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: the Scottish Ministers
Power exercisable by: order made by Scottish statutory instrument
Parliamentary procedure: affirmative procedure

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 – colloquially known as the Summer, Autumn or 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
Pàrlamaid na h-Alba

Subordinate Legislation Committee

8th Report, 2013 (Session 4)

Budget (Scotland) (No.2) Bill

Published by the Scottish Parliament on 22 January 2013



The Scottish Parliament
Pàrlamaid na h-Alba

Subordinate Legislation Committee

Remit and membership

Remit:

The remit of the Subordinate Legislation Committee is to consider and report on—

- (a)
 - (i) subordinate legislation laid before the Parliament;
 - (ii) any Scottish Statutory Instrument not laid before the Parliament but classed as general according to its subject matter;

and, in particular, to determine whether the attention of 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;

(Standing Orders of the Scottish Parliament, Rule 6.11)

Membership:

Nigel Don (Convener)
Jim Eadie
Mike MacKenzie
Hanzala Malik
John Pentland
John Scott
Stewart Stevenson (Deputy Convener)

Committee Clerking Team:

Clerk to the Committee

Euan Donald

Assistant Clerk
Elizabeth White

Support Manager
Daren Pratt



The Scottish Parliament
Pàrlamaid na h-Alba

Subordinate Legislation Committee

8th Report, 2013 (Session 4)

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) Bill¹ at its meeting on 22 January 2013. 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 2013/14. 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 affirmative Order.

Delegated power – Section 7: Budget revision orders

3. Section 7 confers power on the Scottish Ministers to make adjustments to the overall cash authorisations set in section 4 of the Bill and to the schedules to the Bill by Order. Any such Order will be subject to affirmative procedure.

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

¹ Budget (Scotland) (No.2) Bill is available here:
<http://www.scottish.parliament.uk/parliamentarybusiness/Bills/58655.aspx>

EXTRACT FROM THE MINUTES OF PROCEEDINGS

Vol. 2, No. 63 Session 4

Meeting of the Parliament

Tuesday 22 January 2013

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

Budget (Scotland) (No. 2) Bill: The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney) moved S4M-05407—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 66, Against 41, Abstentions 12).

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

The Deputy Presiding Officer (John Scott):

The next item of business is a debate on motion S4M-05407, in the name of John Swinney, on the Budget (Scotland) (No 2) Bill. We are pretty tight for time, so if members can confine themselves to their speaking times that would be a great help. Cabinet secretary, you have 14 minutes.

14:19

The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney): Last week, I introduced the Budget (Scotland) (No 2) Bill for 2013-14, which will give effect to the draft budget that I set out in September last year.

I thank all those who have contributed so far to the budget process, including the Finance Committee, whose report I have responded to this week, and I thank the subject committees for their scrutiny of the Government's spending plans.

As in previous years, I am committed to working constructively with all parties to build agreement on the bill's contents and to secure its parliamentary passage. I am willing to consider alternative spending proposals, if other parties wish to advance them, provided that they are accompanied by proposals that identify the sources from which the necessary funding would be drawn. I turn now to the context of the bill and the principles that underpin the Government's proposals.

We continue to face acute challenges to public spending with another real-terms reduction to our total departmental expenditure limit budget for 2013-14. As Parliament is aware, Scotland faces significant challenges as a result of global economic conditions and the United Kingdom Government's approach to public finances. The settlement that we received in the UK spending review is the toughest since devolution. Over the four years between 2010-11 and 2014-15, taking into account the consequential cuts that were received in the December autumn statement, the Scottish Government's budget is being cut by around 8 per cent in real terms and, within that, our capital budget is being reduced by more than 25 per cent. The UK Government's approach to public spending does not effectively support the need to strengthen economic recovery.

In June 2010, when the Office for Budget Responsibility set out its initial forecast for the UK economy, it predicted growth of 2.8 per cent in 2012. Members can contrast that with the International Monetary Fund's recent forecast

contraction of 0.4 per cent in 2012, and the latest Organisation for Economic Co-operation and Development Fund forecast decline of 0.1 per cent, which is what the OBR is now forecasting for this year.

Despite the UK economy's having grown by 0.9 per cent in quarter 3, the economy is the same size as it was in the third quarter of 2011, and it has been forecast that output will have fallen again in quarter 4. That stagnation reinforces the case that the Scottish Government continues to make—that a different strategy is required from that of the UK Government—and it underpins the principles that have been applied to the bill.

The bill addresses a number of key challenges. First, it addresses the need to accelerate economic recovery by creating jobs and supporting people into employment, in particular our young people, and by supporting Scottish business, including by capitalising on new opportunities in the low-carbon economy.

Secondly, the bill addresses the need to maintain infrastructure investment as a key part of our economic strategy, and in the face of the severe cuts to our capital DEL settlement.

Thirdly, the bill advances an ambitious programme of public sector reform, which we will do together with our delivery partners, to ensure the sustainability and quality of our services and to make a decisive shift in favour of preventative expenditure. Finally, the bill delivers on our commitment to a social wage at a time of intense pressure on household budgets.

Those challenges are brought into sharp focus by the uncertainty in the global economic outlook. The Government's spending decisions will be guided by our purpose of increasing sustainable economic growth, and by our working to deliver our programme for government and the economic strategy.

Global economic conditions continue to impact on economic confidence, and business investment remains considerably below pre-recession levels, while household incomes remain under pressure. We are therefore focused on enhancing confidence in order to encourage private sector investment and growth, and on helping households where we can.

To address the challenges, the Government has set out in the 2013-14 draft budget a series of commitments that it has made to the people of Scotland and which will, within tight parameters, introduce additional measures to support economic recovery, beyond those that were set out in the spending review. They include investment of about £250 million in infrastructure, the green economy, skills and employability, in addition to the decisive measures that have

already been funded in the spending review. Those include our opportunities for all initiative, which offers a learning or training place to all 16 to 19-year-olds who are not already in work, education or training. We have also removed the barrier to higher education that was created by tuition fees, we are maintaining student numbers at our colleges and we are delivering a record level of modern apprenticeships.

James Kelly (Rutherglen) (Lab): Does the cabinet secretary accept that there are 80,000 fewer college places this year?

John Swinney: I accept that the Government has done two things. First, we have—as we said we would—maintained student numbers at colleges at 2011-12 levels. Secondly, we have ensured that the training and education opportunities that are available at our colleges are aligned to enabling young people to enter the labour market. A key aspect of the reform programme is to ensure that young people's college experience gives them the best possible opportunity to enter the labour market.

The budget bill builds on those and many other steps that the Government is taking, through funding of the Government's new employer recruitment initiative, which will support employment creation among small and medium-sized enterprises, and through the establishment of the energy skills academy, which will help us to maximise employment opportunities in the energy sector.

The spending review has made provision for delivery of the most generous package of business rates relief in any part of the United Kingdom. Yesterday, the Minister for Local Government and Planning announced that from 1 April additional business rates relief of up to 100 per cent will be available on empty new-build properties for up to 18 months, in order to encourage speculative development and investment. The Government will continue to work to deliver interventions that support business in Scotland.

Willie Rennie (Mid Scotland and Fife) (LD): The finance secretary told the Finance Committee that his mid-year estimate for business rates income is about £90 million higher than he had budgeted for. Can he give Parliament an update on the figure?

John Swinney: I have no additional information to share with Parliament on that matter. I remain confident that the assessments of non-domestic rates that I made and applied to the budget bill are sustainable, given the current performance on non-domestic rates. Prudent assumptions have been made about the losses that are likely as a consequence of the significant number of appeals

that remain to be resolved, following the revaluation that was undertaken and applied in 2010.

The bill's second major theme is support for capital investment, which the Scottish Government thinks is crucial for economic recovery. The Office for Budget Responsibility estimates that current spending has a fiscal multiplier of 0.6 and that capital spending has a multiplier of 1. That means that capital spending will provide a greater short-term boost to the economy. On the basis of the OBR multipliers, £250 million in current spending increases gross domestic product by £150 million, whereas a corresponding increase in capital spending increases GDP by £250 million. Capital investment is therefore central to our plans. We are supporting our capital programme by taking forward the £2.5 billion non-profit-distributing pipeline of infrastructure projects, by using innovative funding mechanisms to lever in additional resources and by switching more than £700 million from resource budgets to support capital investment over the spending review period.

Gavin Brown (Lothian) (Con): Scottish Enterprise will transfer £99 million from resource to capital, instead of £200 million. Is that bad news for the economy, given the figures that the cabinet secretary has just provided?

John Swinney: I set out to Parliament that we would transfer approximately £200 million from resource to capital in 2012-13 and £240 million in total in 2013-14. The Government will deliver on those plans, so there is no change to the total level of resource-to-capital transfer that the Government will undertake in order to support economic growth and recovery.

Ken Macintosh (Eastwood) (Lab): Why has the cabinet secretary's NPD programme, through the Scottish Futures Trust, been cut by more than £300 million in successive years?

John Swinney: That is complete nonsense. I have just told Parliament that there is investment of £2.5 billion in the non-profit-distributing pipeline of infrastructure projects. It would be nice if Mr Macintosh would listen to what I said rather than read out pre-prepared nonsense that is factually incorrect.

The budget bill gives effect to the Government's announcement in December about the allocation of about £165 million of additional capital funding to a range of shovel-ready projects. One of our highest priorities is action on housing, which is why the Government allocated a further £50 million to the housing budget in December 2012. That is our fourth tranche of additional funding for housing since the spending review in 2011; the Government has allocated nearly £200 million

extra to housing through decisions that were taken during 2012, which demonstrates that where the Government has an opportunity to invest it does exactly that.

Gavin Brown: Will the cabinet secretary give way?

John Swinney: Mr Brown will forgive me; I need to cover some more ground.

The investment will not only increase the supply of social and affordable housing, but will support our construction sector, help to create jobs and stimulate economic growth.

Public service reform is at the heart of the Government's approach to the public finances and the economy. The reform programme is the third theme of the Government's budget bill. Our programme of reform is helping to ensure that public resources are used to best effect in meeting the needs of the people of Scotland.

We have made it clear that a decisive shift to preventative spending is essential. The focus on that aspect of the budget bill by communitymittees indicates the significance that is attached to that approach to policy by everyone in Parliament.

In partnership with local government, we have made more than £500 million available to the three change funds—to support early years and adult social care and to tackle reoffending—but we look forward to taking prevention beyond the change funds. To that end, single outcome agreements will, from this year, incorporate a long-term prevention plan that includes a commitment to increase the resource that is invested and reinvested over time in preventative interventions.

Alongside our investment in the economy and in public services, the Government also recognises the need to support households, businesses and individuals: that is the fourth element of the budget bill. Coupled to the measures that we are taking to protect the national health service budget, to freeze the council tax, and to pay a Scottish living wage, we have tried to establish in our budget a balance between the necessity of protecting household incomes and delivering the focus on the economy that lies at the heart of the Government's actions in every respect. Over the past three years, our policy of pay restraint has helped to support thousands of public sector jobs, while the living wage and our pay awards have protected the incomes of those who earn the least.

Our commitment to fairness is central to the Government's response to the UK Government's programme of welfare reform. We are addressing some of the impacts of those reforms in a number of the interventions that we are making—along with our local government partners—including funding of around £50 million to increase the

Scottish welfare fund and to plug the funding gap that the UK Government has created through its handling of the abolition of council tax benefit.

I confirm to Parliament that the bill gives effect to the transfer to Scottish local government of £328 million from the UK Government as a result of the arrangements that surround the changes to council tax benefit. The transfer relates to devolution of that area of responsibility to Scotland and does not increase the discretionary spending power that we have in 2013-14.

I also confirm to Parliament that we will implement the Deputy First Minister's announcement this week of further funding to help those who are facing the effects of UK benefits cuts. The Scottish Government has committed additional funding of more than £5 million over two years to our front-line advisory services and to other measures of support. Spending in 2013-14 will be reflected in an in-year budget revision.

The budget bill that is before Parliament therefore includes the core budget that is allocated to Scotland by the UK Government, the transfer of £328 million in relation to the abolition of council tax benefit, and the additional capital spending that was set out in the December announcement. It also makes use of the budget exchange mechanism that is available to the Scottish Government.

I believe that the budget provides a bold and ambitious programme of investment in our people and our infrastructure, in the context of the most challenging financial environment that Scotland has faced since devolution. The Government has taken decisions to prioritise employability and economic recovery, to build for the future and to ensure that our public services are supported in the years to come. That is the foundation of the Government's budget.

I look forward to the debate on those issues as part of the budget process, and I will give consideration to any constructive and positive suggestions that are made. I commend to Parliament a budget that I believe meets the needs of the people of Scotland.

I move,

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

14:33

Ken Macintosh (Eastwood) (Lab): It seems that each time I speak in a debate with Mr Swinney, I begin by acknowledging that there is—on the face of it, at least—more that unites us than divides us. In this case, we acknowledge that the cabinet secretary has had to deal with a difficult financial settlement from the coalition Government

and an unwelcome backdrop of international economic uncertainty.

Unfortunately, however, as much as we are united in disagreeing with the wrong-headed austerity economics approach of George Osborne, we are divided on Mr Swinney's mistaken assumption that there is nothing he can do, we are divided on the notion that this Parliament cannot make a difference and, fundamentally, we are divided on the Scottish National Party's claim that this is a budget for jobs and growth when all the evidence points to the contrary.

I remind members that, 12 months ago, the cabinet secretary pledged that his budget would

"accelerate economic recovery, support economic growth and improve public services in Scotland"—[*Official Report*, 8 February 2012; c 6149.],

but what did it really achieve? It brought a £66 million cut in the housing budget, which further crippled the Scottish construction industry, and a £52.5 million cut in the colleges budget, which led to fewer places for tens of thousands of students. The overall impact of that so-called budget for jobs is that 30,000 public sector jobs have gone, one in four young people is out of work and long-term unemployment is rising more quickly in Scotland than it is in any other part of the UK.

In the face of that evidence about his handiwork, this year offered the cabinet secretary at least the opportunity to revisit his thinking. But, no. Mr Swinney—sure enough—has again promised us a budget for jobs and growth when he is doing little more than tinkering around the edges of George Osborne's austerity plan. It is nothing more than a convenient soundbite. Even in this Parliament, where there is an in-built Government-supporting majority on every committee, the Finance Committee refused to endorse the suggestion that it was a budget for jobs and growth, which is exactly what we need.

Two weeks ago, Parliament united in recognising the scale of the problem of youth unemployment and the scarring effect that it has on young people. Just this weekend, another constituent came to one of my surgeries with a familiar story of frustration bordering on despair at his inability to secure a job. What frustrated me, alongside his practical difficulty in accessing college training or reskilling courses that would boost his confidence and employability, was his experience of a system that left him feeling even more vulnerable and, indeed, feeling that he is somehow to blame.

The cabinet secretary has pledged again and again that unemployment is his Government's priority, but it is not just that he has failed to make a difference; it is that his actions simply do not

match his words. Last year, despite his being forced into an 11th-hour U-turn on cuts to college funding, the colleges budget was still slashed by £52 million, with the result that there are 70,000 fewer people at college this year than there were three years ago. Quite frankly, that is a staggering indictment of Scottish National Party policy.

As the cabinet secretary so often reminds us, government is about choices. This year, the SNP's choice is to hammer colleges yet again. Let us be in no doubt—that choice has not been forced on Mr Swinney by Westminster; it is a decision that was made in Scotland. The result will be the denial of further education to thousands more Scots of all ages, and yet longer college waiting lists.

We believe that the £35 million that is needed to reverse the cuts to further education can be found from a combination of forecast underspend, efficiencies and savings on, for example, the 16 referendum work streams or profligate Government vanity projects such as the Ryder cup junket or the Scotland House fiasco during the Olympic games. [*Interruption.*]

If this were truly a budget for jobs and growth, the Government would be investing in colleges and our young people's future. Scottish Labour believes in investing in those young lives, and we call on the Government—even at this late stage—to reverse its cuts to colleges and to support our beleaguered further education sector. I give way to Mr Crawford.

Mr Crawford is clearly happy to make interventions from a sedentary position, but when he is challenged—[*Interruption.*] Oh. Mr Crawford wants to make an intervention.

Bruce Crawford (Stirling) (SNP): Ken Macintosh identified some areas in which Labour would make cuts, but in her cuts commission speech Johann Lamont said that there was a great reward for taking hard decisions. Which of the decisions that he has put forward are hard decisions? What he put forward was all just a flim-flam of nonsense.

Ken Macintosh: I identified areas in which the Scottish people would be delighted to see the Scottish Government make cuts, which included the trips to the Ryder cup, and spending on Scotland House in London.

Many of us will have joined Shelter just before the Christmas recess, when it asked us to support its campaign to find a home for the 5,500 children who are without that basic essential of life. Housing need is reaching crisis levels; across the country, almost 200,000 households are on council housing lists and almost 335,000 are on housing association lists. On top of that, 62 per cent of Scotland's social housing currently falls beneath the new Scottish housing quality

standard. That qualifies as a serious problem now, and is one that the Government has the powers to fix now.

Following the UK Government's autumn statement, Mr Swinney was given capital consequentials of £331 million over two years. Labour believes that that money should be allocated in its entirety to Scottish house building. The allocation of such a sum would not only address a pressing social need, but would help to get the construction industry working again. With sensible procurement policies, it would help to provide jobs and apprenticeships and would boost Scotland's small businesses.

We believe that that money could also help to fund an expanded retrofit programme, and to fund mid-range as well as affordable housing. Evidence on that was given to the Infrastructure and Capital Investment Committee and to the Finance Committee by Shelter, the Scottish Federation of Housing Associations, the Scottish Building Federation and the Union of Construction, Allied Trades and Technicians. The argument was convincing and persuasive, which is why not only we in the Labour Party supported it, but the Finance Committee reached a similar conclusion.

John Swinney: I am grateful to Mr Macintosh and would like him to give us a little more detail on his proposal to allocate all £331 million of the capital consequentials to housing. Will he confirm that that would mean taking allocated money away from the higher and further education sector, away from local government and away from essential improvements to other parts of our country's infrastructure?

Ken Macintosh: It would mean nothing of the sort. [*Laughter.*] If the cabinet secretary had listened—[*Interruption.*] The cabinet secretary might be in denial about the cuts that he has made to his NPD programme—[*Interruption.*]

The Deputy Presiding Officer: Order.

Ken Macintosh: Just to be quite clear for members, I say that these spending priorities are the ones that Mr Swinney outlined in the commitments that he made in December to additional spending that will use the autumn consequentials. I suggest that the Scottish Government's own Scottish Futures Trust's NPD programme, which clearly has the capacity to fund such capital programmes, should be used for that purpose. It has had that capacity, because a mere few months ago, it was cut by £300 million.

The cabinet secretary talks rather proudly about how he has revisited the housing budget four times this year. In most people's books, trying to correct themselves four times in one year would be a frank admission of failure. Despite those corrections, the net result—rather than Mr

Swinney's grandiose and overblown claim to be kick-starting a housing boom—is that the SNP is still choosing to cut £42 million in real terms from the housing budget. The partial restoration of what he had cut confirms the impression of a half-hearted attempt at stimulating the economy.

I move on to transport and infrastructure. The Government often seems to be unembarrassable about the gap between its election manifesto promises and its record in office. One of the most shameless broken promises in this session has related to the slashing of the Edinburgh to Glasgow rail improvement programme's budget by at least a third. That is the sort of infrastructure project around which those of us who purport to believe in a more Keynesian economic approach were united. I thought that John Swinney counted himself in that number, but it appears that he does not. The EGIP investment would not just deliver jobs and help commuters, but would provide good public transport, which is yet another way for a Government to support people back into the job market. All that we in the Scottish Labour Party ask is that the SNP deliver on its election promise that Network Rail would fund the investment from the regulatory asset base.

I have set out three proposals that are fair and affordable and which would make a genuine difference in stimulating the economy and improving the employment prospects of people across the country. I have not had time to do justice to all the areas in which the cabinet secretary could make a difference, which also include childcare, procurement and a properly funded flagship wage-subsidy programme. To be frank, I am astonished that we have yet to see the detail on such a programme, which the cabinet secretary promised in his statement back in September.

My colleague Helen Eadie has built on the European and External Relations Committee's work to identify hundreds of millions of pounds in untapped support that could be available through the European Union.

I have hardly touched on the fact that the budget does nothing for our hard-pressed high streets. Shop after shop is closing, yet the Government insists on providing millions of pounds of support to tax-avoiding companies such as Amazon. In the budget, the Government also proposes a hike in business rates of an eye-watering £172 million in cash terms.

The Deputy Presiding Officer: You must draw to a close, please.

Ken Macintosh: If Mr Swinney's only crime was to be found guilty of making exaggerated claims, our reaction might simply be disapproval. However, the more serious charges are about the

failure to use the powers that are at his disposal and failure to follow through on his economic analysis. He has the opportunity to revisit the budget. I urge him to take that chance.

14:44

Gavin Brown (Lothian) (Con): Let me begin in the spirit of consensus by agreeing with something that the cabinet secretary said in his opening speech. When he was intervened on by Ken Macintosh, who talked about £300 million being cut from NPD spend, Mr Swinney said that Mr Macintosh was talking utter nonsense. That is absolutely correct. There is not £300 million being cut; it is far closer thus far to £500 million. Mr Macintosh really ought to look at the figures more carefully before throwing accusations at the Scottish Government. That figure does not take into account next year of course, as it was purely for 2011-12 and 2012-13.

The Scottish Government is under pressure when it comes to this year's budget. On the day that the budget was launched, almost nobody accepted the Scottish Government's argument that it was a budget for the economy. Since 20 September, when it was launched, we have still to find many or, indeed, any who agree that it is a budget for the economy. I include the Finance Committee, which was alluded to earlier and which failed to support a proposition that the budget genuinely prioritised the economy.

John Mason (Glasgow Shettleston) (SNP): Does Gavin Brown accept that although lots of people have suggested how we could spend extra money, not many people have suggested how we could spend the present money better?

Gavin Brown: If Mr Mason had looked at Conservative proposals at the most recent election and since, he would see that we have suggested the mutualisation of Scottish Water, which would save at least £100 million a year in capital; that we have proposed making concessionary travel available only for people aged 65 and over, which we believe would save £35 million a year; and that we have made suggestions about a graduate contribution and about free prescriptions.

It is therefore not at all true to say that the Scottish Conservatives have not made such proposals. If memory serves me right, I think that in a previous debate Mr Mason said on the record that at least the Conservatives had made some suggestions. He did not agree with them, but he is now nodding in agreement that he said in the past that we have, indeed, made proposals.

We are particularly concerned, however, about some areas in which the economy is not being prioritised. Clearly, one such area is colleges. We have all seen the depressing youth unemployment

figures in Scotland and, indeed, across the rest of the UK but we still see a drastic reduction in the colleges budget for next year. According to the Government, the budget is £546 million in the current year and will be £511.7 million next year; a drop of £34 million in cash terms in a single year—a 6 per cent cut in cash terms at a time when the Scottish budget as a whole, much to the cabinet secretary's disappointment, has seen a cash-terms increase of £7 million, which is a small increase, but a cash increase nonetheless.

We are particularly concerned about the Government's approach to taxation. It started way back in 2007-08 when it introduced the small business bonus scheme—an excellent suggestion that has helped businesses across the country. However, since the Government was re-elected, we have seen it bring in the retail levy and the empty property rates tax, which punish the unlucky and those who are unable to let or sell on their properties.

We have seen an overreliance on business rates, with the Government believing that there will be a 7 per cent increase in the amount that it will collect next year and a 9 per cent increase in the amount that it will collect the year after that. However, when questions are asked about those figures, the Government refuses point-blank to share the figures with Parliament. Despite the Finance Committee last year and this year asking for more regular updates on collection rates of non-domestic rates, we get nothing except the annual projection and get the annual collection rates only after the event. We know as a matter of fact that there have been years in which the Government has not collected as much as it projected. That is why it is important that we as a Parliament have the figures.

We are all concerned about housing. We hear about the four additional tranches of investment, and the Government keeps emphasising the phrase "additional money". However, the money, in fact, simply reduces the shortfall; it is not an actual increase in housing spending, at all. Over the three-year period, if the Government had kept the flat cash rates from 2011-12, £800 million would be going into housing. As it is, however, the sum will be £650 million. That is better than the £450 million that was projected, but it is still £650 million instead of £800 million. To suggest that that is additional is an interesting interpretation of the word "additional".

There is no time at the moment to refer to capital projects, but I will return to the issue in my closing speech. I particularly want to talk about the non-profit-distributing model, which this Government has let the country down on by overpromising and underdelivering. It is about time

the Government held itself accountable for that and gave us an explanation.

14:50

Kenneth Gibson (Cunninghame North) (SNP): I am no Mystic Meg but, following the entirely predictable tone that we heard in the speeches of Kenneth Macintosh and Gavin Brown, I do not need a crystal ball to know that they will vote against this budget and do exactly the same in 2014, 2015 and 2016.

The Opposition should be honest and tell the chamber that there is nothing that the cabinet secretary could say or do that would persuade them to support Scottish Government budgets for the rest of this session of Parliament. However, contrary to what Mr Brown has just said, others are much more positive.

On 20 September last year, Grahame Smith, the Scottish Trades Union Congress general secretary, said of the SNP Government's budget that

"the UK coalition Government's dangerously irresponsible economic strategy has placed the Scottish Government in a very difficult position and Mr Swinney has endeavoured throughout the crisis to do what he can to stimulate the Scottish economy."

Similarly, today, Liz Cameron, the chief executive of Scottish Chambers of Commerce said:

"We particularly welcome the continued focus that the Government places on the maximisation of capital spending and infrastructure investment. We believe that this will achieve both short term advantage in terms of delivering a boost to the construction sector and also benefit the Scottish economy in the longer term."

Of course, Labour's nomenclature are still seething at losing what they see, with their sense of entitlement, as their God-given right to lord it over Scotland indefinitely, and they bitterly resent those pesky nationalists not just for shaking them out of their complacency by defeating them narrowly in 2007 but for the humiliating disaster that Labour suffered in 2011.

Labour are Scotland's political chameleons and their U-turns on their U-turns, whether in relation to tuition fees, the council tax freeze or small business bonus scheme, are well known. However, Ken Macintosh seems unaware even of his own declared position.

On 20 December, I asked Mr Macintosh whether he would retract his statement that switching £250 million from resource to capital would cost 8,333 jobs—a very precise figure that was obviously worked out lazily on the back of an envelope using the figure of £30,000 a job. I was somewhat taken aback by his response. He said:

"I have no idea what Mr Gibson's remark refers to".—
[Official Report, 20 December 2012; c 15075.]

He seemed unaware of his own press release of 12 October 2012, which said that switching resource to capital would

"suck further demand out of the Scottish economy."

Maybe Mr Macintosh should ask Labour's press office to at least do him the courtesy of running past him the releases that go out in his name, before sending them out.

So, what is Labour's position on switching resource to capital?

Ken Macintosh rose—

Kenneth Gibson: On cue.

Ken Macintosh: I am glad that Mr Gibson hangs on my every word.

Mr Gibson said that there would be no chance of Labour supporting the SNP, this year or any other year. Does Mr Gibson believe that the Scottish Government should meet our demands on housing, rail and colleges? If so, does he take my assurance that, if the Government accepted those demands, we would support the budget?

Kenneth Gibson: The reality is that those demands are not designed to be met. They are designed for public consumption. Mr Macintosh is deceiving the people of Scotland if he is suggesting that everything that he demands can be met. Then we have this nonsense today—this plucking figures out of thin air and seeking to deny £22 million each for transport and regeneration projects, £19 million for further and higher education, £11 million for economic development projects, £10 million for health and so on by suggesting that they be dealt with through the NPD route, which he should know has a procurement schedule of at least 18 months, whereas 93 per cent of the money that Mr Swinney announced will be spent within 15 months.

In the same debate in December, Gavin Brown tried desperately to talk up the struggling UK Government. He asked Mike MacKenzie how many countries can borrow more cheaply than the UK can. Well, how about Denmark, Germany, Luxembourg, the Netherlands, Norway, Sweden and Switzerland—to name a few European countries—or, further afield, Hong Kong, Japan and Singapore? Sadly, that number will grow after today's revelation that the UK borrowed an astronomic £15.4 billion during December 2012.

Today we have crocodile tears from Mr Brown, who moans about the £30 million health levy—no surprise from a party that opposed the smoking ban—and yet stays silent on the £1 billion additional VAT burden, the £2.5 billion costs to

Scotland through the Welfare Reform Act 2012, the 81p a litre tax on fuel and the annual tax grab on public sector pensions and insults our intelligence by pretending that an infinitesimal cash increase in the Scottish budget somehow shows the generosity of a UK Government that has slashed this Parliament's resource and capital budgets.

As for the Scottish Futures Trust, the Tories' stop-gap leader, Ruth Davidson, not only misquoted me at First Minister's question time last Thursday—although unlike some sensitive souls on the Opposition benches I am not going to whine about it through a fake point of order—but was £147 million out in her figures. Mr Brown will have to get her to do her homework better than that. The reality is that the SFT represents additionality and will deliver key projects, which otherwise would not happen, in less time than would the Tory and Labour private finance initiative monstrosity and at much less cost to the public purse. The Tories' dog-like devotion to their inept London bosses has left them marginalised in Scotland. Perhaps a willingness to stand up for Scotland might change that—but pigs will fly first.

Gavin Brown: It is awful that Mr Gibson might have been misquoted. I therefore give him the chance to correct the *Official Report*: is he impressed by the rate of progress of the NPD pipeline?

Kenneth Gibson: Mr Brown has gone out of his way to avoid the fact that £300 million has been switched from the NPD programme to the regulatory asset base for the Borders rail project. He has not been quite accurate in what he has been saying on this subject.

Opposition parties might criticise the budget bill and seek more spending on colleges, housing and so on, but until today they have not told us where the funding will come from. When in the previous debate I asked Malcolm Chisholm about this issue, he said:

"People will make different choices".—[*Official Report*, 20 December 2012; c 15095.]

Until today, we have heard nothing; indeed, all we have heard this afternoon is Mr Macintosh's airy-fairy idea about cancelling projects that are going to happen now to fund others in the future. It is just a case of moving the goalposts from Mr Macintosh and the Labour Party.

The Deputy Presiding Officer: You should be closing now, Mr Gibson.

Kenneth Gibson: This budget bill has jobs and economic growth at its heart. Where the Scottish Government has been able to act to promote growth, it has done so time and again. We are investing in construction, skills, housing, the green

economy and schools for the future. In stark contrast to Wales, where Labour remains in power and has cut NHS funding by a whopping 8 per cent—

The Deputy Presiding Officer: You must close, please.

Kenneth Gibson: —we have protected health spending.

This bill supports low-paid workers through tough times. It supports small businesses with the small business bonus scheme and boosts capital investment—

The Deputy Presiding Officer: Mr Gibson, you are closing now.

Kenneth Gibson: Please support it.

14:57

James Kelly (Rutherglen) (Lab): I welcome the opportunity to take part in this debate.

The backdrop of this budget is that one in five Scottish youngsters is out of work; fewer homes are being built now than were being built in 1926, as Homes for Scotland has pointed out; and there are 80,000 fewer college places and waiting lists that continue to grow. The SNP's budget had to meet those needs, but it fails to rise to the challenge.

As Mr Macintosh pointed out, this budget has responded to the situation by cutting college budgets by £34.6 million. Local government has also been penalised in the choices that have been made; indeed, 83 per cent of the UK Government's cuts have been passed directly to local government, which will only undermine economic growth in local areas and make it very difficult for local government to face up to the challenges and prospect of the Welfare Reform Act 2012. Local communities are being hammered in this budget.

John Swinney: Mr Kelly mentions the pressure on local government finance. As I have previously highlighted these statistics to him, he might have thought about them before he made the point again. Between 2007-08 and 2012-13, the Scottish Government's budget increased by 6.4 per cent; over the same period, local government's budget increased by 8.9 per cent. How does Mr Kelly evidence the rubbish that he has just put on the record?

James Kelly: Quite simply. We are talking about a 4.3 per cent real-terms cut to local government, as a result of which local councils are having to make very difficult choices across the country.

James Dornan (Glasgow Cathcart) (SNP): Will the member give way?

James Kelly: Just hold on. As a direct result of Mr Swinney's budget, care packages are being cut and difficult decisions and cuts are being made across the country.

I will give way to the member for running down Glasgow.

James Dornan: In the process of running down Glasgow, as the member says, does he agree that if councils are under such financial restraint it would be better for them to use the very precious money that they receive on services, rather than on huge payouts to Labour Party cronies?

James Kelly: If councils across the country had received fair settlements from this Scottish National Party Government, they would be able to support economic growth and to protect the communities in their areas. The direct result of the decisions taken by this SNP Government is that local councils are being penalised and are having to bear the brunt of the difficulties.

I will move on to the issues that need to be addressed. What could make a real difference or boost would be if the Government looked again at its decision to cut £350 million from the Edinburgh to Glasgow rail improvement project. Time and again, we are told by business that the project would make a real difference to connectivity. The improvements to journey times would strengthen economic growth as well as improve the links between Edinburgh and Glasgow. The investments in rolling stock could also create jobs for the steel industry; some of the investment might come to Scotland this time, unlike on the Forth replacement crossing project, where 68 per cent of the allocated money has gone out of this country rather than to supporting Scottish steelworkers.

John Mason: Will the member give way?

James Kelly: Sorry, I am running out of time.

Why should we be surprised at that? As others have said, that resonates with the Government's slow progress on supporting capital investment. The Government's budget document shows that £681 million less will be spent and committed to NPD projects this year and next year. The Government continues to call for more powers and to tell us how everything would be a land of milk and honey under independence, but it cannot even use the existing levers effectively. It should use those before demanding more powers.

The SNP's great demand today is where the money would be found. I would certainly like to see a review in respect of information technology projects, as was recommended by the McClelland commission. Last year, Audit Scotland identified

£133 million in IT projects that had to be cancelled. That should be looked at closely.

We should also examine the amount of money spent on spin doctors, with £2.6 million being spent in the NHS alone. I would rather have classroom assistants in Cambuslang than spin doctors in St Andrew's house.

The Deputy Presiding Officer (Elaine Smith): You must come to a close, please.

James Kelly: People in our communities are crying out for investment in jobs. The SNP has failed to deliver. We need to address those shortcomings by investing in housing, colleges and rail to drive up growth and to create jobs throughout all of Scotland.

15:03

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I hope to provide a more measured contribution. James Kelly may have been slightly unwise to highlight IT projects. I merely direct him at Labour's NHS England IT project, on which £12 billion was spent before it was abandoned. We can do a great deal better in Scotland, and we always do.

In preparing for the debate and scrutinising the motion before us, I found more startling the issue of omission rather than commission, in that Opposition members have omitted to lodge an amendment to the motion. Therefore, we can expect the Labour Party, which is most vocal in its demands but least visible in identifying actions, of necessity to vote for the unamended motion and thus endorse all that it contains; if Labour's vote is one of abstention or outright opposition, it would thus seek to disrupt funding for health, transport, education and local government.

I am a little more optimistic than my colleague Kenny Gibson. Although Mystic Meg probably has a more sensible idea of what is going to happen, I was encouraged by Ken Macintosh's opening remarks, in which he said that more

"unites us than divides us."

Therefore, I will lay my money on the idea that, ultimately, Labour will decide that the finance secretary has produced a motion and a budget that are worthy of support. The whole issue is a matter of parliamentary process and rules. Credibility that is sought through debate absolutely falls to naught if it is not pursued by every means available.

I am sure that Government budgets are never produced without vigorous internal debate, keen external scrutiny and, where required, counterproposals that are tabled, debated and

decided on. Those are somewhat missing from this debate so far, except in certain respects.

We should not imagine that finance ministers get their way all the time. The Parliament has previously rejected and then accepted our finance minister's proposals. I will quote from Cabinet minutes to show that, on occasion, things can be no easier internally. The finance secretary's alarm can be put to one side, because my example, which saw a finance minister have to ask

"that his dissent from this decision should be recorded",

comes from 8 May 1919, when the chancellor was Austen Chamberlain. I am delighted that the successful proposition, which was on Royal Air Force officer pay, came from my father's cousin James Stevenson, who was attending Cabinet. I can assure members who have not seen me at Cabinet that I was of course always impeccably behaved and supported the finance secretary, because he is always supportable.

Those with infrared eyes and who peer into the murky undergrowth can see the occasional glimpse of Labour's agenda. Ken Macintosh talked about using underspend. Of course, in government, the Labour Party has a long history of building up huge underspends, which was an issue that the SNP Government had to confront in its first session in government.

Ken Macintosh also said that savings can be a help. We are moving from measuring the input to what we do, to looking at the value that we deliver. I cite one example that is drawn from transport in which, on this Government's watch, a partnership between Transport Scotland and Network Rail has delivered exactly in the way that is desired. That is the Paisley canal project, the original budget for which was £28 million, but which was delivered on time for £12 million. That is the approach that the Government will take; it is less about cutting the output and more about getting effective use of the input.

Ken Macintosh: By cutting the Edinburgh to Glasgow rail improvement programme, how has the Government delivered on its promises to the commuters of Stirling, Dunblane and Alloa?

Stewart Stevenson: The member knows perfectly well that the investment programme for the railways in Scotland is far in excess of anything south of the border. Indeed, in the not-too-distant past, *RAIL* magazine carried a cartoon that referred to "ScotRail England", because people south of the border want our policies.

Labour focuses on education, but it takes no responsibility for the £332 million that appears in the budget to cover public-private partnership projects, which, in essence, were done on

Labour's watch. History can speak louder than words and, for Labour, it certainly does.

On the cuts commission, killing the bus pass and losing bus routes will cost; charging the old for prescriptions will lead to increased mortality, which might save, but in ways that I do not think that we would want to; and the proposals would load debt on to students. Of course, for the UK Government, today's deeply depressing lending figures represent about £87 billion a year in Scottish terms, which is much more than our budget.

The Deputy Presiding Officer: Will you conclude, please?

Stewart Stevenson: We are in a position in which the SNP promises and delivers.

15:09

Michael McMahon (Uddingston and Bellshill) (Lab): When considering the budget, I have been continually reminded of the quotation from Stuart Chase, the American Keynesian economist, who said:

"For those who believe, no proof is necessary. For those who don't believe, no proof is possible."

Experience has taught me to be an unbeliever about the assertions of the Government, so I am prepared for SNP members to dismiss me as a non-believer in the Government's cause and accuse me of taking the view that no proof is possible for their contention that this is a budget for jobs and growth. Fortunately for Mr Swinney, no proof is necessary for his back benchers. He has said that it is a budget for growth and, therefore, it must be true. Mr Stevenson and Mr Gibson exemplified that view in their speeches.

Kenneth Gibson: What about the view of the STUC, which said that Mr Swinney was doing his best, given the financial predicament into which the UK Government has put him?

Michael McMahon: Saying that he is doing his best is not necessarily agreeing, or saying that the Government is achieving.

I am sure that the cabinet secretary will tell me that I was not looking hard enough for the evidence—I am sure that that is the point that Mr Gibson was trying to make—but I assure members that I was. I am still prepared to allow the Government to present evidence that sustains its argument that the budget will take Scotland's economy forward.

We can do nothing other than accept that it is a tough economic climate in which to propose any budget, but the circumstances make it all the more imperative that the Government obtain widespread verification that the budget is one that will

stimulate the economy before it defends it as such.

We rely on our committee system to facilitate the fullest scrutiny possible. Unfortunately, rather than considering the proposals in depth and making evidence-based arguments for changes to the budget, some committees, such as the Local Government and Regeneration Committee, selected partial scrutiny while others, such as the Welfare Reform Committee—of which I am convener—forwent the opportunity to consider the budget at all.

Stewart Stevenson: Will Michael McMahon give way?

Michael McMahon: I say to Mr Stevenson that I will try to make some progress, but I will come back—

Stewart Stevenson: It is on that point. Half the story is half the story.

Michael McMahon: I will come back to Mr Stevenson if I can.

One notable exception was the Equal Opportunities Committee, without which there would have been no mention of the horrendous impact of the Con-Dems' welfare reforms in the Finance Committee's budget report.

In a time of austerity, when we needed proper analysis more than ever, we got compliance with the Government's assertion.

We are left with the Scottish Government proclaiming that its spending priorities will create

"a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth",

but simply ignoring organisations such as the Scottish Council for Development and Industry, which takes the view that

"it is difficult to discern the pattern of spending which aligns with successive ... Scottish Governments' top priority ... of increasing sustainable economic growth."

The SCDI in particular, but not exclusively, questions the decision to prioritise the protection of some areas of public spending at the expense of others that are directly and indirectly responsible for increasing sustainable economic growth.

The Centre for Public Policy for Regions was also sceptical and wondered why the Scottish Government's spending priorities failed to show that it

"helps secure faster economic growth."

The Royal Society of Edinburgh states:

"It would be useful to see a cost-benefit analysis of the Scottish Government's spending decisions against its stated core objective of sustainable economic growth."

Never mind. No evidence is needed for the SNP's Stepford gang on the back benches. John Swinney says it is so and, therefore, there is no need to prove that the budget will achieve the aim that is set for it.

John Mason: Michael McMahon may remember that, at the Finance Committee, at least one party made the suggestion that, if we cut back on health, we could put more into economic growth. Does he think that health spending should be cut back to boost economic growth?

Michael McMahon: My recollection is that many organisations suggested that. One that I am about to come on to is the Scottish Council for Voluntary Organisations.

We have to discuss the proposal. I know that the klaxon horns will sound as soon as we mention such proposals but—and this is where spending decisions are important—the Government cannot simply say that it will spend its money on one thing and that that will achieve sustainable economic growth if what it spends the money on is not aimed at sustainable economic growth. That is the point that all those organisations were making.

One of those organisations was the SCVO, which argued that we need to take a long-term, holistic approach to the economy that encompasses a range of social, environmental and economic outcomes. However, we get what we have always had from the SNP Government: short-term, populist spending priorities.

We are told that this is a budget with the needs of the economy at its core, but what we have is one in which only an extra £9 million is specifically spent on enterprise. That is not the type of spending priority that we would expect to see in a budget for growth.

Another of the Government's assertions is that capital investment continues to be a central element of its approach to supporting economic recovery. There is widespread support for that, but where is the evidence that it will be delivered? The Civil Engineering Contractors Association stated:

"if what is in the budget actually happens ... civil engineering in Scotland will stabilise."

It will not grow, just stabilise. Equally, the Scottish Building Federation was more than a little unconvinced. It told us that progress is very slow and that anyone who suggests that this budget

"could be a budget for growth in the construction sector is out of touch with reality."—[*Official Report, Finance Committee*, 26 September 2012; c 1624, 1630.]

Decisions have to be made, but the Government is cutting the housing budget by £66 million, it is reducing the college budget by more than £50 million and it has chosen to take EGIP out of the transport infrastructure spend. Those decisions are proof enough for me that, despite Mr Swinney's assertions, whatever this budget is for, it is not a budget for growth.

15:15

Mike MacKenzie (Highlands and Islands) (SNP): It is important when considering any budget to first consider the context. Few people would disagree that we are in the worst and most prolonged economic crisis that any of us has experienced. Most commentators also agree that the Westminster coalition's austerity policies are not working—even some of those who were initially enthusiastic.

The best economic wisdom on how to deal with recessions came from that great English economist John Maynard Keynes, perhaps along with his Canadian counterpart, John Kenneth Galbraith. What they prescribed was really quite simple. In times of recession, Governments should spend on capital projects and infrastructure, and they should recoup that from taxation in times of growth. No one can end boom and bust in the way that Gordon Brown boasted, but by that method we can take the worst excesses out of the business cycle. That is basic economics.

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

Mike MacKenzie: I am sorry, but I have a lot to get through.

The real mystery is why the London Government seems not to understand that. Far from improving matters, it is making them worse. The economy is flatlining and, as we heard just today, Government debt is increasing. I am forced to conclude that the London Government is driven not by economic sense but by ideology, and that fiscal difficulties are merely providing cover or an excuse for it doing what it would want to do in any circumstances.

It is also surprising that the Labour Party seems not to have any answers either in London or in Scotland, except perhaps for Johann Lamont's cuts commission, which threatens to undo much of the good work that this Parliament has done since its inception.

Claudia Beamish (South Scotland) (Lab): Will the member give way?

Mike MacKenzie: No, I am sorry. I must make progress.

The Labour Party has gone from wildly exuberant expenditure in government to trying to outflank the Tory party on the right, at least in terms of economic stupidity. Each of them fails to understand that economics is not a zero-sum game and that the answer to our current problems is to stimulate demand and not to weaken it.

The Labour Party also seems not to recognise that the Scottish Government does not currently have borrowing powers. Therefore, the budget is fully funded and, by definition, all the measures within it are affordable.

Patrick Harvie: Will the member take an intervention on that point?

Mike MacKenzie: No, I am sorry. I must make progress.

I cannot see how the Labour Party can reconcile its proposition that, in the future, universal services will be unaffordable with its claim, along with the Tories, that we are better together. According to that vision, surely what they mean is that we will be poorer together. I completely reject the proposition. Provided that we have control over our own resources, Scotland can look forward to a prosperous future.

Therefore, we are fortunate that in Scotland we have a cabinet secretary who is solely driven by what is best for Scotland and who understands exactly what is required for the Scottish economy. The downside, of course, is that he does not yet have fiscal or borrowing powers, and the pity is that those are the very tools that are most needed to deal with our current situation.

Under those circumstances, the Scottish Government has taken a very rational approach. Regionalisation of the further education system will offer greater efficiency while maintaining college places equality, and amalgamation of the police and fire services will offer similar efficiencies while protecting front-line services.

Gavin Brown: Will the member give way?

Mike MacKenzie: No, thank you. I have a lot to get through.

Health and council budgets have been protected, with councils maintaining their share of Scottish Government funding. Families have been protected by maintaining the council tax freeze and small businesses have been protected by the small business bonus, which is especially important because some commentators suggest that recovery will come from the small business sector.

Managing all those things—which, incidentally, are all manifesto commitments—with a steeply declining Scottish Government allowance is impressive; finding additional capital for a range of

capital projects to provide further stimulus is even more so. Delivering those projects—the new Forth road bridge, for example—under budget and delivering many others efficiently, while ensuring value for the public pound through the Scottish Futures Trust and the NPD mechanism, requires the special discipline that Mr Swinney brings to his work.

The Deputy Presiding Officer: You are in your last minute.

Mike MacKenzie: Therefore, it is all the more remarkable that the cabinet secretary has also found money for a range of preventative spend measures, recognising that it is important to have an eye on the future. I was surprised that the Opposition parties called for evidence of the effectiveness of and savings created by those preventative spend measures, as if, in this area, we can spend one day and see a result the next day. That underpins the belief that there is a lack of economic understanding among the Opposition parties in the chamber.

The Deputy Presiding Officer: Please draw to a conclusion.

Mike MacKenzie: I am pleased to support this budget. Weighing all the circumstances, I think that it is a good budget. It is good economically, in that it will provide capital stimulus; it is good financially, because inevitably the books will be balanced—

The Deputy Presiding Officer: You must close.

Mike MacKenzie: And it is a good budget politically, as it will maintain manifesto commitments and therefore the trust of the Scottish people.

15:22

Mary Scanlon (Highlands and Islands) (Con): After that speech, I am sure that Mike MacKenzie will be next in line for a ministerial post. We look forward to that.

I would like to raise two points relating to the Scottish budget, and I advise the chamber that they have nothing to do with constitutional issues or Labour Party policy and that I am afraid that my speech does not relate to the 1919 budget.

The first issue is NHS backlog maintenance, the cost of which was highlighted by Audit Scotland as being more than £1 billion. Following scrutiny by the Public Audit Committee, we now have a clearer picture of the extent of the cost and of the potential harm to patients.

The cost of backlog maintenance totals £773 million, now that the cost for properties that are earmarked for disposal has rightly been taken out

of the total and some maintenance has been carried out in the most recent financial year. Of the total, 17 per cent is high risk, at a cost of £240 million, and 28 per cent is significant risk. The remaining 55 per cent of the £773 million is medium to low risk.

So, what does “significant risk” mean for patients? According to the Scottish Government, significant risk requires

“expenditure in the short term and should be effectively managed as a priority so as not to cause undue concern to statutory enforcement bodies or risk to healthcare delivery or safety.”

However, the 17 per cent of backlog maintenance that is high risk—I am quoting the Scottish Government—

“must be addressed as an urgent priority in order to prevent catastrophic failure, major disruption to clinical services or deficiencies in safety liable to cause serious injury and/or prosecution.”

The Scottish Government expects immediate action to be taken to address levels of risk associated with patient health and safety.

Therefore, where in the budget is there money for NHS Lanarkshire’s £88 million of high-risk backlog maintenance, NHS Lothian’s £36 million of high-risk backlog maintenance, NHS Greater Glasgow and Clyde’s £21 million of high-risk backlog maintenance, NHS Forth Valley’s £19 million of high-risk backlog maintenance, NHS Grampian’s £15 million of high-risk backlog maintenance, NHS Highland’s £14 million of high-risk backlog maintenance, and so on? Patients and NHS staff across Scotland will want to know when the £240 million funding for high-risk backlog maintenance will be made available, given that that should be a priority

“to prevent catastrophic failure, major disruption ... or deficiencies in safety liable to cause serious injury and/or prosecution.”

There are many other aspects of the health budget that are worthy of mention in this debate, but surely the right to be treated in a clinically safe environment is a top priority. I ask the finance secretary to address that issue in his winding-up speech.

My second point is not a new one. It relates to the 24 per cent cut to further education colleges at a time when youth unemployment remains high—other members have mentioned that. Unemployment is at 18.5 per cent for 18 to 24-year-olds.

I lectured in economics in further and higher education for more than 20 years before I became an MSP and know that the sector has been pared back over the years. Instead of tutorial groups of 15, we have tutorial groups of 45. In further education, there is a timetable of 24 hours of

teaching every week for degrees, higher national certificates, higher national diplomas and national certificates. Further education colleges have done more to be flexible and responsive to local needs to widen access to education, and they should be praised for their work, not punished for it.

The standards of degree teaching in further education are excellent and allow students to articulate into university courses after HNC or HND courses. With a 24 per cent cut, it will be much more difficult in future to maintain those standards, which allow students to stay at home for the first two years of their degree course, particularly when the majority of the cut will fall on the teaching budget. According to the National Union of Students briefing paper, college teaching grants will have fallen by £60 million in three years, from £469 million in 2010-11 to £409 million in 2012-13.

The Deputy Presiding Officer: You are in your final minute.

Mary Scanlon: The sector is highly efficient. After incorporation in 1992, there was a drive to bring colleges to levels of success in training and education as well as to offer a wide range of opportunities to people of all ages throughout Scotland. Further education addresses inequalities and, just as important, embraces the self-esteem and confidence that individuals need to progress to the world of work. I would pick up the point that Mr Kelly made, but Gavin Brown confirmed it. Eighty thousand fewer places are 80,000 fewer opportunities.

The Deputy Presiding Officer: You should come to a close.

Mary Scanlon: In the eight seconds that I have, I ask the Scottish Government to think again about youth unemployment, inequalities, skills development and the maintenance backlog in the NHS, which is potentially harmful to patients.

15:28

Colin Beattie (Midlothian North and Musselburgh) (SNP): I frequently listen to the Opposition parties seemingly minimising the impact of Westminster budget cuts on the Scottish economy and the consequent pressures that are placed on the Scottish budget. The Scottish Government's ability to maintain spending levels across the board at the same levels as hitherto is simply not possible. We cannot spend more than the allowance that we receive from Westminster.

The Opposition parties make a lot of noise when there is a reluctant reduction in funding for sometimes otherwise worthy projects, but they give no serious indication of where they would propose to impose cuts to retain any particular

service above another. Today's contribution by Labour has been no different—clearly, it is simply a press soundbite.

Like most MSPs, I abhor the approach that the Westminster Government has taken to imposing budget cuts on the Scottish economy. Taken alongside the so-called welfare reforms, budget cuts will have the long-term effect of draining liquidity and prosperity from the Scottish economy. The massive reduction in spending power that affects the Government, councils and private individuals hardly creates an environment in which private enterprise can flourish and generate the jobs that we very much need.

We are all going to be very much poorer when this long period of badly-thought-out austerity eventually ends, following a yes vote in 2014, but no doubt we can consider that financial legacy a dividend from the union.

It is hard to contemplate the extent of the economic illiteracy of the Westminster Government, which seems not to be prepared to listen to either domestic or international wisdom. This will undoubtedly end in tears.

Returning to the Scottish financial situation, I commend the Scottish Government for producing, against all the odds, a budget that is focused on jobs and economic growth above all. I am particularly pleased that a strong emphasis has been placed on housing. The Government promised to build 30,000 affordable homes during this term of office. The allocation of an additional £50 million in the budget promises that that pledge will be delivered. The three-year housing budget has increased by almost £200 million over the past year, with additional investment increasing by 30 per cent the funding set out in the 2011 strategic spending review.

Ken Macintosh: Is Mr Beattie claiming that over the spending review period the housing budget has increased rather than suffering a real-terms decrease of £42 million?

Colin Beattie: Yes. According to the figures that I have, the three-year housing budget has increased by almost £200 million, with an increase in the additional investment.

While I applaud the Scottish Government's efforts to stimulate growth and create jobs, I can only regret that it does not have the powers fully to manage the economy. Those powers, alas, remain in the hands of a Westminster elite that does not seem to understand how to use them to the benefit of the United Kingdom economy. I believe that responsibility for every Scottish job that is lost, every Scottish company that closes down and every shop that vanishes from our high streets lies firmly in the hands of Westminster.

A number of other countries are gradually coming out of recession. We are not, and we now appear to be heading for a triple-dip recession, which will create further hardship and distress. I am appalled at the prospect of austerity measures continuing until 2017-18, which represents a historically unprecedented eight years of cuts. No one knows what the end result will be. All I know is that the most vulnerable in our society will suffer the most and bear the heaviest burden.

I frequently listen to the Labour Party here in Parliament calling on spending to be maintained or increased in certain areas, despite the serious reduction in funding that we have sustained. That always seemed a rather odd position to take, given that it is well understood that the budget cuts are from Westminster and the Scottish Government has to reduce spending as a result. However, when Labour announced its cuts commission, I realised that it proposed to fund the additional commitments with the reintroduction of prescription charges, with the abolition of concessionary bus travel, by charging students for education and apparently by pursuing charging for some universal services, including personal care.

The Scottish Government's commitment to maintaining education free at the point of delivery shows a singular commitment to maintaining the strong Scottish tradition of making education available to all people, regardless of whether they can afford to pay. As we well know, education forms a significant part of the path out of poverty. I am probably a typical example. I took full advantage of the free education that was available. My father was a hospital porter and money was a fairly scarce commodity in our house. The long-term economic and social benefit to Scotland of an educated and skilled population should not be underestimated.

Between 2007 and the end of the spending review period, the Government will have invested £5 billion in colleges, which is some 45 per cent more in cash terms than in the two terms of the previous Administration.

Turning to the health part of the budget, I note that health board funding will increase by 3.3 per cent in real terms in 2013-14, which means some £9.1 billion in that year, while £390 million will be invested in improving NHS buildings and equipment. There will be £80 million for the integration of health and social care services and £133 million investment for sport and the Commonwealth games in 2013-14.

Labour's love affair with PFI has left this Government and local authorities throughout Scotland with a legacy of debt that our children will inherit—another Gordon Brown success story. I have touched on only a few key points, but it is clear that this budget is the best that can be

achieved given the resources being made available to us by Westminster. Until we have full control over our own affairs and can manage our own economy there will always be a limit on the Scottish Government's ability to reach its high aspirations for the people of Scotland. I commend the Government for this budget.

The Deputy Presiding Officer: I will have to cut members off at six minutes as we are running very short of time.

15:35

Neil Findlay (Lothian) (Lab): I wish that you had done that with some previous speakers, Presiding Officer.

For so many of our people, the day-to-day reality is that life is not only tougher and more uncomfortable, but desperately grim, with little immediate prospect of improvement. In my region, jobs are being lost daily. Hall's of Broxburn is the most alarming example but, this week, another 70 jobs were lost in West Lothian alone as a result of the closure of Blockbuster and HMV. The spectre of welfare reform—the most vindictive piece of legislation in decades—haunts our communities. It is no exaggeration to say that that will be the cause of people losing their homes and marriages and, for some tragically, their lives. Wages are being frozen or, at best, cut and pension contributions are rising with no benefit to those who pay them.

The Scottish Government will say that none of that is to do with it.

Willie Rennie: Will the member take an intervention?

Neil Findlay: Not at the moment.

Of course, welfare reform is a Westminster responsibility and austerity is the policy that is being driven by the dark forces of the coalition Government in London. Perhaps this is an opportune time for Mr Rennie to ask his question.

Willie Rennie: Does Mr Findlay accept any responsibility for what has happened since Labour left power?

Neil Findlay: All parties have a responsibility for the situation that we are in because we all tolerated the global financial system that brought us to our knees. None of us said a lot about it.

Things can be done and there are political choices to be made. Unfortunately the Scottish Government is all too often making the wrong choices and all the while blaming the situation on someone else because that is part of its referendum game plan.

For example, we have the public sector wage freeze. That is the Government's policy choice, as is the council tax policy that is crippling essential local government services. We hear disgraceful comments made by the Cabinet Secretary for Health and Wellbeing, blaming councils for cuts that are a direct consequence of the decisions that he is making in government.

As far as the NHS is concerned, we know that there are job losses and staff reductions, pressure to meet targets because of the diminishing staff numbers—self-evident in the waiting times scandal—and a host of other complaints. We see a cherished institution under extreme pressure, but the Cabinet Secretary for Health and Wellbeing and the First Minister repeat the line that the NHS is performing better than ever, patient satisfaction is at record levels, staff are happier and there are more of them. That just does not reflect the real world.

Mike MacKenzie: Will the member take an intervention?

Neil Findlay: Not at the moment. Mike MacKenzie would not take any interventions, so he should sit down.

What about housing? We have a housing crisis: sofa surfing is becoming the norm for young people; far too many children and families are homeless; people cannot access mortgages because they do not have a deposit; and people cannot access social housing because they do not have the points and the houses are not available. However, the minister tells us that the Government is building more houses than ever, that waiting lists and homelessness are down and that standards are rising. Again, that does not reflect the real world and the political choices that the Government is making—it cut the housing budget by £86 million in real terms. The Government could have chosen to tackle the housing crisis and, at the same time, created demand in the economy by putting additional money into housing, but it chose not to.

What about education? The Government has cut funding in our college sector at the very time that we need colleges most. The cuts have led to cuts in jobs, courses and places. Labour's political choice is to support our colleges, to provide our young people with the tools that they need to gain employment. As Mr Macintosh said, we would reinstate the entire funding cut to our colleges, by replacing the £34 million that has been taken from them.

Mark McDonald (North East Scotland) (SNP): Neil Findlay has outlined a number of areas in which he would want to see increased funding, and he has put figures on some of those. Is he

willing to identify where he would take the money away from to fund those increases?

Neil Findlay: I will not waste any further time in my speech on that because Mr Macintosh already did that.

That would prevent redundancies and prevent the cuts to courses for women and people with learning disabilities.

Let us not hear any of the tired, lazy lines from Government back benchers about Labour being negative or talking down Scotland. I have set out the reality for many of our fellow citizens—they want us to reflect that and not appear detached from the world that they live in. No amount of spin and bluster from ministers, sycophantic planted questions from back benchers or cheerleading speeches from the people behind the finance secretary will hide that.

In addition to asking Mr Swinney to restore the colleges budget, we ask him to invest in housing, through the Barnett consequential. As Mr Macintosh explained, that would kick-start construction and create jobs. We also ask for the reinstatement of moneys that were cut from the EGIP project, through borrowing against the regulated asset base to pay for projects such as the Dalmeny chord in my area, which would stimulate developments such as Winchburgh station in a core development area. Those are practical steps that we could take.

Unemployment, colleges, construction, housing and transport are our political priorities and, I think, the people's priorities. It is a shame that they are not the Government's priorities.

15:40

Chic Brodie (South Scotland) (SNP): I support the principles of the bill. The bill will be passed, not only because it addresses the challenges that face us but because there is no viable alternative budget before us. I said in the budget debate two weeks ago that the Opposition, particularly Labour, might have priorities that are different from ours. That is a perfectly honest and respectable position to hold and debate. However it is not acceptable or respectful of the people who sent us to this Parliament to whinge and whinge about the budget bill's priorities without clearly enunciating costed alternatives.

Mr Macintosh has given us a litany of demands for additional money for housing and rail. At the weekend, he added town centre regeneration projects to his list.

Iain Gray (East Lothian) (Lab): Will the member give way?

Chic Brodie: I have limited time—*[Interruption.]* Let me develop my point before I take an intervention from Mr Gray.

It is perfectly respectable for the Opposition to aspire to reduce or increase cost or revenue elements of the budget bill, question the bill's general principles or change its recommendations, but it must tell us about its principles and priorities and offer programmes that have been properly financially evaluated, in a full budget.

I address my comments to Mr Macintosh and Labour members, because the mixtie-maxtie hotchpotch of a coalition has no cohesive budget policies other than those of the economic piranha.

Iain Gray: I want to help Mr Brodie, who was not here during the eight years of SNP opposition. Can he say on how many occasions the SNP suggested an amendment to the budget bill? I think that the answer is once.

Chic Brodie: I will check what Mr Gray said. However, I say to him that it is sometimes better to stay seated and be thought foolish than to stand and confirm it.

Labour should not hitch its interests to the coalition wagon, the financial wheels of which are coming off, but that is what it is doing. I cannot believe that on universal benefits, council tax and whatever the party of Keir Hardie can find itself an economic bedfellow—albeit that we are “better together”—of a London Government that assaults the lower paid at the expense of the rich few.

Like it or not, Scotland and the UK are about to enter into a triple-dip recession and huge borrowing, and the current economic and constitutional structure limits Scotland's options and militates against the achievement of our national performance outcomes, whether we are talking about GDP, productivity or carbon emissions.

Willie Rennie: The member said that the coalition is assaulting the low paid. Can he explain why the coalition is increasing the tax threshold to £10,000?

Chic Brodie: The member should look at the budget figures and the impact that welfare reform will have on poor and low-paid people in this country.

Even in straitened circumstances, the cabinet secretary and his team have focused on the Government's objectives in the DEL budget, which in real terms—I repeat “real terms”, for Mr Brown—is reduced by 0.4 per cent. The Government has maintained its principles and priorities, so that the foundations are there and we will be ready when the upturn comes and we have our hands on the levers of fiscal and monetary power.

The principles are absolutely right. Economic policies take a long cycle to be effective and to get money and activity into the economy quickly is important. That is why the shift from resource to capital is right, because leakage in the former is much more problematic and immediate than it is in the latter.

The economy cannot be invigorated through consumption that is financed by debt. Investment in assets—capital investment—will help us to pay down our deficit earlier and to improve our assets and infrastructure for the long term. It is right that we target expenditure on training and retraining, particularly of the young unemployed, but all we get from the Opposition is the mantra of college cuts.

I say this to the Opposition: any country that has an economy that does not seek and manage change—that does not look to produce efficiencies—will die. It will die. I say to the two main Opposition parties that their antediluvian pursuit and competitive animosities in throwing money at problems or making cuts unwittingly is not the solution that will create a dynamic economy.

Their Rodgers and Hammerstein show of—*[Interruption.]*

The Deputy Presiding Officer: Order.

Chic Brodie: Their Rodgers and Hammerstein show of “Anything you can do I can do better”—or, in this case, worse—is over. Those days are over.

This budget establishes quite clearly a focus on fairness, capital investment, supporting business—particularly small businesses—investing in our energy future and the green economy, supporting skills and training for our young people, better housing and physical infrastructure. The budget bill addresses all of those.

We, in this party, do not see—as Mr Macintosh does—a difficulty in every opportunity. Rather, we see an opportunity in every difficulty.

15:46

Willie Rennie (Mid Scotland and Fife) (LD): I actually welcome Chic Brodie's speech, because he made the case for many of the reforms that the coalition Government is implementing. What was it that he said—that a Government that does not seek and manage efficiencies will die? He then said that we should not build an economy on debt, but it is his party that is proposing to increase borrowing, driving up the costs of borrowing, costing us more, driving up interest rates, increasing our mortgage costs—

Mark McDonald: Will the member give way?

Willie Rennie: No, not just now.

Chic Brodie's speech was a direct contradiction—an assault on the poor, when, in partnership, the Liberal Democrats and the Conservatives are increasing the tax thresholds for the poor in a way—

Mike MacKenzie: Will the member give way?

Willie Rennie: No.

We are increasing the tax thresholds for the poor in a way that the Labour Party never did in all its time in power. Mr Brodie should read his speech back, because he will find that he has converted to our cause and may wish once again to join the Liberal Democrats.

We had a good discussion last week about Mr Swinney's budget. I welcomed the opportunity to put forward our proposals for change. Mr Swinney is a man who is keen on balanced budgets and good housekeeping. He may support Chic Brodie in his efforts to keep efficiencies and to seek and manage change. Perhaps they are in the same boat. We welcome that discussion because it is important that we try to work constructively. We worked constructively last year and we will seek to do so again in order to seek an agreement.

We have highlighted two areas. The first is college funding. We are backing the National Union of Students Scotland campaign, as we did last year. We think that the proposal to put an extra £35 million back into the budget to reverse the cuts is worthy of consideration. We support that proposal, especially when colleges are playing an essential role in trying to train and upskill people so that they are ready for the jobs that will come when the economy recovers. It is important that Mr Swinney reflects on that. If he does—

Mike MacKenzie: Will the member take an intervention on that point?

Willie Rennie: Not just now. Mike MacKenzie has a cheek—he did not accept one intervention.

Claudia Beamish: Will the member take an intervention?

Willie Rennie: No, not just now.

We will support the budget if, for example, we can secure the extra funding for colleges, because they play an important role in ensuring that we have a workforce that is ready to boost the economy.

We would also link to the economy support for extra investment in nursery education. We would support such extra investment to give 40 per cent of the poorest two-year-olds in Scotland 15 hours of nursery education each week. The Nobel laureate James Heckman, whom I have

mentioned on numerous occasions, says that the highest return on investment in education is on investment in education before the age of three. That is when the biggest impact can be made. If we make the right investment at that time in a person's life, we can determine what the outcome for them will be at the age of 26.

So far, the Scottish Government has committed to free childcare and education for 1 per cent of two-year-olds. We think that that is good, but that the figure needs to be increased to 40 per cent. We recognise that that cannot be done in one fell swoop and that such a move has to be phased in over a period of time. In England, the UK Government is looking to extend such provision to 20 per cent of two-year-olds by September this year, and to increase that figure to 40 per cent at a later stage. We hope that Mr Swinney will accept that request from us and back our plan for his budget.

We think that our proposals are modest and worthy of consideration. We will not come up with a long list of proposals without giving any indication of how they could be paid for, which is an approach that Mr Findlay seemed to be attracted to. We will come forward with sensible proposals that we think that the Scottish Government can afford.

Neil Findlay: Will the member take an intervention?

Willie Rennie: Not just now.

The Government has a budget of £32 billion. In a budget of such a size, we reckon that it is certainly possible to find the amount of money that we are asking for. In response to an intervention from me, Mr Swinney highlighted the additional resources that might be available from business rates in this financial year. We reckon that the money is available for investment in the important areas of colleges and early intervention.

We welcome the £50 million of additional funding for social housing—we think that that is a good investment, as there is a desperate need for additional social housing in Scotland.

I return to an issue that I have raised previously with Mr Swinney—that of the local government floor. A guarantee was made to Aberdeen City Council that it would receive 85 per cent of the average figure for council funding in Scotland. However, there has been a drop to 79 per cent. Mr Swinney has tried to explain why that calculation can be made only at the start of the spending process, but I find that explanation difficult to understand. The guarantee was given that no council would receive less than 85 per cent of the average figure, but next year Aberdeen City Council will receive only 79 per cent of that amount. As 79 per cent is less than 85 per cent, its

funding has gone through the floor. I hope that Mr Swinney will reflect on that. The proposal that the guarantee be met—which is a commitment that he and many others have made in election campaigns and beyond—is a sensible one.

I have set out reasonable suggestions on college funding and nursery education. We will work constructively with the Government to achieve those ends. If the Government delivers what we wish, we will vote with it; we are not afraid to do that. If the Government's budget is good enough, we will be with it.

15:52

Rob Gibson (Caithness, Sutherland and Ross) (SNP): The budget process that we are discussing does not take place in isolation from the Scottish economy. Just yesterday, it was reported in an article in *The Herald* that Donald MacRae, chief economist at the Bank of Scotland, believes that the data on the labour market

"indicates the Scottish economy is moving in the right direction."

The article, which had the headline "Labour market surge suggests economy on right path", said that for a series of months—indeed, for the last eight months—we have had the highest levels of job creation and placements, and that the increase in permanent job placements is at its strongest rate in eight months. That suggests to me that Scotland is beating the UK, whose situation is also looked at.

The fact that the improvement "rose to 56" in December shows that investing capital in supporting the development of productive industry is a major factor in how the economy advances and that the budget backs the real economy in Scotland. The two things are linked.

Willie Rennie: Does Mr Gibson give any credit to the UK Government for contributing to the situation that he describes?

Rob Gibson: I am about to come on to the subject of renewable energy support, to which the Scottish Government has shown a solid and consistent approach. The attitude of the coalition in London on that is all over the place. Its wobbles have made it difficult for people to see the way forward and to make the long-term investments that are required in that vital industry.

In our discussions about the budget, we are talking about the long-term development of steady jobs and about making it possible for people to spend more money. Engineering is developing and the number of jobs can increase, as at the Global Energy Group in Nigg, in my constituency. Yesterday, an announcement was made about 300 jobs at Subsea 7 in Aberdeen and Wick for

work on a project for Shell's Fram development. When people are in permanent jobs, that allows them to spend money in the shops and creates the potential to take up the slack of people who have yet to get into work because of the worldwide recession and the UK Government's austerity projects.

In discussing the budget, it is important to recognise that the Scottish Government backs energy development to the hilt as one of the key means of going forward. The UK Government is left trailing.

I welcome the use of the fossil fuel levy surplus to establish a renewable energy investment fund, because the way in which the Green Investment Bank is being set up might not play to Scotland's strengths. I support renewable infrastructure development in the capital infrastructure plans, through which we are helping to create the potential in our ports, harbours and industries for the next stage.

My committee—the Rural Affairs, Climate Change and Environment Committee—deals with the rural development budget. In relation to education, I recognise that £56 million of our rural budget goes into research in the rural economy. That supports Scotland's Rural University College and research in many other parts of the university sector. That sector, the food and drink industry and the success of much of the rural economy will contribute to strength in the future, on which we are building in the budget.

The sustainable action fund will have £15 million, there will be agri-environment resources of £38 million and £1.7 million will be provided for research into peat rewetting, which I could not fail to cite and which has been welcomed by Stuart Housden, who is RSPB Scotland's director. He said:

"Good to see John Swinney outline"

Scottish Government

"spending on peatland restoration—for climate & biodiversity benefits".

Such investment creates skilled jobs, such as those at the environmental research institute in Thurso. That gives it full backing as a hub for international support in developing initiatives. Young Scots are training to become the scientists of the future who will save the planet and help others in this country and elsewhere to do so.

The Opposition's approach of short termism is unbelievably blinkered.

The Deputy Presiding Officer: The member is in his final minute.

Rob Gibson: The changes that have been suggested would be fiddling while Rome burns. As

I said, the United Kingdom Government has been equivocal about Scotland's renewables potential, whereas the Scottish budget backs job creation for development in a developing economy, some parts of which I have described.

Under devolution, our reach is limited. What is the alternative when we are ruled by Austerity Osborne and Cost-cutter Cameron, who are holding Scotland back? The budget gives Scotland a sound, commonsense approach and will give people confidence in the SNP's competence on the road to full powers. This year, it is essential that we keep on track, because Scotland is moving forward and is moving in the right direction. With the budget, the SNP Government will back that to the hilt.

15:58

Helen Eadie (Cowdenbeath) (Lab): I empathise with the cabinet secretary—I have no doubt that the choices that he must make are extraordinarily difficult. However, members of the governing party have characterised Labour Party members in a totally unreal way. Ken Macintosh's opening remark was that we have more that unites us than divides us.

I dispute the reference to short termism. In its term of office up to 2007, the Labour Party introduced legislation that covered the type of intermodal rail connections that we do not have in this country. Airports in Zurich, Strasbourg, Munich and all over Europe have grand intermodal rail link schemes, but we do not have one in Scotland, which is a tragedy.

Stewart Stevenson: I acknowledge what the member has said, but can she name an airport anywhere in Europe, other than in Scotland, that failed to make a financial contribution to its connection to the rail network?

Helen Eadie: I will take note of that question and get back to the member on it, because it is possible that there have been such situations. Perhaps, as a former transport secretary, he knows about that.

I will be as constructive in my speech as I can be. I ask the cabinet secretary whether he will look at the paper concerning EU funding that was presented to the most recent meeting of the European and External Relations Committee. I really think that it would be worth his while to look at it because I am sure that every soul in the chamber is acutely aware of the fact that what we really need is new money. I acknowledge that it is impossible for the cabinet secretary to try to rejig the moneys that we have.

When I read about new money in the paper that I referred to, I was hit by several things. For

instance, why, since 2007, has the Scottish Government never applied for any moneys from the European globalisation fund? It could have had up to £500 million a year of new money from that fund to deal with large-scale redundancies, such as those at Hall's of Broxburn, on which Neil Findlay and his colleagues on West Lothian Council have worked so hard. As has been said in the chamber previously, £500 million would have made an enormous difference in relation to redundancies.

I ask the cabinet secretary not only to look at the paper that I referred to but to commission a high-status task force to consider European funding right across the piece. The paper presented to the European and External Relations Committee shows that £189.8 million is going a-begging in the EU civil protection fund. In that regard, I remember the major terrorist attack at Glasgow airport. How much money did we apply for from that fund to deal with that situation? We could also have applied to the EU solidarity fund, which has £75 million available to deal with natural or man-made disasters, such as flooding.

The green programmes that we hear so much about from our Green Party colleagues should be really high on our agenda, as they have rightly said. There is £450 million of funding going a-begging in the Marco Polo budget. The framework programme for research and development has £50 billion of funding, but we have applied for only £374 million. That is not because we do not have the brains in Scotland. We need a Government that shows leadership and is galvanised enough to get those with the best brains in Scotland to sit down together and apply for all the funding that I have described.

There are two strands of EU funding: fixed funding from the multi-annual financial framework, which we can do little about once it is agreed in Europe; and competitive funding, which is the funding that I am talking about. On the subject of billions of pounds of funding, I have heard time and again in the chamber, in committees and in cross-party groups about broadband, for which £28 billion is going a-begging across Europe. What are we doing to access that money for industry, research and academia?

Maureen Watt (Aberdeen South and North Kincardine) (SNP): On the broadband moneys, because I am a member of the Infrastructure and Capital Investment Committee, I can inform the member that she will find that the Government is accessing that money. However, on the other funding streams that she identified, can she tell us how much of that funding would need to be match-funded by money from here and where that money would come from?

Helen Eadie: Some of the money can be accessed directly through community initiative funding, which means that there would be 100 per cent funding. I do not know how many local authorities or voluntary organisations in Scotland have applied for that money, but I bring a message from Fife Council about such funding. When the council leader, Alex Rowley, met Jayne Baxter and other colleagues, he said that he would welcome the cabinet secretary making the money for shovel-ready projects money much more flexible and that his council would match that money pound for pound. How many local authorities across Scotland are doing that? Fife's Labour-led local authority is willing to match fund moneys from the cabinet secretary.

There is therefore much that we can do to be constructive. If I had nothing else to say today, I would appeal most strenuously to the cabinet secretary to establish a high-level, high-status working group to access the billions of pounds from Europe that I have described.

16:05

Mark McDonald (North East Scotland) (SNP): I am sure that Willie Rennie would expect me, as a former member of Aberdeen City Council, to be taking a keen interest in this budget. I, too, have spoken to the cabinet secretary, and I think that the explanation that he gave around the three-year funding settlement is entirely satisfactory. The alternative would require the whole funding settlement to be reopened with the Convention of Scottish Local Authorities. It is not only me who is satisfied. A recent front page of the *Evening Express* stated that there was a guarantee from the council administration that there would be no cuts in the coming financial year. That suggests not only that Aberdeen is receiving a good level of funding from the Scottish Government but that the previous council administration—on which I served, along with colleagues of Willie Rennie—left a good legacy due to its work on getting the council's finances back in order.

This is a budget that will deliver. It is a strong budget that delivers on the priorities that the Scottish Government has set out. The cabinet secretary has spoken about maintaining college places—we have made quite clear that we would maintain them at 2011-12 levels. We also have an emphasis on capital investment, and there is support for jobs and economic growth. However, members need not take my word for it; here are some of the remarks that were made after the cabinet secretary's announcement.

Robin Parker, of the National Union of Students, stated that the budget will deliver the

"best student support package in the UK",

including the minimum income guarantee of £7,250, the protection of the education maintenance allowance, the protection of further education bursaries at the higher level—which NUS Scotland had been campaigning for—and no tuition fees.

Andy Willox, of the Federation of Small Businesses, stated:

"Having highlighted the need to support the private sector to create new jobs on the scale now required, we welcome the £15m youth employment initiative".

He also said that

"new capital spending is good."

Liz Cameron, the chief executive of Scottish Chambers of Commerce, said:

"Scottish businesses welcome John Swinney's stated objective of prioritising economic growth"

and

"the continued focus that the Government places on the maximisation of capital spending and infrastructure investment."

Even the Confederation of British Industry Scotland hid away in its press release a number of positive announcements on construction, tourism, skills and incentives for firms to recruit young people.

Finally, Michael Levack, the chief executive of the Scottish Building Federation, said:

"The additional boost the Cabinet Secretary has given to the capital budget today is hugely welcome."

He also said that the UK Government must do more to rectify the current problem of the cut in capital investment

"and demonstrate its own commitment to stimulating economic recovery."

I point out that that statement was made before the cabinet secretary outlined in December the additional capital investment that will be made as a result of the consequentials.

To say that there is no support for the work that the Scottish Government is doing flies in the face of the testimony of those individuals and organisations.

However, we cannot ignore the elephant in the room. Willie Rennie spoke about the impact of the UK budget on low-income families. I invite him to look at his own Government's budget figures, which show quite clearly that the budget policies that his party is supporting in government in Westminster are to the detriment of people on low incomes. When he does so, I hope that he will come back to the chamber and admit that the UK Government's budget measures will negatively impact on the lowest paid in our society and on low-income households.

We must also factor in welfare reform. One of the great misconceptions around welfare reform is that it does not impact on those in work. However, we have already heard a lot of evidence—in the Welfare Reform Committee and in wider society—that many people in low-income jobs rely on benefits as well as the income that they receive. There will be negative impacts on them as a result of UK Government policies. Although the Scottish Government can use its powers to mitigate those negative impacts to some extent, we simply cannot wipe them all out. Welfare reform will be detrimental, and Mr Rennie must surely accept that.

Willie Rennie: I hear what Mark McDonald says about welfare reform, but what would he do instead? What changes would he make? Has he any idea of the kind of welfare system he would have?

Mark McDonald: The first principle of any welfare system should be that it is based on fairness. I see no fairness whatsoever in the approach that is being taken, because it is driven not by a fairness agenda but by a cost-cutting agenda. I do not think that that should be the primary focus. Indeed, if the UK Government were to spend half as much time pursuing tax loopholes and tax avoidance as it spends pursuing the most vulnerable and lowest paid in society, it might find little need for some of its draconian measures. Instead, it is all too quick to approach those in our society who do not have big pockets and make them the scapegoats for its failed economic approach.

What says the Labour Party in this Parliament? I understand that being in opposition can be an easy gig; all Opposition members have to do is stand up and promise everyone the moon on a stick to make themselves popular. However, it is not enough for the Labour Party simply to turn round and say that more money should be spent on housing, further education, transport and local government through unidentified efficiency savings and underspends—oh, and the Ryder cup trip, or what Glasgow Labour calls a pay-off. That is its suggestion for resolving all the difficulties faced by the Scottish Government. Frankly, that is nothing more than the politics of dishonesty. Unless it has some proper proposals to bring to the table, no one is going to take Labour seriously.

16:11

Patrick Harvie (Glasgow) (Green): I will address some of the economic context of the arguments that have been put forward in the debate and then look at certain specific issues, including colleges and climate change.

J M Keynes has been mentioned a couple of times, including by some SNP members who seem to be using the economic stimulus argument to justify and back the cabinet secretary's decision to transfer resources from revenue to capital. However, in making that case, some of them have, almost in the next breath, gone on to talk about the constraints on a Scottish budget, the lack of an ability to borrow and the fact that this is not a real independent Government. They know that I agree with the conclusions that we would like to reach about having all those powers in this Parliament. However, the reality is that, within a fixed budget and without the ability to borrow, that investment in capital cannot provide the classic Keynesian stimulus that they are talking about. We have the amount of money that is available to us and we can choose how and how not to spend it.

The other difference from what I think Keynes was talking about is that in this modern and aggressively globalised, free-market and deregulated world there is much greater leakage from capital expenditure into other parts of the global economy. We do not get all the benefits. I do not share all Labour's arguments about the Forth road bridge—after all, it supported the deregulation, the globalisation and the approach to procurement that are part of the current constraints on us. Nevertheless, that leakage happens.

I am not saying that there is no case for such a transfer of resources and the emphasis on capital expenditure. If we were looking at a dramatic investment in social rented housing, for example—

Mike MacKenzie: Will the member give way?

Patrick Harvie: I see that Mr MacKenzie is back from the wee lie-down that he had to go for because he was so fatigued by the cut and thrust of all the interventions he took. I will certainly let him in.

Mike MacKenzie: Does the member accept the OBR figures that suggest that, as Mr Swinney outlined in his speech, capital expenditure gives a multiplier of 1 while revenue expenditure has a multiplier of 0.6?

Patrick Harvie: I have said that I accept that there is a case for the transfer if the investment is made in the right places.

In his own speech, Mr MacKenzie said that part of the problem with economic recovery was a failure of demand. Instead of such a massive transfer from revenue to capital, I suggest the alternative approach of spending a bit more on the public sector pay bill and ensuring that low-paid workers who deliver the public services that all of us in Scotland depend on get at least something closer to real-terms stability in their pay packets. That money would be less likely to leak out into

other countries and would benefit local economies right across Scotland. I simply say that there is a case for such a move.

A lower level of transfer from revenue to capital would also give us the ability to protect other priorities such as colleges. I emphasise to the cabinet secretary that the concerns about college cuts have been raised not just by the NUS or by the many hundreds of students from around the country who have emailed all of us over recent weeks. When there is agreement across all the Opposition parties, which approach the issue from different political standpoints but which all agree on the need to look again at the college cuts, I think that the cabinet secretary should listen to that pressure and make every effort that he can to give some ground on the issue. I urge him to respond to that point in his closing speech.

In my last couple of minutes, I will raise the issue of climate change. Just before the summer recess last year, it was announced that the Government had failed to meet the first ever annual target under the Climate Change (Scotland) Act 2009. We can debate whether that was all the Government's fault, whether the Government could have done more or whether it was all due to the weather, but the point is that an amendment or revision is required to the Government's existing programme of policies and proposals under the 2009 act. That revision is required as soon as is reasonably practicable after the failure to meet the target has been announced, but here we are in January and no revision has yet been made. Without that revision, and without knowing what the Government's short-term policies are to make up the lost ground and get us back on track for the climate change targets, it is impossible to know whether the figures in the budget document adequately fund the Government's own climate change policies given that we do not know what those are.

Hanzala Malik (Glasgow) (Lab): Will the member give way?

Patrick Harvie: Sorry, I am in my last few moments so I do not have time.

The Government still has time—just about—to make that announcement and lay the revisions before Parliament in advance of the stage 3 vote on the Budget (Scotland) Bill. Indeed, I hope that that will happen in advance of stage 2 scrutiny. If the Government is able to do that, we will be able to judge whether the climate change targets are adequately funded in the budget that is before us. Until that happens, it is impossible to know, so, at this point, it is impossible for anyone who prioritises that issue to vote for the budget.

16:17

John Mason (Glasgow Shettleston) (SNP): We all agree that it is disappointing that we are in this position, where we have so much that we would like to do in society but we do not have the resources to do it. This afternoon we have once again heard a lot of criticism but very few positive suggestions.

The ideas on where the money might come from have included: efficiencies; savings; underspends; a review of IT; and fewer spin doctors. Those ideas are all really about tinkering around the edges. I have been there before, as those were the kinds of things that I used to say as a member of Glasgow City Council if I could not think of a better amendment to the council budget.

Some of the other ideas, such as on the NPD programme, appear to be more serious. However, the point seems to have been missed that the funding for the NPD programme is ring fenced for particular projects. The fact that one project is postponed does not mean that the funding is available for another project, as we heard at the Finance Committee the other week. On the Edinburgh to Glasgow train links, the point again seems to have been missed that, if we can do something better than what was proposed and do it more cheaply, that is a better investment. The aim is not to spend money for the sake of it—

Mary Scanlon: Will the member give way?

John Mason: Let me just finish this point.

We need to spend the money for the best. If we can get a longer train running between Edinburgh and Glasgow, that is a good opportunity, which I suggest will also be better for the environment. It could also be a cheaper option and a better option.

Mary Scanlon: I thank the member for giving way. I am sorry that I ran out of time to give some of my options, but the Auditor General did make a suggestion in relation to the merger of colleges. Rather than see the money to colleges cut, we would have hoped to see some savings from economies of scale from those mergers—but the Auditor General could not find any.

John Mason: Mike Russell will have to answer on that for himself. He is adamant that there will be savings from mergers, although I think that everyone accepts that they will occur not in year 1 but later on. The City of Glasgow College is an example of that.

The question, then, is not whether we would like more money to create more jobs—we can all answer yes to that—but whether there is another way to use the money that is available to create more jobs. Frankly, we have heard precious little about that this afternoon.

To be fair, a few members have suggested options. The Equal Opportunities Committee and Patrick Harvie have questioned the move to construction, although for slightly different reasons, as the committee is concerned that it favours men rather than women. That is, at least, a real alternative.

To give Gavin Brown his due, we accept that he is happy to cut universal benefits and use the money for other things. By contrast, we have not heard from Labour that it would cut universal benefits and use the money for other things.

Claudia Beamish: Does the member agree that an expanded retrofit programme, as proposed by Scottish Labour, would help to tackle fuel poverty, address climate change issues and—going back to the point that the member made about jobs—bring jobs to the local economy?

John Mason: Yes, but my point is that we would all like to spend money on those things. Nobody disagrees with the member that those are great things—absolutely, we should retrofit tenement flats in my constituency—but where is the money to come from? We must accept that we face tensions and choices.

Since Parliament last met, I have twice been at events at the Lighthouse in Glasgow—on Friday and Monday. Patrick Harvie was the only other member who was at both events. On Friday, we considered women, economic policy and constitutional change. We talked about the tensions and what can be done about the widening gap between men and women when more money is being put into construction, although I am not sure that it is absolutely certain that that helps men. Yesterday, the Joseph Rowntree Foundation gave a presentation on poverty, at which we were asked what we would do in two years to cut poverty. That immediately creates a tension between the short term and the longer term. There are other tensions. Should we put more into housing and take money from other capital investment? If we are to put more into colleges, does that mean taking money away from universities?

The Government has attempted to switch expenditure to a preventative approach. That way of thinking is welcomed by all parties, especially in committees, but we must accept that, if we are successful with preventative spending, it will probably mean fewer hospitals and prisons in the long run. We must all accept that we should not be defending hospitals or prisons if they are not needed, and yet the Opposition parties have a tendency to squeal when anything like that is suggested.

Michael McMahon: Will the member take an intervention?

The Deputy Presiding Officer (John Scott): The member is in his last minute.

John Mason: I have taken two interventions already, which I think is enough.

From a Glasgow point of view, I welcome the investment in the Commonwealth games and the office development at the Clyde Gateway, which aims to build up jobs in the east end. That is welcome.

It is always possible to suggest improvements to the way in which any Government decides to spend its money, but the Government's approach is in stark contrast to that of Glasgow City Council, which seems to be in a muddle these days. It was absolute madness to suggest spending £15 million on George Square when everyone else is tightening their belts. For the Labour councillors who run the Glasgow East Regeneration Agency, a charity that aims to help a needy area, to pay £500,000 to its chief executive is bordering on criminal.

The Deputy Presiding Officer: You should be drawing to a close, please.

John Mason: We have not heard any better suggestions, so I am more than happy to support the budget.

16:23

Margaret McDougall (West Scotland) (Lab): I will focus on housing, as the housing budget has been hit harder than any other.

The overall housing budget has gone from £1.3 billion in 2010 to 2012 to £770 million in 2013 to 2015, which means that house building will fall from 22,205 units to 18,000. No one can argue with the fact that that is a significant cut, and yet housing is expected to generate about £3 billion of economic activity and support up to 8,000 jobs each year, directly and indirectly, across the Scottish economy.

Much more could be done if the whole £331 million in capital spend that is available through the autumn statement consequentials was put into the housing budget in the next two years. That would do more to stimulate the economy and to move thousands of people into employment.

Kenneth Gibson: Does the member therefore believe that the £5.2 million that John Swinney has allocated to the Irvine Bay Regeneration Company should not go to it, but should instead be allocated, as Mr Macintosh suggested, to NPD projects?

Margaret McDougall: That should be paid through the Scottish Futures Trust. *[Interruption.]* I will not be lectured on housing by certain SNP members. In the statement that John Swinney

made today, his response to the Finance Committee on housing was a total of eight lines. That is how much the SNP thinks about housing.

The affordable housing supply budget faces a considerable cut. It is going from £235.5 million to £196.2 million, which is a total cut of £39.3 million, even when we take into account the additional £50 million Barnett formula money that was announced just before Christmas.

According to the Infrastructure and Capital Investment Committee report to the Finance Committee,

“The cut in housing capital is larger than the overall cut to capital spend in Scotland in the current review period”.

Mike MacKenzie: Will Margaret McDougall give way?

Margaret McDougall: I am sorry, but I have taken one intervention and do not have time to take another.

Although the draft budget goes a little way to improving the situation, the cuts to housing still remain higher than average.

The budget could also be devastating to housing associations, which are already struggling to fund new projects due to the cuts to the current housing association grant from £70,000 to £40,000 a unit. Many housing associations have argued that that level of HAG funding is unsustainable. It is all very well to say, as Alex Neil did last year, that housing associations should spend their reserves, but they can do that only once.

I agree with the Infrastructure and Capital Investment Committee, which called on the Scottish Government to review the HAG level and set out alternatives so that housing associations do not fall below planned development levels, which would jeopardise their sustainability.

According to the Scottish Federation of Housing Associations, small housing associations or those in rural areas simply cannot afford to develop with the lower grant levels. It is more costly to build in rural areas, and the cost of loans is more expensive for smaller associations because lenders are less willing to lend or the rates are prohibitive. That means that, in the vast majority of cases, development just stops, which leads in turn to a shortfall in housing stock in the areas that need it most.

With councils being cash strapped, cuts being made to HAG and lenders being risk averse, it is hard to see how we will achieve affordable housing building targets. However, according to Government figures, in the first year of the affordable housing programme, the target of 6,000

was exceeded by 800. That could be because the data is being presented differently.

Shelter notes:

“overall the number of starts has fallen from 4,800 in 2010-11 to 3,366 in 2011-12. Given the lag time in all that, I think that we are heading for a cliff edge with regard to new completions in the next few years.”

We need to be confident that we have the exact figures, so we need more transparency in the way that the figures and the associated data are collected, counted and presented. We need sufficient breakdowns of starts, completions and their timings to ensure that there is no double counting.

I could say much more on the travesty of cutting the housing budget so severely. We need a housing budget that is more sustainable, will stimulate the economy through the construction industry and will provide much-needed apprenticeships for young people, for which the industry is crying out.

We need to review HAG funding so that housing associations can build homes for those who are most in need where they are needed. We need to build houses, particularly to address the mismatch of housing that councils and housing associations face. We need to extend the retrofit programme to make houses more efficient and reduce fuel poverty.

This budget, which cuts the housing budget by higher than average, will not do that.

16:29

Jean Urquhart (Highlands and Islands) (Ind):

I will use the time that I have in this stage 1 debate to reflect on the difficult choices that the cabinet secretary and the Government have faced in preparing the budget.

I am mindful of Professor David Bell's conclusion in his report on the budget back in September:

“The Cabinet secretary is largely constrained by the settlement from the UK government, which in turn reflects its policy towards the UK's current fiscal deficit.”

In the face of those constraints, and as I said in the Finance Committee debate on the draft budget before Christmas, I fully support the cabinet secretary's budget for 2013-14 and the choices that he has made. We do not have the flexibility of normal countries as our budget is handed to us from on high. For example, restoring money to our colleges would mean cuts elsewhere—cuts that others have failed to outline or propose. In many instances, the choice that we have is Sophie's choice, where money that could be used in so many different areas cannot be allocated to them all.

I was pleased to see the cabinet secretary's thoughtful and considered written response to the Finance Committee's report, which was debated in the chamber on 20 December, as the response answered many of the points that were raised in our report. I was particularly heartened by the information that the Government outlined on the economic impact of public sector investment in next generation broadband, with almost 14,000 indirect jobs being created between 2013 and 2028. That might seem a long period of time, but the ambition is welcome.

As a Highlands and Islands representative, I very much welcome the cabinet secretary's recognition of the need to deliver improved connectivity in areas where next-generation speeds are not yet possible. A reliable broadband service in the Highlands and Islands is the greatest gift that the budget could deliver to the region, as it would open up opportunities for small and medium-sized enterprises that are currently at a disadvantage due to their geographic location. It is no use having superfast broadband in Kilmarnock if Kiltarlity does not even have a dial-up service. The Government's commitment to all parts of Scotland is to be lauded.

I was also glad to hear, in response to recommendations that were made by the Economy, Energy and Tourism Committee, more details of the work that the Government is undertaking on public procurement. As Jim and Margaret Cuthbert attested to in their evidence to the committee, Germany's strategy of breaking down larger contracts into smaller chunks to enable small and medium-sized enterprises to bid for them is eminently sensible. Given the preponderance of SMEs in the Scottish economy, I am keen for the Government to continue to consider the idea as part of its bid to make the most of what we have.

As a member of the Finance Committee, which agreed its report on the budget, I hoped to see the helpful and constructive tone of our evidence-taking sessions extend to the chamber. I think that, in taking evidence from various organisations and other committees, every member of the committee was acutely aware of the difficult decisions that are being faced in these difficult times. I am convinced that the cabinet secretary has produced the best possible deal for Scotland, but I look forward to hearing positive, constructive and costed suggestions from the Opposition parties on how they would propose to improve it.

The Deputy Presiding Officer: We now move to the closing speeches and I call Gavin Brown. You have six minutes or thereabouts, Mr Brown.

16:33

Gavin Brown: Thank you, Presiding Officer. I will respond to a couple of points that were made in the debate before I move on to focus specifically on the NPD model, which really ought to be examined more closely than it has been in some of the soundbites that we have heard thus far, particularly in responses from the Government members.

We heard an interesting contribution from the convener of the Finance Committee, Mr Kenneth Gibson, who was back to his best angry form in contrast to the conciliatory speeches that he has given in recent weeks. I want to respond to one point that he made. He said that a £7 million increase from the UK Government for next year's budget hardly represents generosity. I simply point out that, when he and every other back-bench MSP in his group talk about savage cuts the likes of which we have never seen before, it is worth noting that there is a cash increase in next year's budget.

On top of that, if we look at total Scottish Government spend next year, we see that the figure is just over £34 billion. Let us compare that £34 billion with the £32 billion that the SNP Government had during its first full year in 2008-09. Although this budget would have been higher if things had been better and inflation had been taken into account, there is still a £2 billion increase.

Kenneth Gibson: Will the member give way?

Gavin Brown: I have namechecked Kenneth Gibson so I feel obligated to take an intervention from him.

Kenneth Gibson: Mr Brown makes a ludicrous point. We have had inflation over that period of up to 5.2 per cent a year, so it is almost like saying that, because people were carrying their wages about in wheelbarrows in the years of the Weimar republic, they were much better off because their cash income had increased. Surely it is real terms that matter.

Gavin Brown: I merely make the point to reflect that a £2 billion increase can hardly be described as "savage cuts", as Kenneth Gibson and most of his colleagues try to put it.

College cuts also featured heavily in speeches across all parties in the chamber, apart from the Scottish National Party, whose members all seem to be very happy and satisfied with those cuts.

Chic Brodie was particularly helpful to the Opposition cause when he said that those who complain are simply "bleating" about cuts and shouted out, "I say this"—with some kind of pseudo-profundity—"any country that does not change and manage efficiency will die." If the

cabinet secretary listens to Opposition members and increases the colleges budget, will Mr Brodie go along with that and welcome it at stage 3 of the budget, or will he criticise Mr Swinney for listening to those who were bleating during the course of the debate?

Let us return to the NPD model and to capital spend. This Government has talked a very good game about capital spend for the past couple of years, but it has not been quite so strong on delivery. In September, when the budget was announced, the cabinet secretary not only failed to tell us that things had been delayed—not by months, but by years—but he actually said that he was “accelerating” NPD. Not only was the NPD pipeline delivering but he was accelerating what the pipeline was achieving, which is a curious interpretation of “accelerating”.

The cabinet secretary went on to say that he is “not disappointed” at all with the results and that the NPD model is so good that others want to copy it.

In response to the Finance Committee yesterday, the Scottish Government quite rightly made the point that an

“additional £100 million of capital spending supports around 1,400 jobs in the Scottish economy”.

How does that compare with the figures on the ground? In 2011-12, the Scottish Government said that £50 million to £150 million would be spent through the NPD pipeline. How much was spent? Absolutely nothing. I ask the cabinet secretary: based on his £100 million figure, how many jobs did the inactivity and sloth-like performance of the Government cost the Scottish economy?

In 2012-13, the Government said that approximately £350 million would be spent. It turned out that that figure would not be £350 million but £20 million. Of course, last week the Finance Committee heard that it might not be £20 million in practice—it remains to be seen. If we get £20 million instead of £350 million, how many jobs will that cost the Scottish economy?

We have had every excuse under the sun for that inactivity: allegedly, it was the Aberdeen western peripheral route but, from the Government’s response to the Finance Committee yesterday, that turns out not to be correct. We heard Kenneth Gibson say that everybody knows that it takes 18 months for an NPD project to come on site—everybody apart from the Scottish Government, it would seem. The NPD pipeline was announced in November 2010, which was 26 months ago. In that time, we saw nothing in the first year, we saw £20 million in the second year and next year it is predicted that, at best, we will see about half of what the Government projected.

That is not good enough. This Government has some significant movement to make over the next couple of weeks before stage 3.

16:39

Rhoda Grant (Highlands and Islands) (Lab): I agree with much that has been said in the debate. I believe that the UK Government is not managing the economy correctly and that austerity is not working, but neither are the SNP Government’s policies. John Swinney says that this is a budget for employability and recovery, but it encourages neither. The SNP cannot insist that its budget will create jobs and provide economic growth and then blame the UK Government when it fails to do either.

We have asked again and again for investment in housing, because it creates homes, jobs and economic growth. That is what the cabinet secretary said this morning. I agree with what he said, and it is worth repeating.

In its manifesto, the SNP promised 6,000 socially rented houses per annum. From Mark McDonald’s comments earlier, I gather that that may have been wanting the moon on a stick. The SNP has not provided 6,000 new socially rented houses per annum; indeed, it has cut housing funding by £66 million in the past year.

Housing benefit changes at the UK level will mean that we will have a shortage of smaller houses that will be affordable to rent. Neil Findlay pointed out that, with those benefit changes, people face losing their homes, but we are not building homes to take their place.

Margaret McDougall mentioned Shelter’s comments. It said:

“we are heading for a cliff edge with regard to new completions in the next few years.”

It talked about the fall in the number of completions between 2010-11 and 2011-12, which is a huge number if we want to meet the need.

Margaret McDougall also spoke about the cuts in the HAG. That means that it will be more expensive—in fact, it will be almost impossible—to develop houses in rural areas. The same is true for houses with disabled access, which are much more expensive to build. Margaret McDougall talked about a drop in the HAG from £70,000 to £40,000. I know from experience in my Highlands and Islands constituency that houses in rural areas—small units without economies of scale—could have previously qualified for up to £120,000 in HAG, which made them affordable to build. That is now missing. Indeed, housing associations in the area cannot even put in a bid to build new houses.

We also need to use housing funding for retrofits, not only for our carbon targets, which we have to meet. We need to invest in renewable energy generation and to deal with demand if we are going to meet those targets.

We must look at fuel poverty, which we can tackle only by dealing with demand. The Government used its majority in the Economy, Energy and Tourism Committee to commit no less than £100 million to be spent on fuel poverty. The non-governmental organisations in the area were clear that, at the very least, £200 million needed to be spent, but the Government was not willing to spend even that £100 million within its own budget. Indeed, there has been a cut.

Kenneth Gibson: Rhoda Grant mentioned £100 million to tackle fuel poverty. Mr Macintosh talked about underspends, savings and efficiencies. How much would be raised by those measures? What would that be spent on in its totality, other than on fuel poverty alleviation?

Rhoda Grant: I am sorry, but I did not pick up what the member said. Will he repeat it?

Kenneth Gibson: I apologise if I was not clear.

Mr Macintosh was quite vague on resources. He said that money would be raised through underspends, savings and efficiencies. How much would be raised through those methods? What would it be spent on, other than £100 million being spent on fuel poverty alleviation?

Rhoda Grant: Mr Macintosh was very clear about where the efficiencies would be spent. That would be on education. Housing money would come from the budget consequentials. He was very clear about where the spending was coming from in his opening speech, which I will not go back over.

We need housing to create jobs. Construction can lead us out of the recession, but we need to create jobs to do that. We also need to create apprenticeships for young people, and we need to ensure that the procurement of socially rented housing is carried out properly so that we gain the full impact of the jobs. That is why we must invest in housing. We must do so to create jobs and sustainable homes, and deal with fuel poverty.

We have talked about investment in education. One in four young people is out of work, but there are 80,000 fewer college places. We need to replace the £34 million in the college budget and we need to create jobs for young people and ensure that they have the skills to fill those jobs.

The Economy, Energy and Tourism Committee asked the cabinet secretary whether his policies were working to deal with youth unemployment and whether the college funding and his funding to

support youth employment were creating jobs for young people. His answer was:

"It is always difficult to assess the contribution of individual policies to improvements in employment".

The truth is that the cabinet secretary does not know whether his policies will deliver one job, so that was a very worrying statement, especially when he says that this is a budget for employment.

Helen Eadie mentioned EU programmes that were not being drawn down, one of which is the youth in action programme. Surely that could be used for youth unemployment, because although €885 million is available to be drawn down, only €2.5 million has been drawn down.

We need to address college funding. As Mary Scanlon said, college education addresses inequalities. It also gives young people the skills that they need to find jobs. What was clear from the evidence that the committee received was that young people who were gaining jobs were overqualified for those jobs, while those without skills were destined to a life of unemployment.

Roderick Campbell (North East Fife) (SNP): We have not heard much so far about the capital estate. At the Justice Committee, we heard that there is a £57 million capital maintenance backlog in the Scottish estate. I am not sure whether the Labour Party supports the additional £10 million that is being put towards the capital estate budget.

Rhoda Grant: That is another thing that NPD should address. On that point, it is interesting that the NPD budget is being cut by £333 million in 2012-13 and by £348 million in 2013-14, but is increasing by £199 million in 2014-15; I dare say that that coincides with another event that year. If that is the case, it is brutal that the Government is playing politics with people's jobs and capital investment in this country. Reinstating the cuts to the Edinburgh to Glasgow improvement programme would communitise out of Network Rail's regulatory asset base, not the Scottish Government's budget, yet the Government refuses to do that, again failing economic growth.

As other members said, improvements to connectivity would improve the local economy.

Kevin Stewart (Aberdeen Central) (SNP): Will the member give way?

Rhoda Grant: No. I have taken many interventions and I have much to cover.

I refer the cabinet secretary to Helen Eadie's interesting speech. She went through a range of funding packages available through Europe that the Scottish Government could have drawn down. Although that is funding that may need match-funding, it is already being paid out of the Scottish

budget. Had the Government matched that funding with European funding, it would have freed up income for use in other projects. We are losing out and I urge the cabinet secretary to take up Helen Eadie's recommendation that he form a task group to look at that.

We looked at local government and business rates. I heard the cabinet secretary say in his opening speech that he would give business rates relief on empty new-build properties. However, he has cut business rates relief on existing empty properties. I am not quite sure how he squares that circle. Maybe he needs to make sense of that policy so that we understand where he is coming from.

We want a budget for jobs, growth and fairness but the SNP is only cutting housing and calling for a written constitution in which people have a right to a home. I believe that having a home is a human right and that the Government should put money in the budget to provide for that. Actions speak louder than words.

16:49

John Swinney: In the debate on the Finance Committee's report that took place just before the Christmas recess, I made a point, which was largely inspired by the contribution of my colleague Jean Urquhart, about the importance of ensuring that the nature of our contributions to this debate reflects the seriousness and substance of the issues that we wrestle with about the public finances.

Jean Urquhart has again reminded Parliament of that fact. It might have been helpful if she had spoken significantly earlier because that might have enhanced the quality of the debate. The debate has not been particularly enhanced by some of speeches about the choices that we face. Plenty of folk said that we have difficult choices to make—I wrestle constantly with those difficult choices—but if members are to present alternative choices, those proposals must last an afternoon's scrutiny before we get anywhere near to putting them into a budget proposal.

I am sorry to say—I am not normally pessimistic—that the quality of the debate reached a new low when Margaret McDougall said that the importance that the Government attaches to the housing issues is demonstrated by the fact that we only spent eight lines talking about it in the response to the Finance Committee report. If we are now to be judged by the number of words that we use to indicate how important a particular issue is, we have reached a new level of total absurdity and banality.

A more substantial and interesting speech came from Helen Eadie. I assure Mrs Eadie at the outset

that the Government takes seriously accessing European Union funds and endeavours to maximise the accessibility of those funds. I do not, for a moment, suggest that there is not a programme or a project in which other approaches or ideas could be developed, so I assure her that the Government will look carefully at the material that I am aware has been presented to the European and External Relations Committee and consider any issues about how we might strengthen our approach to accessing European Union funds, should such opportunities arise as a consequence of that scrutiny.

Mr McMahon's was another speech from the Opposition that was quite interesting. He quoted the SCVO reflection on the debate that it was important to marshal a long-term and holistic view of the economy. He will not be surprised to hear that I consider that the Government has a long-term holistic view of the economy. In essence, that has been created by establishing a Government economic strategy in 2007, sticking broadly to that direction of travel—I will come on to the principal areas of activity in that strategy—but being willing to challenge that and to reflect on its contents, given the changing circumstances that we have faced since 2007.

That holistic view of the economy recognises, first, that capital investment is vital to create stronger economic infrastructure that is of long-lasting benefit to the country; secondly, investment in skills and educational development capabilities in our country, which is central to the Government's proposals; thirdly, an agenda on public sector reform, to ensure that our public services remain sustainable, which is what our preventative spend agenda, the integration of public services at local level and the person-centred approach in our public service are all about; and fourthly, the encouragement and nurturing of a dynamic third sector, particularly in social enterprise activity, becoming a more significant player in the delivery of our public services. Those are what shape and inform the Government's agenda and why I consider that the proposals that are in front of Parliament reflect a budget that is focused on growth.

Of course, the debate has concentrated on some of the criticisms and arguments that have been advanced by others, too. Mary Scanlon made a heart-felt plea—as she does often and consistently—about health maintenance. In February last year, the Government allocated an additional £60 million over three years to support health maintenance; in June 2012, we accelerated £15 million into 2013 from the 2013-14 budget, and we added a further £10 million of maintenance activity into the health service.

I point out to Mrs Scanlon, as gently and delicately as I can do, that our ability to invest more in NHS maintenance would be assisted if I was not wrestling with the 26 per cent cut in the capital budget that is given to this Government by the UK Government. I say that not to make a pejorative comment but to demonstrate that difficult choices have to be made. Members might suggest that there is an easy way to magic away difficulties, but when we are wrestling with such funding cuts things are not so straightforward.

Mary Scanlon: I was the only member who raised the issue, which came up in the Public Audit Committee. The director general for health does not regard the maintenance backlog as a difficult choice. He such asys:

“High risk elements must be addressed as an urgent priority in order to prevent catastrophic failure, major disruption to clinical services or deficiencies in safety liable to cause serious injury and/or prosecution.”

That is not a difficult choice but a top, urgent priority.

John Swinney: Perhaps Mrs Scanlon's Government should have thought about that when it was axing the Scottish Government's capital budget.

That brings me on to suggestions that Labour members advanced. Ken Macintosh argued that we should allocate £330 million of capital consequentials that we received from the UK Government to housing. If we were to put all that money into housing, a whole range of projects would have to go by the wayside, such as the £45 million of local government expenditure. Mrs Eadie encouraged us to give resources to local government so that it can match-fund capital investment by the Government. That could not happen if Mr Macintosh had his way and the £45 million was taken away from local government.

What about the money that has gone into cycling infrastructure, about which members are always writing to Mr Brown and me? Should that be taken away? What about the money for trunk road maintenance? Members are always asking us about that, too. What about the investment in the further and higher education sector, about which I thought that all members were concerned? What about the regeneration projects in Dalmarnock, Irvine and Ardrossan? What about the Clyde Gateway? Should we just not give the money to that project, about which members are always asking us? Would Mr Kelly enthusiastically support the withdrawal of money from the Clyde Gateway project, with all that that generates?

Members want us to increase resources for the Edinburgh to Glasgow improvement programme. Rhoda Grant came out with a magnificently sophisticated financial analysis when she said that

the money does not come from the Scottish Government's budget. You bet it comes from the Scottish Government's budget! The reason it comes from the Scottish Government's budget is that we have to pay back, in revenue finance, all that investment. Perhaps that is what the Labour Party was thinking when it lumbered us with £983 million in repayments every single year from PFI, when it was splashing the cash and not thinking about who would pay for all that.

Ken Macintosh: I remind Mr Swinney that borrowing against the rail regulatory asset base was the SNP's election manifesto promise, not Labour's. We are simply asking him to deliver on his election manifesto promise. I ask him this: has the NPD budget been cut, or has it not been cut? Has it not lost more than £300 million in each of two successive years? Could not that money be used to fund the long list of projects that Mr Swinney said could not go ahead if our demands were met?

John Swinney: Thank goodness Mr Macintosh is not in charge of our finances, given that intervention. The NPD programme has not been cut; there will be £2.5 billion of NPD expenditure. The revenue costs associated with supporting that will be delivered, along with the PFI repayments that I inherited and the RAB payments that we must make, within the 5 per cent threshold of our revenue budget that is allocated to support revenue finance projects. Who introduced that 5 per cent cap? I did, because no one before me had even bothered to think about putting in a revenue cap to protect our long-term budget, as this Government has set about doing.

I want an open debate with colleagues about how we resolve such questions—Mr Rennie captured that fairly and squarely. However, we have to ensure that we are dealing with the reality of the situation. A balanced budget is in front of the Parliament. If members want to suggest alternative choices, I am happy to consider them. However, as Mr Macintosh has demonstrated today, those alternatives will have to last for more than a couple of hours in an afternoon. They must be able to make their way into legislation, to produce a robust, balanced budget, as the Government has done and always will do.

Decision Time

17:00

The Deputy Presiding Officer (John Scott):

There is one question to be put as a result of today's business.

The question is, that motion S4M-05407, in the name of John Swinney, on the Budget (Scotland) (No 2) Bill, be agreed to. Are we agreed?

Members: No.

The Deputy Presiding Officer: There will be a division.

For

Adam, George (Paisley) (SNP)
 Adamson, Clare (Central Scotland) (SNP)
 Allan, Dr Alasdair (Na h-Eileanan an Iar) (SNP)
 Beattie, Colin (Midlothian North and Musselburgh) (SNP)
 Biagi, Marco (Edinburgh Central) (SNP)
 Brodie, Chic (South Scotland) (SNP)
 Brown, Keith (Clackmannanshire and Dunblane) (SNP)
 Burgess, Margaret (Cunninghame South) (SNP)
 Campbell, Aileen (Clydesdale) (SNP)
 Campbell, Roderick (North East Fife) (SNP)
 Coffey, Willie (Kilmarnock and Irvine Valley) (SNP)
 Constance, Angela (Almond Valley) (SNP)
 Crawford, Bruce (Stirling) (SNP)
 Cunningham, Roseanna (Perthshire South and Kinross-shire) (SNP)
 Dey, Graeme (Angus South) (SNP)
 Don, Nigel (Angus North and Mearns) (SNP)
 Doris, Bob (Glasgow) (SNP)
 Dornan, James (Glasgow Cathcart) (SNP)
 Eadie, Jim (Edinburgh Southern) (SNP)
 Ewing, Annabelle (Mid Scotland and Fife) (SNP)
 Ewing, Fergus (Inverness and Nairn) (SNP)
 Fabiani, Linda (East Kilbride) (SNP)
 Finnie, John (Highlands and Islands) (Ind)
 FitzPatrick, Joe (Dundee City West) (SNP)
 Gibson, Kenneth (Cunninghame North) (SNP)
 Gibson, Rob (Caithness, Sutherland and Ross) (SNP)
 Grahame, Christine (Midlothian South, Tweeddale and Lauderdale) (SNP)
 Hepburn, Jamie (Cumbernauld and Kilsyth) (SNP)
 Hyslop, Fiona (Linlithgow) (SNP)
 Ingram, Adam (Carrick, Cumnock and Doon Valley) (SNP)
 Keir, Colin (Edinburgh Western) (SNP)
 Kidd, Bill (Glasgow Anniesland) (SNP)
 Lochhead, Richard (Moray) (SNP)
 Lyle, Richard (Central Scotland) (SNP)
 MacAskill, Kenny (Edinburgh Eastern) (SNP)
 MacDonald, Angus (Falkirk East) (SNP)
 MacDonald, Gordon (Edinburgh Pentlands) (SNP)
 Mackay, Derek (Renfrewshire North and West) (SNP)
 MacKenzie, Mike (Highlands and Islands) (SNP)
 Mason, John (Glasgow Shettleston) (SNP)
 Matheson, Michael (Falkirk West) (SNP)
 Maxwell, Stewart (West Scotland) (SNP)
 McAlpine, Joan (South Scotland) (SNP)
 McDonald, Mark (North East Scotland) (SNP)
 McKelvie, Christina (Hamilton, Larkhall and Stonehouse) (SNP)
 McLeod, Aileen (South Scotland) (SNP)
 McLeod, Fiona (Strathkelvin and Bearsden) (SNP)
 McMillan, Stuart (West Scotland) (SNP)
 Neil, Alex (Airdrie and Shotts) (SNP)

Paterson, Gil (Clydebank and Milngavie) (SNP)
 Robertson, Dennis (Aberdeenshire West) (SNP)
 Robison, Shona (Dundee City East) (SNP)
 Russell, Michael (Argyll and Bute) (SNP)
 Salmond, Alex (Aberdeenshire East) (SNP)
 Stevenson, Stewart (Banffshire and Buchan Coast) (SNP)
 Stewart, Kevin (Aberdeen Central) (SNP)
 Sturgeon, Nicola (Glasgow Southside) (SNP)
 Swinney, John (Perthshire North) (SNP)
 Thompson, Dave (Skye, Lochaber and Badenoch) (SNP)
 Torrance, David (Kirkcaldy) (SNP)
 Urquhart, Jean (Highlands and Islands) (Ind)
 Watt, Maureen (Aberdeen South and North Kincardine) (SNP)
 Wheelhouse, Paul (South Scotland) (SNP)
 White, Sandra (Glasgow Kelvin) (SNP)
 Wilson, John (Central Scotland) (SNP)
 Yousaf, Humza (Glasgow) (SNP)

Against

Baillie, Jackie (Dumbarton) (Lab)
 Baker, Claire (Mid Scotland and Fife) (Lab)
 Baker, Richard (North East Scotland) (Lab)
 Baxter, Jayne (Mid Scotland and Fife) (Lab)
 Beamish, Claudia (South Scotland) (Lab)
 Bibby, Neil (West Scotland) (Lab)
 Boyack, Sarah (Lothian) (Lab)
 Chisholm, Malcolm (Edinburgh Northern and Leith) (Lab)
 Dugdale, Kezia (Lothian) (Lab)
 Eadie, Helen (Cowdenbeath) (Lab)
 Fee, Mary (West Scotland) (Lab)
 Ferguson, Patricia (Glasgow Maryhill and Springburn) (Lab)
 Findlay, Neil (Lothian) (Lab)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (East Lothian) (Lab)
 Griffin, Mark (Central Scotland) (Lab)
 Henry, Hugh (Renfrewshire South) (Lab)
 Hume, Jim (South Scotland) (LD)
 Kelly, James (Rutherglen) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Macdonald, Lewis (North East Scotland) (Lab)
 Macintosh, Ken (Eastwood) (Lab)
 Malik, Hanzala (Glasgow) (Lab)
 Martin, Paul (Glasgow Provan) (Lab)
 McArthur, Liam (Orkney Islands) (LD)
 McCulloch, Margaret (Central Scotland) (Lab)
 McDougall, Margaret (West Scotland) (Lab)
 McInnes, Alison (North East Scotland) (LD)
 McMahon, Michael (Uddingston and Bellshill) (Lab)
 McMahon, Siobhan (Central Scotland) (Lab)
 McNeil, Duncan (Greenock and Inverclyde) (Lab)
 McTaggart, Anne (Glasgow) (Lab)
 Murray, Elaine (Dumfriesshire) (Lab)
 Pearson, Graeme (South Scotland) (Lab)
 Pentland, John (Motherwell and Wishaw) (Lab)
 Rennie, Willie (Mid Scotland and Fife) (LD)
 Scott, Tavish (Shetland Islands) (LD)
 Simpson, Dr Richard (Mid Scotland and Fife) (Lab)
 Smith, Drew (Glasgow) (Lab)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Stewart, David (Highlands and Islands) (Lab)

Abstentions

Brown, Gavin (Lothian) (Con)
 Carlaw, Jackson (West Scotland) (Con)
 Fergusson, Alex (Galloway and West Dumfries) (Con)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Goldie, Annabel (West Scotland) (Con)
 Harvie, Patrick (Glasgow) (Green)
 Johnstone, Alex (North East Scotland) (Con)
 Johnstone, Alison (Lothian) (Green)
 McGrigor, Jamie (Highlands and Islands) (Con)

Milne, Nanette (North East Scotland) (Con)
Scanlon, Mary (Highlands and Islands) (Con)
Smith, Liz (Mid Scotland and Fife) (Con)

The Deputy Presiding Officer: The result of the division is: For 66, Against 41, Abstentions 12.

Motion agreed to,

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

FINANCE COMMITTEE
EXTRACT FROM THE MINUTES

4th Meeting, 2013 (Session 4)

Wednesday 30 January 2013

Present:

Gavin Brown	Malcolm Chisholm
Kenneth Gibson (Convener)	Jamie Hepburn
John Mason (Deputy Convener)	Michael McMahon
Jean Urquhart	

Budget (Scotland) (No.2) Bill: The Committee considered the Bill at Stage 2.

Section 1, schedule 1, section 2, schedule 2, section 3, schedule 3, sections 4 to 11 and the long title were agreed to without amendment.

The Committee completed Stage 2 consideration of the Bill.

Scottish Parliament

Finance Committee

Wednesday 30 January 2013

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

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

The Convener (Kenneth Gibson): Good morning and welcome to the fourth meeting in 2013 of the Scottish Parliament's Finance Committee. I remind all those present to turn off mobile phones, BlackBerrys, tablets and so on.

Agenda item 1 is consideration of the Budget (Scotland) (No 2) Bill at stage 2. Members have a note by the clerk. I welcome the Cabinet Secretary for Finance, Employment and Sustainable Growth, who is accompanied by Andrew Watson, Terry Holmes and Janet Egdell, all from the Scottish Government's finance directorate. I invite the cabinet secretary to make an opening statement.

The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney): I begin by acknowledging the work of the Finance Committee during this year's budget process. I have given careful consideration to the points and recommendations that are made in the committee's report on the budget and I submitted my formal response to the committee on 21 January.

Today, we are focusing on the content of the Budget (Scotland) (No 2) Bill, as approved in principle by Parliament last week. As members will be aware, there are a number of differences in the presentation of budget information between the draft budget and the budget bill. To assist the committee, I will explain the main differences with reference to table 1.2, on page 3 of the supporting document. Column A sets out by portfolio the 2013-14 budget, as shown in table 2.01 of the draft budget document that was published last September. Column J in table 1.2 sets out the draft budget as it needs to be restated for the budget bill, and columns C to I provide details of the adjustments, including the necessary statutory adjustments to meet the requirements of the parliamentary process.

There are two substantive funding changes to the spending plans that are outlined in the draft budget. First, the budget reflects the impact of my statement to Parliament on 19 December 2012 regarding the deployment of £164.3 million of additional capital departmental expenditure limit in 2013-14. That is recorded at column H. In addition, as I informed Parliament during the stage

1 debate last week, the local government budget has been adjusted to include the transfer of £328 million to the Scottish Government as a result of the arrangements that surround the changes to council tax benefit. The transfer relates to the devolution of responsibility in the area to Scotland and does not increase the discretionary spending power that we have in 2013-14.

I point out that we are addressing some of the impacts of welfare reform in a number of interventions that we are making along with our local government partners, including funding of around £50 million to increase the Scottish welfare fund and to plug the funding gap that the United Kingdom Government has created through its handling of the abolition of council tax benefit.

I come to the other adjustments that are set out. There is the exclusion of £78.6 million of non-departmental public body non-cash costs, which do not require parliamentary approval. Those relate mainly to charges for depreciation and impairments and include bodies in our NDPB community such as the national institutions, Scottish Enterprise and Scottish Natural Heritage. The adjustments also exclude judicial salaries and Scottish Water loan repayments to the national loans fund and the Public Works Loan Board, which again do not require parliamentary approval. There is the inclusion of police loan charges that are to be approved as part of the budget bill.

There are technical accounting adjustments to the budget of £92.2 million, reflecting differences in the way that Her Majesty's Treasury budgets for those items and how we are required to account for them under international financial reporting standards-based accounting rules. IFRS-based accounting was introduced across central Government from 1 April 2009. I remind the committee that the conversion to an IFRS basis is spending-power neutral.

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

There is a restatement of the specific grants that are included in the overall 2013-14 local authority settlement and which remain under the control of the appropriate cabinet secretary with responsibility for those policies. Those are also excluded. For example, housing and hostel support grants remain the responsibility of the Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities. Full details

of all the grants that are treated in this way are included in the summary table on page 74 of the supporting document. I again make clear that these are, in essence, technical adjustments and do not in any way change the budget that has been scrutinised by this and other committees and approved in principle by the Parliament.

We have taken the opportunity that is presented by the bill to reflect a small number of budget transfers, to provide clarity on the starting point for portfolios. The most significant budget transfer is a £14.8 million transfer from the local government portfolio to the rural affairs and the environment portfolio, to support the next generation digital fund.

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

As I made clear to Parliament last week, I remain committed to an open and constructive approach to the 2013-14 budget process and continue to seek agreement on a budget that will meet the needs of the people of Scotland in challenging times. I hope that members of the committee found my remarks helpful, and I will be happy to answer questions.

The Convener: Thank you, cabinet secretary. Do members have questions?

Michael McMahon (Uddingston and Bellshill) (Lab): Thank you, cabinet secretary. I seek clarification on the funding for money advice that was announced last week. Is the £5.4 million made up of consequentials from the £65 million that the Cabinet Office made available, which was match funded by the Big Lottery Fund? Is a £1.7 million consequential included in the £5.4 million?

John Swinney: As you are aware, the Government receives consequentials from the UK Government for a range of factors across different areas of spending activity. The UK Government has acknowledged that the Scottish Government is free to allocate consequentials as it chooses to do—that is how Administrations have consistently operated, and the Scottish Government is no different. Over the years, there have been a number of examples of consequentials being provided as a consequence of decisions of the United Kingdom Government; the Scottish Government is free to allocate such moneys as we see fit.

The announcement last week was, in essence, about the allocation of additional resources for advice services in 2013-14 and 2014-15—also in

2012-13. We set out our approach to that in last week's announcement.

Michael McMahon: You have said that it is your practice not to ring fence such funding. Will the money go to local authorities for distribution or will it be centrally disbursed?

John Swinney: The funding distribution arrangements beyond the headline allocation of £1.7 million have not yet been set out. Discussions are going on between the Deputy First Minister and relevant organisations about the most appropriate method of taking that forward, so the precise distribution of the £1.7 million is not confirmed at this stage.

Michael McMahon: Thank you.

Gavin Brown (Lothian) (Con): I have a couple of technical questions. There are three entries in column C of table 1.2. The £328 million for local government is explained on the previous page, as is the £27.8 million for infrastructure, which relates to Scottish Water loans. Can you explain the third entry, which is -£24.1 million? It is in the justice row.

John Swinney: It relates to judicial salaries, which do not require parliamentary approval.

Gavin Brown: The reason I asked—*[Interruption.]*

John Swinney: I am being reminded that the figure also includes police loan charges.

Gavin Brown: Okay. I read the bit on page 2 where it says

“Judicial Salaries of £30.3m appear in the Draft Budget but are excluded from the Budget Bill”,

but I could not tie up that £30.3 million with the figure of -£24.1 million in the table.

John Swinney: In essence, the -£24.1 million figure is a net figure, taking account of the gross figure of £30.3 million in relation to judicial salaries, with the netting of the police loan charges, which are in the order of £5.8 million.

Gavin Brown: I move on to my second technical point. In table 1.2 in the supporting document, column J gives the restated budget taking into account adjustments and consequentials from 5 December. In the rest of the document, we have figures for 2012-13 and then figures for 2013-14 for each of the portfolios, and those are then broken down into the parts of each portfolio. Do the 2013-14 figures throughout the rest of the document reflect the Barnett consequentials or are they the initial budget figures, if you like?

John Swinney: On 2013-14? They—

Gavin Brown: If I choose a specific page, that might help. On page 17, which is on the health and wellbeing budget, at the top on the right-hand side under "Total", we have £12,043.1 million. Was that the initial budget or is it the budget now, taking into account the Barnett consequential, adjustments and additions and so on?

John Swinney: A table such as the one on page 17 essentially reconciles to table 1.2, although in saying that, there will be various factors in there, such as the way in which capital is accounted for and what shows on our balance sheet. However, that takes into account capital consequential.

Terry Holmes (Scottish Government): Page 16 gives a summary of the health portfolio—

The Convener: Excuse me. Only the cabinet secretary is allowed to speak during stage 2 of the budget bill.

Terry Holmes: Sorry.

John Swinney: Those tables will reconcile with table 1.2.

Gavin Brown: Finally, if we take page 17 again, in comparing the total figure for 2013-14 with 2012-13, is the 2012-13 figure the final figure for that year or the initial budget figure? Does it include consequential and so on?

John Swinney: That is the original budget approved by Parliament in the budget bill process as at February 2012. There will be subsequent changes to that through the autumn budget revision, which will not be shown in 2012-13, and that is the only other formal parliamentary process that could have been undertaken to change those 2012-13 budget totals. Obviously, there is a spring budget revision yet to come.

The Convener: There appear to be no further questions from committee members, so we turn to the formal proceedings on the bill.

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

Members *indicated agreement.*

The Convener: Thank you.

Section 1 agreed to.

Schedule 1 agreed to.

Section 2 agreed to.

Schedule 2 agreed to.

Section 3 agreed to.

Schedule 3 agreed to.

Sections 4 to 11 agreed to.

Long title agreed to.

The Convener: That ends stage 2 consideration of the bill. I thank the cabinet secretary and his officials. I will allow a couple of minutes for them to leave and for the new witnesses to be seated.

09:43

Meeting suspended.

EXTRACT FROM THE MINUTES OF PROCEEDINGS

Vol. 2, No. 70 Session 4

Meeting of the Parliament

Wednesday 6 February 2013

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

Budget (Scotland) (No.2) Bill: The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney) moved S4M-05550—That the Parliament agrees that the Budget (Scotland) (No.2) Bill be passed.

After debate, the motion was agreed to ((DT) by division: For 68, Against 56, Abstentions 0).

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

The Presiding Officer (Tricia Marwick): The next item of business is a debate on motion S4M-05550, in the name of John Swinney, on the Budget (Scotland) (No 2) Bill. Time is very tight, so I will keep members to their time. I am unable to offer any additional time for interventions.

14:40

The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney): The Budget (Scotland) (No 2) Bill confirms the spending plans that were set out in the draft budget and underpins the Government's approach to promote sustainable economic growth, improve public services and support families and businesses at a challenging time. I have engaged constructively with all parties on the contents of the bill and at all times taken into account its financial and economic context.

We continue to face acute challenges to public spending in Scotland. Over four years our budget has been cut by 8 per cent in real terms and within that our capital budget has been reduced by more than 25 per cent. The resources that are available to me to address the issues raised by Parliament are therefore limited.

The latest data shows that the Scottish economy returned to growth by 0.6 per cent in quarter 3 of 2012. Unemployment continued to fall in Scotland over the September to November period, with a significant fall in youth employment. Combined with the encouraging news on growth in export sales, those figures demonstrate that progress is being made on delivering economic recovery.

Despite that welcome progress, we are clear that more needs to be done. The budget bill seeks to accelerate economic recovery by creating jobs and supporting people into employment, particularly our young people, and by supporting Scottish business. The bill provides for the most competitive business tax regime in any part of the United Kingdom; delivers on our commitment to a social wage at a time of significant pressures on household budgets; and provides funding for key measures such as the council tax freeze, free personal care, and free prescriptions and eye tests.

The bill takes forward an ambitious programme of public sector reform, together with our delivery partners, which is based on the four pillars of better partnership working, collaboration and local delivery; investing in the people who deliver our services; a public service culture that improves

standards of performance; and, crucially, a decisive shift in favour of preventative spending.

As part of that decisive shift, the Government is taking forward the three change funds that we announced in the spending review, which are worth more than £500 million over three years, including in early years. Later this year the proposed children and young people bill will increase entitlement to early learning and childcare from 475 hours a year to 600 hours a year for three and four-year-olds and looked-after two-year-olds. Those are significant proposals to expand provision, which sit alongside a range of other measures that the Government is taking in the area, such as our investment in family nurse partnerships.

The bill maintains the Government's commitment to infrastructure investment. We are using every lever at our disposal to mitigate the impact of the severe cuts that the United Kingdom Government has made to our capital budget. Planned capital investment in 2012-13 now stands at £3.1 billion, which is estimated to support more than 40,000 jobs across the Scottish economy. In 2013-14, that figure is planned to rise to £3.4 billion.

Over 2012, nine of the major infrastructure investment plan projects, with a value of over £600 million, were completed and are now in use. We are taking forward major infrastructure projects through conventional capital, such as the Forth replacement crossing and the south Glasgow hospitals. The total value of non-profit-distributing projects—roads, hospitals, schools and colleges—that have entered procurement or have entered development through the hub is now around £1.6 billion. We are on track to meet our target of delivering 30,000 affordable homes.

Gavin Brown (Lothian) (Con): On the NPD point, the cabinet secretary keeps talking about procurement, but how much will be delivered on the ground in 2013-14?

John Swinney: I said that the total amount of capital expenditure would rise to £3.4 billion in 2013-14, and that is based on a conventional capital budget of about £2.7 billion. The remainder will come from switching resource into capital, NPD and capital receipts.

In total, using all levers that are at our disposal, and through a range of mechanisms, our plans over the three-year Scottish spending review period will support investment of more than £10 billion in the Scottish economy.

With that strategic approach in mind, I have considered again what steps I can take to increase the impact of our capital expenditure programme. I have agreed with Scottish Water to reduce its drawdown of loans next year by £35 million, whilst

maintaining its investment programme. During the spending review period, we plan to invest more than £400 million in renewable energy and low-carbon activity. In the short term, demand for financial support from the renewable energy infrastructure fund is lower than expected and I intend to release £15 million in 2013-14 for other projects, whilst ensuring that funding drawn down from the fossil fuel levy surplus will still be deployed in full to support renewables projects.

Our total capital budget has been cut by more than a quarter in real terms, but whenever we have had an opportunity to increase investment in housing, that is precisely what we have done. We have announced additional investment of around £200 million in the past 12 months. The Deputy First Minister and I have agreed to build on that approach with additional investment split between several programmes and designed to achieve multiple objectives.

We will invest a further £10 million in the affordable housing supply programme. We will invest £4 million in preventative adaptations, delivering vital improvements to existing homes. We will invest a total of £24 million in sustainability measures in the housing sector, namely: an additional £10 million for the area-based national retrofit programme; £4 million to extend eligibility for the successor to the energy assistance package; £5 million additional funding for the greener homes innovation scheme; and £5 million additional funding to bring new affordable homes up to silver energy efficiency standard.

Margo MacDonald (Lothian) (Ind): Those measures will be felt directly by families who are being badly hurt by the cuts we have already undergone and who will be hurt by the greater number of cuts that are to come. To avoid people having to take out payday loans, the cabinet secretary knows that I favour an expansion of the credit union system. Can he do anything to kick-start that?

John Swinney: In the past three years, the Government has supported credit unions to the tune of about £1.3 million from the just enterprise programme. Other funding streams have been available to credit unions, and I expect other measures to be made available through third sector funding arrangements that would be suitable for credit unions. I recognise Margo MacDonald's long-standing interest in those issues.

The combined housing measures that I have announced today will deliver approximately 350 new social and other affordable homes, around 2,000 preventative adaptations, and greater energy efficiency and carbon savings in 8,000 households across Scotland. That represents further substantial, additional investment in

housing, providing new homes and improving our existing stock, cutting emissions and supporting an estimated 800 jobs across Scotland with additional expenditure of £38 million. I can tell Parliament that, during the three years of the spending review, the total investment by the Government in housing supply will be £859 million.

Willie Rennie (Mid Scotland and Fife) (LD): Will the cabinet secretary take an intervention?

John Swinney: If Mr Rennie will forgive me, I have a lot more ground to cover. If I get a chance, I will give way to him later.

Another significant contributor to economic activity is a balanced package of investment in public transport and roads infrastructure, which will help business and the daily commute. Every £1 that is spent on road maintenance in Scotland gives a benefit of £1.50 to the Scottish economy. I therefore confirm that I will invest an additional £10 million in trunk road maintenance in 2013-14, with direct economic impact.

The Government strives to identify new and innovative means of driving recovery. I am therefore pleased to announce funding for two innovative policies that support growth.

First, we will invest £2 million in a fund that will enable housing providers, whether public or private, to test the development of affordable housing in vacant town centre properties. That ring-fenced competitive fund will help to meet our commitment to deliver quality homes and bring empty homes back into use. It will also support key themes emerging from the town centre review, and help to promote our town centres as attractive places in which to live and work.

Richard Baker (North East Scotland) (Lab): Will the cabinet secretary take an intervention?

John Swinney: If Mr Baker will forgive me, I will carry on for the moment.

Secondly, Scotland has a reputation for entrepreneurship and innovation in business. We need to capitalise on those strengths. We established the encouraging dynamic growth entrepreneurs fund to support small entrepreneurial Scottish businesses that are ready to grow but struggling to access finance. I have been struck by the large number of high-quality applications that the EDGE fund has received. I confirm to Parliament that I will add a further £1 million to the EDGE fund next year, doubling the amount that the Government is making available to some of Scotland's most ambitious and creative entrepreneurs.

Willie Rennie: The additional investment in housing is a welcome development.

The Cabinet Secretary for Finance, Employment and Sustainable Growth referred to childcare and nursery education. I was giving him time in his speech to explore the possibility of additional funding for that area, particularly for two-year-olds. Is he minded to invest more in that area?

John Swinney: As Mr Rennie knows, I have considered the points that he has advanced to me during discussions on the budget. Given the financial pressures that we face, the Government's planned approach to expand childcare provision for three and four-year-olds and looked-after two-year-olds is the right way to develop that as part of the Government's early years agenda.

The Government is proceeding with an ambitious and necessary programme of post-16 education reform. Our objectives at the outset were for a system that was better aligned with jobs and growth, that improved life chances and that was sustainable for the long term. The reforms will ensure that our college sector delivers high-quality education, helps learners get the skills that they need for jobs, and takes account of the changing nature of the labour market.

Those objectives will be met: they will ensure that our colleges deliver an improved student experience, a better service for employers and long-term sustainability. We are conscious of the need to help colleges maintain services for different learner groups—for example, women who want to return to work and those who wrestle with disadvantage. The Government is entirely committed to the process of reform and will ensure that it is implemented. Real progress has been made, and we welcome the positive engagement in the programme of reform from the college sector.

I announce that the Government will make available the best possible deal that we can for colleges. We shall provide an additional £10 million in 2013-14. That increase will establish the college budget at £522 million in the next financial year.

Our plan for 2014-15 would see a further reduction in the college budget to £471 million. The Cabinet Secretary for Education and Lifelong Learning and I want to give stability to our young people and colleges in the final stage of reform. I therefore confirm to Parliament that the college budget in 2014-15 will be set, not at £471 million, not at £510 million—which was the highest-ever figure before we came to office—but at a level consistent with 2013-14 at £522 million. *[Applause.]* That means £522 million of resource funding each year for the next two years, which is an extra £61 million over these two years *[Applause.]* That will allow Scotland's colleges to go forward with confidence and ambition to deliver the programme of reform.

The Government will discuss with the Scottish Further and Higher Education Funding Council and the sector how best to deploy the funding in a manner that supports reforms and, through it, learners and employers.

In providing that significant additional support, the Government is building on the substantial steps that we are taking to support young people into employment, through our opportunities for all initiative and the abolition of tuition fees.

At a time when we have a record number of Scots in higher education; when we are maintaining the number of college places; when we are investing millions in the college estate; when we are offering a record 25,000 modern apprenticeships a year; and when we are offering decisive extra funding for the sector, this Government is investing in the future to deliver for Scotland's young people.

The Scottish Government has delivered a budget for growth. We have listened to the views of Parliament and the country and are building on our original spending plans. We are delivering extra funding for housing, to create jobs and to cut emissions; funding to regenerate our town centres; more support for entrepreneurship; investment in our trunk road network; and decisive further investment in our colleges. I believe that the Budget (Scotland) (No 2) Bill deserves support from across the chamber, and I commend it to Parliament and to the people of Scotland.

I move,

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

14:55

Ken Macintosh (Eastwood) (Lab): It is difficult to find the words to respond to John Swinney's budget bill. *[Interruption.]*

The Deputy Presiding Officer (Elaine Smith): Order.

Ken Macintosh: It is difficult to do other than use the word "disappointing". John Swinney's reaction is disappointing. A few announcements have been made, but if he expects the country to be grateful for the fact that he has not quite fully restored the cuts that he made last year, he has another think coming.

Anyone who is looking for something that will revitalise the Scottish economy, get businesses growing again, shake the lethargy out of the country, provide the jobs that we need and create the opportunities for young people that they are crying out for will have greeted John Swinney's words with dismay. There is nothing new—nothing fresh—in what he has said. We are stuck with the same prescription that the Scottish National Party

has offered us for two years running. For two years running, the SNP has promised jobs and growth, yet there have been no jobs and no growth.

We know that the Government's approach is not working because its own statistics tell us that it is not working. We know that it is not working because construction is in decline, the economy is flatlining and Scottish families across the country are feeling the squeeze. Even if we look at the budget simply as a way of ameliorating the worst of the Tory cuts rather than as an engine for growth, we find that it is doing nothing to protect the Scottish people. The most painful decisions have been left to be taken by public servants working on the front line in our health services or local authorities. The net effect will be the same: cuts to public services; fewer classroom assistants; carers with less and less time to spend with vulnerable elderly patients; and working families who are struggling because their pay has been frozen and the cost of living is increasing.

Scottish Labour did not ask for the earth. We did not indulge in backroom political horse-trading or make unattainable demands. We had three simple asks on colleges, housing and rail. We had straightforward and affordable demands that we believed would make a difference to people's lives and to the economy.

On colleges, in the midst of a recession that has seen Scotland return to unacceptable levels of unemployment, by which the young have been hit particularly badly, I do not think that it is too much to ask the finance secretary to restore the £35 million in cuts that he has inflicted on further education. Is it too much to expect our colleges to provide places for those people who are seeking to retrain and reskill to make themselves more employable in a difficult jobs market? We know that 70,000 fewer students are attending Scotland's colleges than was the case when the SNP came to power. Despite the denials of the cabinet secretary and the First Minister, we know that thousands more are being turned away from the college places that could help them.

John Swinney used the word "additional" to describe the £10 million that he has provided. It is not additional; it simply represents an attempt to ameliorate the cuts for which he is responsible. He dresses it all up in the language of reform, but it is not reform to turn people away from colleges or to shut the door in young people's faces.

Mark McDonald (North East Scotland) (SNP): Mr Macintosh will know that, of the consequential that the Scottish Government has received, some £19 million is earmarked for the further and higher education sectors. Does he stand by his comments in the stage 1 debate, when he said

that he would take that money back and allocate every penny of it to the housing sector?

Ken Macintosh: Mr McDonald should pay a little more attention to what I say in the chamber rather than make up his own press releases. *[Interruption.]*

The Deputy Presiding Officer: Order.

Ken Macintosh: We have a Scottish Futures Trust that was supposedly going to spend £500 million on capital projects but has spent £20 million. *[Interruption.]*

The Deputy Presiding Officer: Order.

Ken Macintosh: Scottish Labour has made it clear that the cabinet secretary has the capacity—the powers and the finance—at his disposal to fund all those commitments and more.

On housing—one of the most important sectors in the economy for sparking growth, creating employment and getting a country working again, as well as addressing a pressing social need—why does the cabinet secretary not use the full £350 million of net capital available to make a real difference and inject some real energy into the market?

Mr Swinney clearly recognises that he has got it wrong because, in the past year alone, he has reversed his cuts four times. Today's announcement makes it five times. He has revisited the matter five times. How many times does he have to admit that he is wrong? Why does he not just stand up and say sorry? Why does he not do something more: work with colleagues in this party and across the Parliament who have ideas and will make the economy work?

John Swinney: Is the answer for which Mr Macintosh is searching not the fact that the Government proposes a balanced budget that adds up and he is trying to spend the same amount of money twice? That is what got the country into a mess under the stewardship of Gordon Brown.

Ken Macintosh: Mr Swinney tries to make a virtue out of the fact that he fulfils his legal obligation to balance the budget and then has the nerve to talk about stewardship of the economy when he has presided over a country that has gone into recession twice and is in the middle of the worst unemployment and a budget—*[Interruption.]*

The Deputy Presiding Officer: Order.

Ken Macintosh: The SNP members clearly do not like to hear the truth when it is given to them. They clearly do not like to recognise the failure of their own actions. *[Interruption.]*

The Deputy Presiding Officer: Order.

Ken Macintosh: We have a cabinet secretary who has promised a budget for jobs and growth and not made one shred of difference to the Scottish economy. The Scottish economy has not improved and is exactly the same as the rest of the UK economy but the cabinet secretary says that he is making a difference with his choices.

I suggest yet again and remind the SNP that all it has to do is deliver on its manifesto promises sometimes. It was the SNP that suggested that it would spend £1 billion on rail infrastructure delivering the Edinburgh to Glasgow rail improvement programme. All we are suggesting is that it deliver on that promise and spend that money delivering jobs, growth and infrastructure to get people into work and to their jobs. That is a simple ask and, yet again, there is no more—

Kevin Stewart (Aberdeen Central) (SNP): Will Ken Macintosh give way?

Ken Macintosh: Mr Stewart should sit down. *[Interruption.]*

The Deputy Presiding Officer: Order.

Ken Macintosh: If I thought that any answers would come from the SNP back benches, I would be absolutely delighted to hear Mr Stewart.

We had three simple asks—on colleges, housing and rail. They have not come out of the blue and we have not sprung surprises on the cabinet secretary. We have argued the case for more than a year and have not been alone. We have been joined by the Scottish Federation of Housing Associations, the Scottish Building Federation, the Confederation of British Industry, Shelter, colleges and the National Union of Students.

We are not trying to create artificial or fictional divisions with the SNP. The point is that the SNP and Labour can agree that they disagree that there should be an austerity approach. However, Scottish Labour believes that the finance secretary has the powers and finance at his disposal to make a difference but is making the wrong choices with those powers. Instead of concentrating on the economy and unemployment, John Swinney is content to sit back and blame Westminster for the cuts. Meanwhile, he fobs off the worst excesses of his decisions on local authorities and lets our councils take the blame.

I will give one example of Mr Swinney's approach: the huge increase in the amount of severance and redundancy payments over which the Scottish Government has presided since it came to office. It has emerged that, since the SNP came to power, it has allowed more than £600 million to be spent getting rid of people in the public sector. It has spent £600 million pushing

people out the door when it should have been finding employment for them.

John Mason (Glasgow Shettleston) (SNP): Will Ken Macintosh give way on that point?

The Deputy Presiding Officer: The member is in his last minute.

Ken Macintosh: One of the most important policies that Labour has been promoting is a Scottish future jobs fund—a flagship wage subsidy programme. We were delighted when we heard John Swinney's announcement in September that he might be heading in that direction. It was not asking a lot to expect some detail on that programme between September and now, but what have we found? Instead of £15 million on a wage subsidy programme, that figure is totally dwarfed by the amount of money that John Swinney is paying out to get rid of people from the public sector. On colleges alone, when we were asking for £35 million for the restoration of revenue cuts, we found out that he spent £41 million on getting rid of staff and lecturers in our colleges.

All that the Government does is make a series of announcements and reannouncements on projects that are not happening. Instead of shovels in the ground, we have the laughable sight of the First Minister reading out project after project, none of which is actually being built, except possibly in his imagination.

The Deputy Presiding Officer: I am afraid that you must conclude.

Ken Macintosh: If the SNP cannot make a difference using the powers of the Parliament, the budget is truly disappointing not only for us as politicians, but for every family that is looking for a job, every business that is looking for growth, and every unemployed person who is looking for help.

The Deputy Presiding Officer: I must ask you to finish.

Ken Macintosh: The illusion of independence has blinded the SNP to what it can do here and now.

I urge members to reject the choices that Mr Swinney has made.

The Deputy Presiding Officer: I remind members that the time in the debate is very tight. Gavin Brown has up to six minutes.

15:06

Gavin Brown (Lothian) (Con): The Government was really summed up in the first two minutes of the debate. When the debate started, building work was going on outside quite happily,

but it stopped within minutes of John Swinney opening his mouth.

The Government has at its disposal £7 million more next year than it had this year. It has more money to spend in the next financial year than it had this year, so any cuts or changes that it makes are SNP political choices. It does not like that, but with more money to spend next year than it has this year, the choices are entirely its choices.

Let us look at where the Scottish Government says the savings have been made. It says that, through its great efforts, it has got an extra £35 million out of Scottish Water, but what it does not tell us—what we can find only in the small print—is that it gave an additional £50 million to Scottish Water this year through the sleeper project. In the 2014-15 budget, which it seems to be keen to talk about today, £190 million is going to Scottish Water. It tells us that it has saved money on renewables because demand is down, despite the fact that it has whinged and moaned month after month about renewables money not being brought forward to Scotland. When that happens, it seems incapable of delivering on the ground.

Let us look at the announcement on colleges. There was a bizarre situation. A £10 million increase in the college budget for this year was announced. There was a £34 million cut, and the Scottish Government decided to put back £10 million. There was spontaneous applause from SNP members for a £24 million cut for colleges. They will regret watching that back on television. I do not think that there will be any spontaneous rounds of applause outside the chamber for a £24 million cut for colleges.

John Mason: Will the member give way?

Gavin Brown: Sure. I am happy to give way to Mr Mason. I have been told that he is not allowed to take part in the debate. He was bumped, but let us have an intervention from him.

John Mason: For the member's information, I was clapping for the extra £51 million next year.

Gavin Brown: Very good. I can see why Mr Mason got bumped.

Let us consider housing, which the Government has talked about. Again, there has been boasting about all the additional money that is going into housing, but if we tot up all the money that went into housing in 2011-12, including the transfer of management development funding, the amount, according to Scottish Government figures, came out at £360 million.

Even if we add in the previous four tranches and the tranche that the cabinet secretary tried today to make sound like four additional tranches, we have about £300 million, which is still £60 million

down compared to 2011-12 for a budget that the Government claims is a priority. The Government asks to be judged on what this budget does for the economy. Mr Swinney said that he would put every single additional pound that he could into the economy but we see disappointing results in colleges, we see disappointing results when it comes to housing and we see more disappointing results when it comes to taxation.

We have seen three strikes against the business community since this became a majority Government: a retail levy, the empty properties tax, and a business rates burden that increases by 7 per cent next year and 9 per cent the year after.

John Swinney: Mr Brown is moaning on about cuts in public expenditure. What precisely has Mr Brown got to say to the UK Government that has cut our capital budget by 25 per cent?

Gavin Brown: To be accused by Mr Swinney of moaning about reductions in spending has a nice irony to it. [*Interruption.*]

The Deputy Presiding Officer: Order.

Gavin Brown: Let us look at what the Scottish Government has done in response.

Members: Answer the question.

The Deputy Presiding Officer: Order.

Gavin Brown: The vuvuzelas are in full flight this afternoon. If they would be quiet, I would happily answer the question. The Scottish Government's response to all this is to set up the NPD programme to replace the public-private partnership/private finance initiative programme that it decided to ditch. It told us that in year 1 it would spend £150 million and it spent zero.

The Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities (Nicola Sturgeon): What about the £20 million?

Gavin Brown: What about the £20 million? Yes, the Government is spending £20 million this year but it told us that it was spending £353 million when it came to NPD.

Mr Salmond, speaking from a sedentary position, has the audacity to talk about NPD. Last week, I asked him in this chamber not once but twice to give me a list of projects that have been delivered under NPD. Mr Salmond gave me a list of 15 projects. The only problem is that none of those 15 projects has been built and we are struggling to find one that has even a brick on the ground.

The Deputy Presiding Officer: Mr Brown, you must conclude.

Gavin Brown: I am happy to leave it at that and come to it again in closing.

The Deputy Presiding Officer: We turn to the open debate. Speeches should be of six minutes at the moment, but if members have to be given extra time due to the fact that they cannot be heard, that may change.

15:12

Bruce Crawford (Stirling) (SNP): I begin by acknowledging that there is general agreement between the Scottish Government and the Labour Party. That is not normal, but it exists on this occasion, in this Parliament. The SNP and Labour generally agree that the UK Tory-led coalition has set about dealing with the serious economic challenges that it faces in a wrong-headed manner by cutting too fast and too deep. The impact of the UK Government's chosen direction sees the UK teetering on the edge of a triple-dip recession. The result is prolonged agony for hard-working families trying to balance household budgets and the further stifling of hope for those seeking work.

It is abundantly clear that the chancellor's chosen direction is having the opposite effect to his stated aims. We need only look at the most recent figures, which show that the UK economy shrank by 0.3 per cent in the final three months of last year, to see that the evidence is staring us in the face.

By comparison, Scotland's Government has of course long put forward a consistent case for additional capital expenditure to help to boost the economy and create jobs. As we all know, Scotland's First Minister initially called for an increase in capital spending in 2008 and has been repeating that call ever since. That call was finally heeded by the chancellor in his autumn statement when he announced an additional £331 million of capital spending, taking our cut from 33 per cent down to 26 per cent. Yes, it is a welcome movement in the right direction, but in the teeth of the latest depressing figures for gross domestic product, it is too little, too late.

The comparison between the dithering of the UK Government and the decisive action of the Government of Scotland could not be starker. In February 2012, the Government of Scotland announced a further capital spending package of £380 million until 2015, which focused on housing, transport, health, digital and maintenance projects. In June 2012, the Government of Scotland announced another package of investment: £105 million for shovel-ready projects. Investment in infrastructure is also being boosted through the—much maligned by Gavin Brown—£2.5 billion pipeline of projects delivered through the non-profit-distributing model. Also, despite the

Government's having had to take hard decisions, £700 million has been switched from resource to capital, to support vital infrastructure projects.

Only two weeks after the Chancellor's autumn statement, the cabinet secretary outlined where £205 million of the £331 million of additional capital expenditure would be allocated.

Gavin Brown: Can the member provide any evidence that the revenue to capital switch that he mentioned has actually happened or evidence of the impact that it has made?

Bruce Crawford: The evidence is £3.1 billion of expenditure in the next financial year and 40,000 jobs across Scotland, Mr Brown.

The cabinet secretary listened to what stakeholders told him and today brought forward welcome additional capital expenditure in housing-related projects and £10 million for trunk road maintenance. The Government of Scotland is listening and showing itself to be consistent and clear about what it wants to achieve in terms of creating jobs and growing the Scottish economy.

In comparison, the Labour Party's approach has been at best confusing and at worst deceitful. Those are strong words, but they are accurate. During stage 1, Labour's stated position on capital, which it confirmed again today, was that the entirety of the additional £331 million should be allocated to the housing sector. On the face of it, that appeared to be a noble gesture in support of housing. However, it did not take long for people to recognise that Labour was playing a cynical game of deception.

Labour raised stakeholders' expectations of potential additional resources, in the sure and certain knowledge that the projections and proposals were undeliverable, because the removal of £331 million in its entirety would mean that millions and millions of pounds would be cut from transport and regeneration, further and higher education, national health service maintenance, economic development and many other areas that the Labour Party has said are a priority.

The Labour Party's solution is to pretend that all that expenditure could somehow be undertaken by the Scottish Futures Trust, no doubt from money grown on trees. Labour has refused to tell us which resource budgets would be cut to finance additional capital expenditure of £331 million.

The Deputy Presiding Officer: You are in your last minute.

Bruce Crawford: Would the cash that Labour plans to cut—

Ken Macintosh: Will the member give way?

Bruce Crawford: I am in my last minute, as you heard, Mr Macintosh, and you have made a disgrace of yourself today.

Would the cash from Labour's cuts come from education, health or local government? This Parliament and the people of Scotland deserve to know where the Labour axe would fall, to deliver the hard choices that Johann Lamont says that she wants to make. Of course, Labour members will not tell us that, either because they are too confused and do not understand the budget process, or, more likely, because they are prepared to play a shabby game of deceit with the Scottish people. Scotland deserves better from a Labour Party that claims to be better together—with the Tories.

The Deputy Presiding Officer: I remind members, first, that they should speak through the chair and not directly to one another from the benches and, secondly, that they should be watchful of the language that they use to one another.

15:19

Elaine Murray (Dumfriesshire) (Lab): In the budget debate a year ago, I argued that spend on housing should be a priority, on the basis that it is preventative spend. The arguments for prioritisation have not changed. People who live in inadequate, overcrowded or damp accommodation, or who are worried about losing their home, will suffer from stress. They are more likely to suffer from physical and mental ill health, perform less well at work and experience relationship breakdown. Children who live in poor or temporary accommodation and witness the stress that that causes their parents will not reach their potential at school. Stable, good-quality housing is essential for people's wellbeing. Further, as we have all said, housing expenditure also helps the economy, creating employment and supporting the construction industry.

Despite the importance of housing, the budget for affordable rented housing has continued to reduce. I know that there have been four in-year revisions that placed around £100 million back into the housing budget, and we have just heard about £10 million being returned from a £46 million cut in next year's budget. However, the SFHA stated in its briefing that the social rented housing sector has been unfairly penalised in this budget. Shelter states that, with 157,000 households in Scotland on local authority waiting lists, the shortage of affordable rented housing is acute and is the most urgent social problem facing us.

I know that the cabinet secretary announced that £859 million will be invested in housing across three years, but that is still £531 million less than

in the previous spending review. However, the ability to construct social rented homes is not governed only by the total sum of funding that is available. For housing associations in particular, the issue is whether they are able to build affordable homes for rent with the level of subsidy that is available to them.

I recently contacted all the housing associations in Scotland regarding their plans for building homes for social rent in the next two years. I asked whether those plans had been affected by the reduction in subsidy and how they anticipate that welfare reform will affect their organisation and their tenants. I will not attribute comments to individual housing associations, but I assure the chamber that the quotes that I will read out are genuine and give a flavour of the replies that I have received in the course of the past few days. Housing associations have said:

“because of the association’s tight finances it has ceased to develop for the time being”;

“no plans to develop any new housing over the next 2 years due to unsustainable levels of subsidy to develop new housing and the lack of affordable private finance”;

“Until the last couple of years we were an active developer ... We have had to review our strategic position and will not build any new homes in the immediate future”;

“we expect to continue with our programme for the next two years. The position beyond that is uncertain”;

“the reduction in HAG for the construction of social housing has resulted in a reduction in our programme by approximately two thirds”;

and

“we have no immediate plans to build new homes over the next two years due to subsidy cuts”.

I will quote from the SFHA’s press release of 21 January, as it is better than anything that I could say. It advised that the SFHA remains concerned about

“the level of subsidy that is now available per new home—cut from approximately £70,000 per house to £40,000 per house on average—as this gives housing associations and co-operatives a real dilemma about how to use this money.”

It continues:

“Many of our members have used sites bought at low prices or given free by local authorities combined with their own cash reserves to carry on building, but these options will run out. The other option is to raise rents for tenants and borrow more private money from banks. However, this hits the poorest in Scottish society at a time when welfare reform is already causing anxiety over issues like reduction in benefits for additional bedrooms and direct payments of benefit to tenants.”

Mark McDonald: Will the member give way?

Elaine Murray: I am sorry, I want to develop the argument. Shelter also told the Infrastructure and Capital Investment Committee that

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

My colleague Richard Baker recently raised that concern with Mr Swinney, who did not seem to believe that there was a problem and stated instead that the Government was driving up efficiency.

I ask the cabinet secretary to accept the evidence that was presented by the SFHA and individual housing associations that shows that they cannot sustain their social rented housing building programme with the current level of subsidy. Most have used up their reserves of funds and land and the bank account is empty.

If Mr Swinney does not believe the housing associations, however, will he examine the figures that were released to me by the Minister for Housing and Transport, to which I referred in my contribution to the debate on 20 December? They showed that housing starts—not completions—for homes for social rent decreased from 7,677 in 2009-10 to only 3,025 in 2011-12. That coincides with the impact of the reduction in subsidy in 2011.

Over the same period, the amount of grant funding that was claimed by housing associations fell by 53 per cent, with housing associations in some local authority areas claiming 10 per cent or less of what they had claimed two years earlier. Surely that indicates that a problem is developing.

In April this year, tenants and providers of social rented housing will be hit by the bedroom tax. Tenants who are defined as underoccupying will lose housing benefit. Surely this is the worst time for housing associations to be unable to build new homes at an affordable rent. I am therefore using this opportunity to urge the Scottish Government to reconsider the level of subsidy that is offered to housing associations during these hard economic times.

15:25

Kenneth Gibson (Cunninghame North) (SNP): I congratulate the cabinet secretary on once again ensuring a balanced budget that delivers for Scotland despite extremely difficult and uncertain economic conditions and continuing real-terms reductions in the block grant from the UK Government.

Managing Scotland’s finances with care and competence has been a hallmark of the Scottish Government—getting best value for taxpayers, focusing on economic growth, improving outcomes despite shrinking budgets, and moving towards sustainability through genuine efficiency and a bold pursuit of preventative spending measures. That has all been achieved while maintaining the

social contract with the people of Scotland—freezing the council tax, abolishing prescription charges, and reintroducing free higher education.

Today's budget again focuses on the need to support fragile economic growth and the creation and sustaining of employment. Since 2008, the First Minister has called on Westminster to increase capital spending in order to boost economic growth. To their shame, those calls were ignored by successive Labour and coalition Governments, resulting in thousands of Scottish jobs being lost while the economy slipped into a double-dip recession.

Only in recent months has the penny finally dropped in London that increased capital spending and targeted infrastructure development is the way to pull the economy out of the mire. Nick Clegg has at last admitted that the coalition got it wrong. Ed Balls, from the comfort of opposition, recently called for increased capital spending, even though we know in reality that his colleague Alistair Darling was planning cuts deeper and tougher than those of Margaret Thatcher. Even Boris Johnson has said that the UK Government must abandon its hair-shirt economic programme.

For the unionist Opposition in this chamber to criticise the Scottish Government's capital spending programme and efforts to boost the economy and create jobs frankly beggars belief and exposes their bare-faced hypocrisy.

The chancellor finally recognised the need to increase capital spending and announced an additional £331 million of capital spending for Scotland. This improves matters to the point at which our capital budget has still suffered a 26 per cent cut over the spending period.

Within a fortnight of the autumn statement, the cabinet secretary detailed how the majority of that money would be spent, including £50 million for housing, £22 million each for transport and regeneration, and £19 million for further and higher education.

In his quite remarkable speech during the stage 1 debate, Ken Macintosh sprung on us that Labour's back-of-an-envelope position was to divert the entire £331 million of consequentials to housing. Although I do not agree with Labour, I am pleased to see at least some progress and economic maturity in terms of highlighting where it would make cuts.

Labour now wants £22 million diverted away from transport projects, and £22 million diverted from regeneration projects—including a £5.2 million investment in the Irvine Bay Regeneration Company, which includes £2.5 million for a new health centre in Ardrossan in my constituency, as Margaret McDougall confirmed last month.

Ken Macintosh: Does Mr Gibson accept that if the SNP Government did not spend anything on its Scottish futures fund programme last year and has only spent £20 million out of the £353 million that it was due to spend this year, there is abundant capacity in its NPD programme to make up that shortfall?

Kenneth Gibson: NPD, as Mr Macintosh should know, is attached to projects. If he looked at the Scottish Futures Trust project report, which came out and was sent to his colleagues in the Finance Committee, he would know that that was the position. *[Interruption.]*

The Deputy Presiding Officer: Order.

Kenneth Gibson: I am astonished that Mr Macintosh did not even mention the resource implications in his speech. Last month, he said that resources would be provided through underspend savings and efficiency and Rhoda Grant went on to say that £200 million should be spent on fuel poverty alleviation. That was not mentioned by Mr Macintosh today. I wonder whether Rhoda Grant will mention it—last month she was totally unable to say where that money could come from.

Rhoda Grant (Highlands and Islands) (Lab): What you have not said is that it is Energy Action Scotland and the like that are pointing out that the Government needs to ensure that at least £200 million is spent on fuel poverty to reach its own targets. The Government is not pointing out how it will do that and if the energy companies do not come up with their share, how will that gap be filled?

Kenneth Gibson: I thought that Labour might come up with some of the solutions. Labour is supposed to be providing alternatives to the Scottish Government, but it is utterly incapable of doing so.

The cabinet secretary tried to engage with parties across the chamber to find common ground. Clearly he was not able to do so, but he was still able to find an extra £61 million for colleges over the next two years, an additional £40 million for the housing budget and an additional £10 million for investment in trunk roads.

As for the Tories—sadly, Gavin Brown is not in the chamber—how much worse a position would we be in if we implemented the policy that Ruth Davidson, the Conservative Party's temporary leader, announced on 6 November last year, which was to reduce personal taxation by 1p in the pound? She said:

"I want us to look further to see if 1p in the pound is all we can afford."

If that change was made, what position would our spending and investment programmes be in, given

that every cut of 1p would take £559 million off the Scottish budget?

The Deputy Presiding Officer: The member is in his last minute.

Kenneth Gibson: Today, the cabinet secretary has announced a well-rounded and dynamic budget that will help to grow the economy, improve living standards and create and sustain jobs. There is no doubt that, while he remains hamstrung by the regressive and reactionary policies of the UK Government, which the Labour Party appears to want to run Scotland for ever, we will never reach our full potential as a nation.

This Parliament desperately needs the ability to control Scotland's resources and finances fully, to secure our future prosperity. Nevertheless, today's commitments to increased national health service budgets, additional house-building projects, a boost in infrastructure spending and improved college funding settlements, and the continued commitment to early intervention and preventative spending measures, are most welcome and will make a positive difference to the lives of tens of thousands of Scots.

The budget helps to protect Scotland's fragile economic recovery during tough economic times, maintains the social contract with the Scottish people—which Labour has abandoned—and protects the universal services that Scots expect and deserve.

The Deputy Presiding Officer: You must conclude.

Kenneth Gibson: Support the budget.

15:31

Michael McMahon (Uddingston and Bellshill) (Lab): There is no doubt that, when SNP members have spoken about the budget, they have consistently tried to convey optimism about its capacity to generate growth in the economy. However, after listening to Mr Swinney and his colleagues promoting their conviction about the budget, I am reminded of Voltaire's view that optimism is

"the obstinacy of maintaining that everything is best when it is worst".

I will not rehearse the argument that I made at stage 1—that witnesses provided no support to the Finance Committee that would allow the Government to maintain its proclamation that this is a budget for growth. Rather, I will convey my own example of why such a gap exists between what the Government asserts and the reality of its failure to deliver.

Back in my office in Bellshill, I keep a glossy brochure that Transport Scotland produced in

about 2006. The brochure contains a timetable for the M8 Newhouse to Baillieston upgrade, the Raith interchange reconstruction and the M74 Raith to Maryville expansion plan. The first of those projects was to start in 2009, the second was to start in 2010 and the entire interrelated programme was projected to be completed in 2014. Yet here we are in the second month of 2013 and the only sign of those construction schemes, which are now known as the M8 bundle, remains that sleek Transport Scotland booklet.

Companies that have located in the area remain poised—if not suspended—in anticipation of the benefits that are predicted to accrue from that much-vaunted but delayed enhancement to the motorway network in the heart of Lanarkshire. We are approaching four years after the projects were supposed to start, and we have nothing more than the bloated boasts of the Government and the Scottish Futures Trust that those road projects will be ready to start in 2014—the year when they were due to finish.

Bruce Crawford: It is incredible that Michael McMahon talks about the "bloated" SFT, yet his front-bench members want to use the SFT in some way to cover up the inadequacies in their budget numbers. That is remarkable.

Michael McMahon: What is more remarkable is that Bruce Crawford still refers to the SFT as if it was the money, when it is actually a body that was set up at huge cost to spend money that it does not have.

Even more laughable is the claim of the First Minister and his Government that the works are part of a £3 billion infrastructure contract list that is already with us and is in the budget. If it were not so sad that construction companies—and, more important, their employees—know that the work should already be in progress, it would be hysterical. The projects are not so much shovel ready as shovel rusty, as the tools lie around waiting for the Government to pay someone to pick them up.

Construction output in Scotland fell by an estimated 13 per cent in 2012, which means that the sector will remain in recession even as the wider economy sees some signs of life. Estimates for the sector indicate that, despite the 1.1 per cent growth that is predicted over the next four years, employment will fall by about 1 per cent in the same period—it is expected to stabilise only in about 2016-17.

Economists who are assessing capital investment in Scotland expect growth and employment in the construction sector to fall, which they attribute to the scaling back of Government investment in housing and in spending on public non-housing projects, such as

the building of schools and hospitals. That reduction in investment is likely to see a decline of 3.5 per cent in the public non-housing sector in the period up to 2017. If we add to that a public housing sector that is also likely to contract by 0.4 per cent over the same period, we can anticipate a 58 per cent drop in Scotland's forecast annual recruitment requirement for construction.

I am happy to commend the cabinet secretary for retaining his commitment to training and upskilling. We have to ensure that, as industry crawls back from the recession, it is prepared and ready to cope with the increased level of demand. However, if that commitment to producing the skilled workforce that we need is to be more than rhetoric, we need a reversal of the disastrous cuts that are planned for the education sector, which is best placed to provide the practical skills that industry sectors, especially construction, will need.

At best, therefore, and taking an optimistic perspective on what it contains, this has been a very benign budget. Yes, there were huge challenges to be met because of the cuts from Westminster, but rather than rising to meet the challenge, Mr Swinney has played safe. He has protected the headline-grabbing populist policies that, while bringing short-term electoral success to his party, have diverted resources away from the long-term sustainable spending that Scotland needs at this time.

The Deputy Presiding Officer: Last minute.

Michael McMahon: We could be forgiven for thinking that the budget is designed not to meet Scotland's current economic needs but to lay the foundations of the more munificent budget that the SNP Government is preparing to deliver just before the referendum.

While protecting the SNP's short-term ambitions, Mr Swinney has sought to blame Westminster for the failure of Scotland's economy to grow. What he has forgotten is that, when someone spends their time blaming others, they give up the power to change things themselves. As there is no strategy for change, there is little prospect of the investment in the right areas of the Scottish economy that we need from the budget if growth is to manifest itself as a result.

Having forgone the opportunity to do what is right by the Scottish economy, the Government has also forfeited the right to our support for the budget.

15:37

Aileen McLeod (South Scotland) (SNP): I welcome the chance to participate in this afternoon's debate and support a budget that is

focused on jobs and growth and that makes the right decisions in very difficult economic times.

I begin by congratulating the finance secretary on producing a budget that demonstrates this Government's steadfast commitment to protecting the national health service even in these difficult times, and in the face of the changes to the wider welfare system that are being imposed on Scotland by a Tory-led Government at Westminster. They are certain to increase inequality in our society, including in health, and damage the lives of the poorest and most vulnerable in our society.

In the budget, the Scottish Government honours its pledge to protect health spending for the whole of the current spending review period. Health boards will receive above-inflation increases in funding in the next two financial years, just as they have done in the previous two, while NHS workers will benefit from the lifting of the public sector pay freeze, with a 1 per cent increase for the lowest paid in 2013-14.

The Government is keeping its promise to pass on the full Barnett consequential for health. By 2014-15, the resource budget for health will be more than £1 billion higher than it was in 2011. Over the next four years, £390 million will be invested in improving NHS buildings and equipment, and the finance secretary announced last June that an additional £10 million will be allocated for additional maintenance spend in the next financial year, rising to £25 million the following year.

The budget reflects the SNP Government's commitment to increasing and investing in preventative actions and early intervention—a commitment that will not only improve the quality of life for many Scots, but reduce the long-term demands that are placed on our NHS.

The budget will allow the NHS to continue to deliver the detect cancer early initiative for early detection of breast, bowel and lung cancer. It continues the £80 million change fund to support the integration of adult health and social care, which is crucial to our achieving better and more sustainable public services in the longer term. It will allow the early years collaborative to deliver on the priorities of the early years task force. It will deliver the family nurse partnership programme to first-time parents under the age of 19, and it will make further investment in dementia services.

Members will also be aware of other announcements that have been made since the budget statement, including the additional £1 million for recruiting more accident and emergency consultants to back up our A and E action plan. This is a budget for the better health of the people of Scotland now and in the future.

Investment in capital projects continues despite Westminster's 26 per cent cut in Scotland's capital budget, a cut that is forecast to reach 33 per cent in real terms by 2014-15. From major projects such as Dumfries and Galloway royal infirmary in my region to smaller ones such as a new health centre in Dalbeattie, which has been 10 years in the making but is absolutely vital to the people who have waited for it, this Government is continuing to invest in modern facilities that are equal to the clinical challenges of the future. Such activity creates jobs, boosts the economy and helps economic recovery.

Prioritising our NHS, as successive SNP Governments have done, is paying real dividends for the ill and infirm in our society. Hospital-acquired infection rates have fallen by more than a third and, since 2007, premature mortality rates have fallen by 6 per cent for cancer, by 27 per cent for coronary heart disease and by 19 per cent for deaths from stroke. Of course, those results are testament to the magnificent work done day in, day out by our NHS staff.

As a member of the Parliament's Health and Sport Committee, I make no apologies for fully endorsing a budget that is not only designed to protect Scotland's NHS from Westminster cuts and the cuts that we know the Labour Party here would impose if it were ever returned to Government in Scotland, but goes much further than that and continues this Government's pledge to invest in our NHS's future and, in doing so, to invest in and improve the lives of future generations of our citizens.

In health, as in all other aspects of this budget, the SNP Government is once again renewing and reinvigorating the social contract that we struck with the people of Scotland when we came to power in 2007, at the heart of which is an unwavering commitment to social justice—including, I might add, an unwavering commitment to a social wage, part of which includes the universal service provision that has now been abandoned by the Scottish Labour Party.

With this budget, the finance secretary is continuing the journey to deliver a better and more sustainable NHS on which the SNP Government embarked in 2007. However, the stark reality is that the journey cannot be completed until and unless our Government has the full range of powers over the provision of care and welfare that only independence will bring. In 2014 the people of Scotland will have the opportunity to allow us to complete that journey by voting yes. It is an opportunity that I believe they will take.

In the meantime, I urge Opposition colleagues across the chamber to support the Government's budget for jobs and growth this afternoon.

15:42

Willie Rennie (Mid Scotland and Fife) (LD): I get amused by speeches that condemn the Westminster Government for being mean and cutting funds to the Scottish Government but then celebrate the levels of investment in the NHS. It is the Westminster Government, not the SNP, that is making the decisions about the NHS. *[Interruption.]*

The Deputy Presiding Officer: Order.

Willie Rennie: To sound a note of consensus, however, I have to say that I have found this budget process to be open and inclusive. John Swinney and I can work together and discuss priorities for Scotland, and I hope that he shares my ambition of building a strong economy in a fairer society to give people the chance to get on.

Indeed, that is why in the budget process we picked two realistic priorities. First, on colleges, we made quite a bit of progress last year, reversing the £40 billion—I mean £40 million; it feels like £40 billion—cut to their budget. This year, our ambition was to restore the £35 million cut, which would have had a significant effect on colleges that are going through a period of reform. It is difficult to expect our colleges to reform during a period of contraction, especially when we are trying to train not just young people but people of all ages in the skills they will need to fill the jobs that we are working hard to create.

I was therefore astonished to hear celebrations from the SNP benches when the £25 million cut to the colleges' budget was announced. It is nothing to celebrate. Given the £35 million cut that had been planned, £10 million is nothing. I was really disappointed in the announcement.

Neil Findlay (Lothian) (Lab): Will the member take an intervention?

Willie Rennie: Not just now.

Our second priority was nursery education. Mr Swinney has heard me say repeatedly that we want two-year-olds—ideally, 40 per cent of them—to get 15 hours a week of nursery education. In England, 40 per cent of two-year-olds will get that, starting in September. Many people, including Professor James Heckman, have cited that as a great investment, because investment before the age of three has the best educational returns. However, in Scotland, only 1 per cent of two-year-olds will get that, and today's budget has not changed the situation one inch. Under our proposal, 24,000 of the poorest two-year-olds in Scotland would have received 15 hours of nursery education a week.

We recognise that money is tight and that finances are difficult, but we identified where the money would come from to invest in those areas.

That is why I am really disappointed that John Swinney has not taken up our offer. He cites the family nurse partnerships, but those are not unique to Scotland—they are happening in England as well. However, what is unique to Scotland is that only 1 per cent of two-year-olds will get the nursery education that 40 per cent of two-year-olds in England will get. Scotland is being left far behind. James Heckman will be disappointed by the SNP Government's decision today.

Joan McAlpine (South Scotland) (SNP): I understand that Professor Heckman was talking about quality early years education, but that our colleagues in the south are increasing the ratio of children to carers. Does the member not agree that it is better to have high-quality early years care, and that it is generally understood that the care in Scotland is of a higher quality than that in England and Wales?

Willie Rennie: I am not sure where the member got that fact from. If she checks the announcement of the measure in England, she will find that it is about increasing, not decreasing, the standard of nursery education. She should go back and check her facts, because 1 per cent in Scotland is not an improvement on 40 per cent in England. It is a real disappointment that the SNP has not stepped up to the plate.

The experts have clearly said that that is a good investment. Many SNP back benchers, along with members of all parties, signed a motion on the issue. Many of those SNP members are here today, but they applauded the budget. We should aim for 40 per cent, but we are getting 1 per cent. The budget is letting down 24,000 two-year-olds. James Heckman will be disappointed; John Swinney should be disappointed; and I am certainly disappointed. I thought that we could work with John Swinney and come up with an agreement. Last year, we worked together and came up with an agreement.

Linda Fabiani (East Kilbride) (SNP): Will the member give way?

Willie Rennie: Not just now—I am in my final minute.

We worked together last year and we got more money for colleges. I hoped that we could work together again this year, at least for two-year-olds, because they deserve that kind of investment. Our plan was not unrealistic: it set out the investment, which was to be phased up to 2016. We had a plan. John Swinney has time to reverse his decision. He can work to make a commitment for two-year-olds. If he seriously believes that we need to change a generation and improve the life chances of those young people, he should turn back now.

15:49

Kevin Stewart (Aberdeen Central) (SNP): When I was first elected to Aberdeen City Council in 1999, a wise man—one Brian Adam—said to me, “You know, if you ever aspire to govern, you have to have a budget in opposition.” I stuck to that when I was on the council; Brian Adam did it when he was the sole SNP councillor on Aberdeen City Council; and Mr Gibson did it in Glasgow. We produced a line-by-line budget. I just wish that some of those SNP budgets had actually been passed at the time—we might not have been in the mess that we were in by the time that we came to power.

I think that it is really diabolical that any Opposition party should come here today without an alternative budget. It is unbelievable—the people out there will find it hard to believe—that the Opposition parties have failed to do that. Having heard Mr Macintosh both today and previously propose the double counting of spend, I think that he may be a little out of his depth in his current portfolio.

Turning to points that other members have raised, I want to start with investment in housing, which Dr Murray mentioned. I welcome today's announcement from the cabinet secretary on additional investment in housing, which will mean 350 new homes and a huge amount of adaptations and retrofitting. That will be good for all in the social housing sector.

More money for such projects could be found, not necessarily from the Scottish Government—obviously, we face cuts to our capital budget from Westminster—but by accessing investment from pension funds to increase the amount of social housing that we can build. On numerous occasions, my colleague Mark McDonald has written with such proposals to the Aberdeen City Council leader Councillor Crockett, who is also convener of the council's pensions panel, but he has not even received the courtesy of a reply. If the Labour Party is truly serious about these issues—

Neil Findlay: Will the member take an intervention?

Kevin Stewart: Not just now, thank you.

If Labour members are truly serious about these issues, they will get together with others to find solutions to move things forward.

Margo MacDonald: Does the member trust any Treasury in London to see through the measures that he is suggesting?

Kevin Stewart: Ms MacDonald knows full well that I do not trust any Treasury in London. I will come back to that at the tail-end of my speech.

Turning to welfare reform, in recent times we have heard lots from folk from across the chamber about what the Scottish Government is doing about welfare. Let us be honest: the welfare reforms that are being introduced are Westminster reforms. The Scottish Government has tried to mitigate the impact of a number of those measures through the Scottish welfare fund, moneys for advice services and mitigation for council tax benefit, but we cannot do it all. There is no way that the cabinet secretary can find the money to mitigate the impact of all the disastrous policies that are coming into play.

In some regards, I am amazed at what Mr Rennie said. I do not disagree that we would like to spend money on increased day care for children across the board, but the reality is that the money is not available. We are about to see one-year-olds, two-year-olds, three-year-olds and four-year-olds being kicked out of their houses because there is an extra bedroom in the house. Mr Rennie should try to sort that out before he lectures anyone else.

Turning to what I believe is good news, I think that the pilot for town centre regeneration, which seeks to turn empty properties into housing, is an absolutely fantastic idea that will be welcomed in many communities throughout the country. I hope that the pilot is successful in bringing about real and dramatic change in our town centres and that it can be rolled out.

The Deputy Presiding Officer: You are in your last minute.

Kevin Stewart: Thank you, Presiding Officer.

The extra moneys for trunk roads will also find a great welcome out there. The EDGE fund is also well worth investing in.

From the Opposition today, we have seen fantasy finances of the first order. I do not trust the London Treasury because we have seen those fantasy finances before, under the auspices of Gordon Brown as Chancellor of the Exchequer and then as Prime Minister. One reason why we have the tough budget that we face today is because we are having to deal with the aftermath and sotton of that Labour Government.

15:59

Patrick Harvie (Glasgow) (Green): Here we are, as we are year after year, for stage 3 of the budget. Mr Swinney uses this day—as his predecessor finance cabinet secretaries used it—to dig a little deeper and find some last-minute flourish with an announcement about a new spending priority. Coalition Administrations, minority Administrations and majority Administrations all want to make a few more good-

sounding announcements on the last day of the budget process.

If Kevin Stewart had had the pleasure of a seat in the Scottish Parliament when the SNP was in opposition, he would know that the budget is always a process of negotiation between Opposition political parties and the Administration. In the Parliament, Opposition parties are not able to propose alternative budgets—there is a difference between the council process and the parliamentary process.

Kevin Stewart: Many times in Aberdeen, opposition parties supported administration budgets because there was that negotiation. However, they had to be realistic. If the Opposition wants to spend money, it has to tell Government where that money will come from. That is where the process fails.

Patrick Harvie: I will address that point, although perhaps not to Mr Stewart's satisfaction.

I acknowledge that this year, the cabinet secretary has a harder job than in most years. I agree with his views—which I think most members share—about the UK Government's austerity agenda and our opposition to it. I take that as read.

However, the cabinet secretary is making his job this year even harder than it needs to be in some respects. For example, we could provide a pay increase of almost inflation—or at least one closer to inflation—in the public sector. We could prioritise other public services through the revenue side of the budget, were it not for the shift from revenue to capital, which is to pay for some very positive programmes—and some things that I do not support. When the UK Government gave its autumn budget statement, additional money was made available that could have offset some of that revenue-to-capital shift. We could have made sure that public sector workers got a fair deal instead of a real-terms pay cut.

There has been a reversal of £10 million in the colleges' budget cut. That issue has been raised by every single Opposition party in the budget process. Reducing funding by £34 million or £35 million and then reversing £10 million of that still leaves a substantial cut. The issue is about the choices that we make with the resources that are available to us.

Transform Scotland's briefing highlights that, even going on the Government's own figures, just 3.6 per cent of the transport budget will go to projects that reduce CO₂ emissions from the transport sector, whereas 96.4 per cent will go to projects that increase those emissions. Some members may be comfortable with that balance. Some—perhaps Michael McMahon—would not mind getting rid of that 3.6 per cent so that a few

more motorways could be built in Lanarkshire. Mr McMahon is nodding his head.

Even if some members take that view, every single member of this Parliament has voted in favour of the climate change targets that we have set ourselves. Every single SNP member who I have heard talking about them talks in glowing terms of global leadership, yet every member who takes a look at the draft RPP2—the second report on proposals and policies—on climate change will see that, even just in the 2013-14 financial year that this budget will cover, there will be a dramatic reduction in the scale of ambition in the proposals and policies for transport. By the end of 2014, there will be an additional 0.5 million tonnes of CO₂ on the figure in last year's RPP.

Michael McMahon: Let me make a serious point about the M8 bundle. One of the key reasons why the M8 has to be extended is to allow goods to get to the Mossend rail freight terminal so that we get them off the road and on to trains. That is the intermodal shift that we need. In the longer term, some of those infrastructure projects will achieve the outcomes that Patrick Harvie wants.

Patrick Harvie: That might happen if it is done in association with demand management on the roads, but all too often, projects that have been justified because they will achieve modal shift end up achieving modal spread, and we get more of everything. We will debate that another day.

We heard some announcements about additional spending on housing, including on energy efficiency measures, yet those announcements come just a week after the figures on emissions from homes and communities show a dramatically lower level of ambition in 2013 and 2014, with an extra 200,000 tonnes of CO₂ equivalent in those two years.

Whether it is reversing part of a cut in college provision or saying that we are doing a little bit more on transport or housing when last week we said that we would do so much less, I am reminded of nothing more than a shop window emblazoned with a great sale sign proudly displaying a 10 per cent cut in prices when the shop quietly hiked the prices by 20 per cent last week. The customers are still being fiddled.

We need to do a great deal more in the long term as we face even deeper cuts from Westminster. After the budget has been passed, I urge the cabinet secretary to revisit his opposition to reviewing local government revenue. We need to be willing to raise revenue from those who can afford to pay more if we are going to offset those Westminster cuts and make future budgets easier to bear.

16:01

Rob Gibson (Caithness, Sutherland and Ross) (SNP): The budget underpins the sustainable development of our economy in many ways. It supports the hugely successful food and drink industry, manufacturing—which is taking us further out of the recession—renewable energy, and oil and gas. It also supports many of the sectors that are creating the jobs that will give the country a sustainable economy into the future. The budget takes us in that direction, and I welcome its thrust.

Kenneth Gibson: Will the member give way?

Rob Gibson: I will certainly give way to the other Mr Gibson.

Kenneth Gibson: The member talked about sustainability. Does he share my delight that today SSE Renewables announced a £212 million private investment to build an undersea electricity cable from Kintyre to Hunterston in my constituency?

Rob Gibson: I thank Mr Gibson for his intervention. There are excellent examples across the country of investment in renewables—investment that makes sure that many of the far-flung parts of our rural economy can contribute to the whole economy. It is on that specific point that I want to make some points.

Rural poverty is being addressed by some of the means provided in the budget, including the retrofit programme for hard-to-heat and hard-to-treat houses. That programme is a vital part of making sure that the people who live in the poorest of areas and often in the poorest of housing have a chance to contribute to our economy.

There is also the next-generation funding that will take broadband to rural areas. Highlands and Islands Enterprise has a project to bring that about. That will give people a better chance of taking part in our economy.

Alongside the land fund, the land reform review group's work could mean that we put more people in charge of the acres on which they live and allow them to develop a new economy, which might include ideas from renewables, tourism and many other areas.

All those enabling factors are underpinned in the budget.

Neil Findlay: Will the member take an intervention?

Rob Gibson: Not at the moment; I want to develop my point a bit further. I might take an intervention later.

The rural economy supports 68,000 jobs in agriculture and fishing. In answer to a question

from my colleague Graeme Dey, the cabinet secretary pointed out how many hundreds of millions of pounds are involved in supporting sectors such as farming and crofting. If we decided to have other priorities, we could just close down the rural areas. The SNP is an all-Scotland party. I never hear a word from the Labour Opposition about anything that would help rural Scotland.

Neil Findlay: Will the member take an intervention on that point?

Rhoda Grant: Will the member give way?

Rob Gibson: No, I will not give way to the Punch and Judy show that is going on on the other side of the chamber.

The Deputy Presiding Officer (John Scott): The member is not taking an intervention at this time.

Rob Gibson: I welcome the £522 million that is going into colleges this year. Some of those colleges teach many of the rural skills that we require to underpin the transformation of the rural economy. Many young Scots can train to get skills in environmental and rural business at all levels—skills that are underpinned by modern colleges in the regional model, such as the University of the Highlands and Islands.

I suggest to members that we are looking for the cabinet secretary to help rural businesses, as the Rural Affairs, Climate Change and Environment Committee said in its report to the Finance Committee on the budget. The committee said that the Scottish Government needs

“to consider allowing rural businesses to take up modern apprenticeships in a more flexible way, permitting, for example, an apprentice to work for a range of businesses throughout the term of the apprenticeship. This should also enable apprentices to acquire the range of skills needed to better equip them for sustained year-round employment.”

I hope that we can find that flexibility in the budget because the colleges that aim to do those things are capable of providing such training. Modern apprenticeships, which can be set up in rural businesses, ought to be able to find that flexibility in the budget. We need to ensure that we make the best of young peoples’ skills, and that we let them live in the country in which they were born.

I turn to preventative spend. Patrick Harvie mentioned the draft second report on proposals and policies, which we are starting to discuss. We are working on climate change activities that are among the most advanced in the world and the most difficult to achieve. We are talking about an economy in which the Government has only some of the powers and not all the means to change people’s behaviour. Fuel tax duty and the like are

reserved to London. We need to move away from those things.

I am sure that Patrick Harvie welcomes today’s announcement on the free installation of home charging points for electric cars.

The Deputy Presiding Officer: You should be drawing to a close.

Rob Gibson: Although Patrick Harvie may not want roads, people most certainly must be able to get around our country so that they take part in the economy. The purpose of much of what we are talking about in the budget is to make sure that that is exactly what happens.

The Deputy Presiding Officer: You must close, please.

Rob Gibson: We have an opportunity to ensure that many of those things take place by supporting the budget.

The Deputy Presiding Officer: I call Malcolm Chisholm. You have up to six minutes—less would be more.

16:07

Malcolm Chisholm (Edinburgh Northern and Leith) (Lab): Labour is taking a focused approach to the budget by concentrating on two areas: colleges and housing. We are doing that not only because the economy and social justice require it but because the cuts to the college budget have been much bigger than the average cuts to the resource budget and the cuts to the housing budget have been much bigger than the average cuts to the capital budget. That was pointed out by, for example, the Infrastructure and Capital Investment Committee in its budget report. It said that, over the spending review period as a whole, the average cut to the capital budget is 33 per cent but the cut to the housing budget is 45 per cent.

Of course, we should acknowledge that some improvements have been made. The total budget for housing over the spending review period, as announced by the Cabinet Secretary for Finance, Employment and Sustainable Growth, is £859 million compared with £1.39 billion in the previous spending review period. That amounts, roughly speaking, to a 40 per cent cut. Some of the gap between the 45 per cent and the 33 per cent has been closed following the Infrastructure and Capital Investment Committee’s recommendation. However, it would be much better to follow the Labour proposal because that would close the gap completely and a little bit more.

I accept that it is a little bit unusual to say that all the consequentials could go to one area, housing, although that is not so strange for me because I have been arguing for several years in budget

debates that housing should be the number 1 priority for capital expenditure. That is a proportionate and sensible response to the scale of the housing crisis.

Shelter has already been quoted as saying that we are

“heading for a cliff edge with regard to new completions”.—
[*Official Report, Infrastructure and Capital Investment Committee*, 24 October 2012; c 973.]

The Government recognises that, because it has made five separate additions to the housing budget over the past year, while changing the original target only marginally today, by 350.

Although the Government recognises the problem, it is not dealing with the heart of the matter, because it will not address the fundamental problem of the big reduction in the subsidy level for each social rented house, which is manifesting itself in 3,000 starts a year. The Government quotes the completion rate, but that is based on the old subsidy levels. We now have a problem of many housing associations building little, if any, new social rented housing.

That was brought home to me very forcibly at a briefing by the City of Edinburgh Council on Monday, when I was told that its projections over the current spending review period and beyond are that it will not increase the number of social rented houses in Edinburgh. That is not to say that a few additions will not be made by particular housing associations, but they will be netted off by some demolitions. There will be no increase in the social rented stock in Edinburgh, even though the level of social rented stock there is already among the lowest levels in Scotland. I was told that the social housing model is broken.

Kenneth Gibson: How much of the additional money that Malcolm Chisholm would like to be spent on housing would be spent on increasing the housing association grant and how much of it would be spent on building additional units?

Malcolm Chisholm: We have to do both. We need a significant injection of new money into housing because so many different actions have to be taken in this area. I am arguing that if the Government does not grasp that nettle, it will not solve the housing crisis.

I realise what a crisis we have in Edinburgh, where 3,000 people are in temporary accommodation at any one time. There has been a 15 per cent increase in the time spent in temporary accommodation over the last five years, and that is before the 2012 commitment kicks in. As I have indicated, Edinburgh has one of the lowest levels of social rented housing in Scotland. In addition—not many people outside Edinburgh realise this—it has one of the lowest levels of owner-occupation in Scotland: the City of

Edinburgh Council is fifth lowest out of the 32 authorities in Scotland for owner-occupation. People will be surprised to hear that. I have offered an Edinburgh angle, which it would not be appropriate to go into in more detail now.

The college cuts have also been bigger than the average resource cut, although next year's cut is now £25 million instead of £35 million. I congratulate the NUS on its splendid campaign. I am sure that some members might have felt that they got rather too many emails, but it was all in a very good cause. It was certainly an excellent campaign. However, I have to say that I do not think that the NUS and its thousands of members and supporters will be dancing in the streets tonight, because the college sector still faces significant cuts, which come on top of the 70,000 reduction in the number of students at colleges and the concerns that exist about provision for the over-24s.

Willie Rennie: Mr Chisholm is spot on about the NUS, because Robin Parker has just said that the NUS cannot accept a cut of £24.6 million to colleges, on top of the huge cuts that have been made over the past few years.

Malcolm Chisholm: It is not just the NUS that feels that way. In its written submission to the Education and Culture Committee, Edinburgh College—which gave oral evidence at yesterday's meeting of the committee—said:

“Colleges will have to reduce costs rapidly to remain financially sustainable and there is a risk that opportunities for our students and our communities will be compromised. We believe savings and efficiencies can be achieved but the current pace of financial cuts runs the risk of creating a funding crisis”.

As far as the economy and social justice are concerned, colleges and housing are the right areas to focus on. Labour's proposals for funding those areas have been criticised, but the Scottish Government supports the use of revenue for capital—that is exactly what the NPD model does. Labour's proposals involve using a little bit more NPD, but they fall well within the 5 per cent cap for revenue-financed projects. The most recent answer to a parliamentary question that I saw on that from John Swinney said that the payments for revenue-financed projects would amount to 3.3 per cent this year. Therefore, Ken Macintosh's funding proposals are perfectly feasible.

16:13

Jamie Hepburn (Cumbernauld and Kilsyth) (SNP): I very much welcome the budget that is before us. I want to talk about some of things in it: the £180 million that is to be provided over two years for investment in construction, skills and the green economy; and the £80 million of planned investment in the schools for the future

programme, which will increase the number of schools being built from 55 to 67—I am delighted to say that one of those will be a new Greenfaulds high school.

In addition, commitments have been made to a wage increase for most public sector employees and to no compulsory redundancies. I say gently to Mr Macintosh that it is somewhat galling to hear criticism of the amount that is being spent on redundancies when Labour-controlled Glasgow City Council made a pay-off of £500,000 to the head of the Glasgow East Regeneration Agency. The Labour Party should do more to get its own house in order instead of criticising others.

Ken Macintosh: Why is exactly the same trend evident across every public sector organisation in every area? Why has there been a huge increase in redundancy and severance payments in every area under the SNP Administration?

Jamie Hepburn: Perhaps it is because organisations such as Glasgow City Council are paying £500,000 to certain individuals. The key point, of course, is that the Government has a policy of no compulsory redundancies.

John Mason: I make the point that £270,000 of that was according to contract but £230,000 was extra, which is why the Labour councillors were guilty of misconduct.

Jamie Hepburn: That is a useful clarification from Mr Mason.

Let us talk a little more about what the Government is doing. It is delivering free university tuition. It is keeping the council tax down, delivering free prescriptions and supporting concessionary travel. In Labour's cuts commission, none of those are off the table. In December last year, the Government also announced an additional £205 million package of capital investment.

Rather than welcoming those initiatives, Ken Macintosh demanded that all the money be spent on housing. We hear demands from Labour members for support for the further education sector. Ken Macintosh will have to explain to them why he would want the £19 million support for capital investment in that sector to be cut. We also regularly hear Labour members decry the condition of the NHS. Ken Macintosh will have to tell them why he wants the £10 million for health maintenance to be cut.

Ken Macintosh: Will Jamie Hepburn give way?

Jamie Hepburn: No, I will not. I have already taken an intervention from Mr Macintosh and he would do well to remember that he did not take a single intervention during his speech.

I point out the other areas of investment that Mr Macintosh wanted to be cut. They include the £4.6 million of investment in Scotland's canal network. That represents regeneration at Pinkston basin, Bowling, Port Dundas, Spiers wharf, Sighthill, Applecross, Grangemouth and seven locations along the Caledonian canal. There is also £21 million for regeneration projects in Dalmarnock, Irvine and Ardrossan. Those are all projects that Mr Macintosh presumably wanted to be cancelled.

Willie Rennie: I do not want to interrupt Jamie Hepburn's self-congratulatory list, but will he express any concern about the NUS's comment this afternoon that it cannot accept the £24.6 million cut?

Jamie Hepburn: I was going to turn to that a little later, but I will turn to it now. I very much welcome the £61 million of funding for colleges in addition to the budget that had been set. It is surely good news.

When Mr Parker came before the Finance Committee, of which I am a member, the convener asked him to say where, if he did not want the settlement, the money should come from, but, as in the chamber, answer came there none. I can see Mr Rennie's reaction. I will not criticise Mr Parker for that because it is his role to advance a proposition for his interest group. However, to be frank, if the other parties in the Parliament aspire to government, they must raise their game and tell us where the money will come from, but they never do.

What is particularly welcome about the college settlement is that it is a two-year settlement. When I am in discussion with my local college, one of the concerns that it expresses is about looking further ahead. To be frank, I would have thought that the fact that there will be sustainability and a level of stability from the coming year to the next would be welcomed across the board. It is unfortunate that that is not the case, because the college sector will welcome the investment.

We would also do well to remember that, as the cabinet secretary pointed out, the highest-ever level of investment in the college sector before the SNP came into government was £510 million. To be frank, the calls from the other parties sound hollow to me.

The additional £40 million for housing is also welcome. Two aspects of that in particular are welcome. The £4 million for preventive adaptations is hugely welcome, because one of the key themes that have come out of the Finance Committee's changing demography inquiry—the report will be published soon—is the need for such investment.

Also, like Mr Stewart, I hope that the £2 million pilot on regenerating our town centres—finding

ways to get people to live in them and to increase activity in them—will be a huge success. The town centres in my constituency could do with some attention.

It was interesting to hear Mr Rennie having the audacity to bemoan SNP members' welcome for the budget. Let us consider what his party's Government has done. It has cut capital spending and only belatedly reversed a little of that cut. Even then, Nick Clegg—his party leader—has admitted that the UK Government had cut too far too fast. His party is also introducing austerity budgets, cutting investment and hurting growth and families. That is before we even get to the UK Government's draconian welfare reforms. SNP members can be proud of their Government's budget. Willie Rennie should be ashamed of his.

16:19

Murdo Fraser (Mid Scotland and Fife) (Con):

Across the western world, Governments are having to deal with difficult financial situations as a result of excessive borrowing in the past and the economic crisis of 2008, and they are having to make tough choices. Despite his protestations, John Swinney is actually better off than most, if not all, of his contemporaries. In cash terms, the Scottish Government's budget this year is higher than it was last year, albeit by a mere £7 million. Nevertheless, it has increased, and we need to see it in that context.

We have heard from SNP members that Mr Swinney is to be congratulated on delivering a balanced budget. They seem to forget that that is a legal requirement for the finance secretary. It is a bit like congratulating him on paying his taxes on time or driving at the speed limit. I am sure that, as a responsible citizen, Mr Swinney does both those things, but they are not causes for congratulation.

Mr Kevin Stewart made an interesting point about the need for the Opposition to bring forward alternative budgets. I know that he was not in Parliament when the SNP was in opposition but, before he made that comment, he might have checked with his front bench what the SNP's custom was in the Parliament when it was in opposition. Unfortunately, he has dug a rather large hole for himself as a result of not doing so.

Mr Swinney said that the budget is about assisting economic recovery and supporting business. He is right to say that the recovery will come only through a growth in business. That is why it is so important to listen to businesses' concerns. If he had listened to businesses' concerns in drawing up the budget, he would have heard them say that this is not the time to increase the tax burden. The retail levy will raise an additional £30 million from the business sector,

and the reduction in empty property rates relief will raise an additional £18 million from it. There is a proposed increase in business rates revenue of £400 million across two years, and a rates revaluation has been put back two years, to 2017. That will leave businesses paying rates on valuations that were set for 2010, when the economic situation was much better, of course. Before any member mentions the comparison with England, I gently point out that England and Wales have a transitional relief scheme, of course, and that such a scheme does not exist in Scotland.

Let us consider the vexed issue of capital spending. The SNP would be on stronger ground in demanding additional money for capital spending if it were able to demonstrate a stronger track record with the money that it has had. Over the past few weeks, the failures of the NPD private finance model so beloved of Mr Swinney have been exposed. In the current year, instead of spending £353 million on vital projects, the SNP has spent just £20 million. Last year, it promised to spend £150 million, but it spent nothing, so at least things are getting better. That means that, in the current year, £119 million has not been spent on new schools, £65 million has not been spent on colleges, and £27 million has not been spent on roads. A couple of weeks ago, the First Minister told us that it was all the fault of the Aberdeen western peripheral road. We know now that that is not the case.

It is extraordinary that the Scottish Government is always lecturing us on the need for more capital spend, but it fails to deliver vital projects with the cash that it has. Mr Swinney's own paper to the Finance Committee said that the delays had cost 6,700 jobs in the construction sector. Much-needed and much-hoped-for jobs in construction have not been delivered because of the failures of his particular project. Before he demands more money for capital projects, he must demonstrate the ability to spend the money that he currently has.

At a time of economic difficulty, it is vital that colleges are properly funded. That is important because young people are leaving school and looking for the training that they need to get into the workforce. Many of them are not able to find jobs and are therefore looking for an alternative. People who are being made redundant and people who are underemployed are looking to retrain and get skills to get back into the workforce, so we need a good deal for colleges.

Mr Swinney said that the Government has delivered the best possible deal for colleges. He has reduced the size of his cuts. That is what he has done. In 2013-14, the cuts will be only £25 million; the year after that, they will be only £26 million. Never have savage cuts been announced

with such flourish to such acclaim from the SNP benches as they have been today.

The issue of where to cut is entirely a political choice by the SNP. I am not surprised at the negative reaction from Robin Parker of the NUS. I imagine that he will be getting a call from the First Minister before the day is out.

The Government has more money to spend than it had last year and it has made the wrong choices. It made a choice to make savage cuts to the further education budget. It made a choice to tax Scottish businesses more. It has presided over the dismal failure of the NDP funding model for capital projects—

John Swinney: NDP?

Murdo Fraser: The NPD model.

It has failed to deliver the 6,700 jobs that could have made a difference to improving the Scottish economy. The SNP has made the wrong choices today and the Scottish economy will be poorer as a result.

16:25

George Adam (Paisley) (SNP): I welcome the budget and the fact that, even in challenging times, and despite the claims of the Opposition, the Scottish Government still keeps delivering a bright future for the people of Scotland. I find it ironic to hear from the Tory benches about massive cuts when part of the reason that we are sitting here is the cuts made by the Liberals and the Tories at Westminster. It is a two-sided argument—they are willing to say one thing here and another down south.

Despite the cuts made by the two-faced Tories, cutting and slashing in their wake, this budget is about jobs and growth. The Scottish Government's draft budget has jobs and economic growth at its heart. The important thing about this budget is that, at its heart, it remembers the people of Scotland whom we serve and considers how we can make their lives better.

I sometimes sit here listening to debates that are almost university-like, in which it sounds as if the people that we represent, and the fact that we should be doing things for them, have been forgotten. This is about real people and real lives.

The SNP Government has consistently taken action to make full use of its limited powers over the economy to try to mitigate the impact of Westminster's austerity agenda. Our continued commitment to the social wage will deliver benefits to everyone in Scotland. I am talking about not just the social wage but people's families—mums, dads and children. We are maintaining the council tax freeze, keeping higher education and

prescriptions free, and supporting concessionary travel. Those are important issues to the public. They are issues that we should remember when we are having debates such as this, even given our limited powers and the attacks made by the dark cloud of Westminster.

There is a better way. The better way is independence. Opposition members can laugh all they like. If we have independence, we can make decisions here, in this Parliament. With the moneys available to us, we can make things better. On the back of what Mr Swinney has delivered over the past five or six years, we can see that the SNP offers the dynamic future that the unionist parties do not.

What is Labour's future? It talks about its cuts commission and the something-for-nothing society. It does not want to talk about people and their lives and how we can make a difference. Where is the ambition? Where is the idealism? Where is Labour's belief in the people of Scotland? It is no longer there. Labour's cynicism has increased so much that it is just a political game for the party.

Much has been said about college numbers and education. Again, the SNP Government keeps delivering: 10,000 young people could benefit from support for jobs; the 2013-14 education and lifelong learning budget includes £50 million for the early years change fund; there is continued investment to raise attainment through curriculum for excellence; and there is the delivery of 67 new or refurbished schools. The early years fund is giving families an opportunity to find out the support that they need in order for us to help them in future. Again, the Government is listening to the public as opposed to telling them what they should expect.

A number of comments have been made while the debate has been going on. Mr Rennie mentioned a couple of things. There was a tweet—Presiding Officer, I did not see it online in the chamber—

The Deputy Presiding Officer: I trust not.

George Adam: It was given to me outwith the chamber. Seonag MacKinnon, from the BBC, tweeted:

"Scotland's Colleges say delighted with £61m more than expected over 2 years. Says can complete reforms and offer students wide range courses."

Now the truth comes to fruition and we see the difference between the Opposition parties and the SNP. We are delivering for students in Scotland and giving them an option for the future. Post-16 reform and regionalisation enable all the colleges to focus on jobs and ensure that all our young people have a future in which they can be prosperous and can move forward with their lives.

If Colleges Scotland says that, and people out there are saying that, it appears that only the Opposition parties think that things are not going right.

I know that I have only five minutes, so I will just say that the future that the SNP offers Scotland through independence is bright. Nothing has come from any Opposition member in this debate.

16:31

Richard Baker (North East Scotland) (Lab):

There seems to be little room in political discourse in Scotland for any issue other than the Scottish Government's plans to break up the United Kingdom, but for people in Scotland—our families, our trade unions, our businesses and our civic groups—the issues that we are debating today are the most important ones.

The Scottish Government's greatest task and ambition should be to get our economy growing again, but in too many areas of the budget, the Scottish Government is either not doing enough or is making decisions that damage our chances of growth rather than improve them. We have focused on the three areas in which we think the Government is making the biggest mistakes.

First, on college funding, from which tens of millions of pounds are still being cut, the Government's actions are damaging chances for our young people. When we in Aberdeen hear that we will need 120,000 new employees for the oil and gas industry at a time when millions of pounds are being cut from our local colleges' budgets, it becomes clearer that the Scottish Government's approach does not make sense.

Secondly, on housing, the cabinet secretary appears to think that more homes can be built even though he keeps cutting investment. Many of the new homes to which he has referred in the past were built under the previous housing association grant regime, not the current regime. Housing associations have had to dip into their reserves to enable them to build new homes and in many instances the reserves have been exhausted and associations do not have the funds to build the new homes that we need. Today's announcement will not change that.

If the Scottish Government will not take my word for that, it should look at the briefing from the SFHA, which says that the level of housing association grant must increase. That measure was absent from the cabinet secretary's speech. The Government should also note that Shelter endorses our proposal for the allocation of all the consequential to housing, not only to address housing need—which remains acute—but to deliver speedy investment in infrastructure and to support our struggling construction industry. If the

Scottish Government fails to do that, we will face a housing crisis, as Elaine Murray said.

Finally, on infrastructure, we have highlighted the cut of £350 million from the budget of the Edinburgh to Glasgow rail improvement programme. That decision was particularly poor because the project was going to take advantage of Network Rail borrowing, because the full benefits of the scheme will not now be realised and because EGIP was that cherished thing—a shovel-ready project. There is a clear gap between the rhetoric and the reality when it comes to ministers' stated goal of investing in infrastructure to stimulate the economy.

Bruce Crawford: Will Richard Baker give way?

Richard Baker: I apologise to Mr Crawford; my time has been cut.

We have reminded ministers that investing in infrastructure is the right approach, but they are not delivering. On Monday, the Cabinet Secretary for Infrastructure, Investment and Cities announced a refreshed infrastructure investment plan but neglected to mention that the Government's flagship programme of projects that would be funded through the NPD funding mechanism has failed to deliver investment at the very time when it has been needed most. We know that, because although we were told that £353 million would be invested in 2012-13, only £20 million was spent.

The figures that the Scottish Futures Trust released yesterday show that that is not the end of the problem. We were told that £686 million would be invested next year, but now we know that there will be only £338 million of investment. We have been given no clear explanation for the delay in all those projects. We have not been told why, of the £119 million that was meant to be invested in schools through NPD, nothing was spent in this financial year, or why next year, when £150 million was to be invested in schools, new plans allocate only £62 million. How many job opportunities were lost last year because of the delays to key projects?

Even when its projects proceed, we believe that maximum economic benefit to our economy is still not being secured because of the Scottish Government's failures in procurement. Too often, there is no level playing field that would allow Scotland-based firms that could employ people locally to compete with big multinational companies, because the Scottish Government has not done what other countries have done—within EU rules—to ensure that contracts include community benefit clauses and other provisions that would mean that local firms could compete. We have to look only at the debacle of the Forth replacement crossing contract to see how our

economy has lost out. We hope that that will be changed through the forthcoming procurement reform bill, although we still await details of when it will be published.

The cabinet secretary has said that the budget is firmly focused on growing the economy. However, in making the wrong decisions on colleges and housing and in failing to deliver on infrastructure plans, it does not live up to that billing. It is, rather, documentary evidence of a Government with its eye off the ball at the worst possible time for our economy. That is why the budget should not be supported by Parliament today.

The Deputy Presiding Officer: We move to closing speeches.

16:35

Gavin Brown: When the draft budget was presented in September, the Scottish Conservatives believed that it was not a budget for the economy. We took the same view when we debated it in December, we took the same view when we debated it at stage 1 two weeks ago and, I have to say, we take the same view today. The Government wants to be judged by what it does for the economy; in our view, it has simply not done enough.

Just under a month ago, the cabinet secretary gave evidence to the Finance Committee, at which he said:

“An assessment of the 2013-14 budget against what I set out in the spending review in 2011 demonstrates that changes to the budget are pretty peripheral.”—[*Official Report, Finance Committee*, 9 January 2013; c 2008.]

I challenge the cabinet secretary to say something more than that in his closing speech and to tell us that the changes that he has announced today are anything more than “peripheral”.

We have had an interesting debate. We heard Bruce Crawford boast about what the Government is doing in relation to the switch from revenue to capital, but when he was asked—as I have asked a number of ministers in recent months—whether that has happened and what impact it has had on the ground, the answers were pretty barren. The Government keeps changing its view on where it has happened and is unable to provide evidence that it has made any impact whatever on the ground.

We have heard back benchers after back benchers praise the Scottish Government for the excellent work that it is doing on capital spending and on driving forward our economy, with particular reference to the announcements that were made last February and last December. However, as they criticised the UK Government,

none of those members acknowledged that those announcements last year came about as a direct consequence of Barnett consequentials flowing from the UK Government. They criticised the UK Government for—in their view—being slow, but because the Scottish Government spent some UK Barnett consequentials, they said that it was fast, effective and fleet of foot. In response, Jackson Carlaw said—from a sedentary position, I have to say—that Barnett consequentials come from the UK Government and not from any other third-world country. [*Interruption.*] That got them excited, didn't it?

We heard from George Adam, for whom the future is bright, apparently. He failed to acknowledge the point about colleges when he blamed on Westminster the SNP's decision to dramatically cut the college budget. However, the reality is that, in the next financial year, there will be a cash-terms increase of £7 million to the overall Scottish budget and a cash-terms cut to colleges of £25 million. The Scottish budget is going up in cash terms and the college budget is going down in cash terms. That cut is due entirely to a decision of the Scottish Government, not of the Westminster Government.

Mark McDonald: Richard Baker makes it sound as though a £7 million increase in the face of inflationary pressures is something for which we should be grateful. Perhaps he would like in the remainder of his speech to reflect on the following question: if the college budgets in Scotland are being cut “dramatically”, what is the situation in England? That situation has, of course, a direct bearing on the funding that is received by the Scottish Government?

Gavin Brown: That is absolutely desperate stuff from Mr McDonald—anything to take the focus away from the Government, its priorities and the choices it has made. Nobody on this side of the chamber has said that a £7 million increase is generous, but it is a cash-terms increase compared with a cash-terms cut for colleges, which again makes it this Government's choice and its decision.

We heard ridicule of Mr Fraser for talking about “NDP” instead of “NPD”, as if that is the most ridiculous thing that has come out in the past couple of weeks in relation to that particular project. Mr Fraser, of course, made the mistake of thinking that it stood for “non-delivery profit” model as opposed to “non-profit distributing” model, which is an easy mistake to make—or so it seems.

Not only is there more money next year, but I found a letter from John Swinney to Andrew Welsh, the then convener of the Finance Committee, from January 2011, which was just a couple of months before the election and just a couple of months before the SNP manifesto was

finalised. Mr Swinney told Mr Welsh that he predicted that for 2013-14 he would get £28.2 billion to play with. The Treasury allocation that he has to play with is £28.6 billion—almost £400 million more to spend than he thought he would have when he wrote his manifesto and when the SNP was elected on that platform in 2011. The only people who can be blamed for the choices that have been made today are the people in the SNP Government.

16:42

Rhoda Grant (Highlands and Islands) (Lab): This has been a very disappointing day. We put forward suggestions—[*Interruption.*]

The Deputy Presiding Officer: Order.

Rhoda Grant: We put forward suggestions that were modest and deliverable and that could have made a difference, but this Government has proved that it does not listen. So much for governing like a minority.

We asked for the FE cuts to be reversed. We welcome the £10 million that has been reinstated, but it is not additional, it is not improved, and it is not extra. It is a cut of £24 million to the FE budget. That is why people including Robin Parker, the NUS Scotland president, are expressing their disappointment and pointing out that it is still a cut, and it is why Malcolm Chisholm talked about how Edinburgh College feels that it is facing a funding crisis. This is not going to go away.

Why do we in the Labour Party want more money for colleges? We want it because unemployment is high for 16 to 24-year-olds. Many people in that generation are facing a lifetime on the dole—another lost generation—but the Government is cutting money to colleges to stop that group having a future.

Underemployment of graduates is taking the jobs that would be available at entrance level for young people who do not have skills. Those unskilled young people will become that lost generation, so we need to ensure that they are skilled and ready to take jobs at the upturn. We also need to ensure that those who are underemployed—the graduates who are working in filling stations and supermarkets—have their skills updated so that they will be ready to take up other jobs when those jobs eventually come along.

Margo MacDonald: I thank Rhoda Grant for taking an intervention. I will try to make it brief. I agree with every word that Rhoda Grant has said, but she must say where she would get the extra money to put into the colleges.

Rhoda Grant: Maybe Margo MacDonald was not in the chamber when we explained how we

would find that money. [*Interruption.*] From the noise that they are making, it seems that none of the SNP back benchers was in the chamber then, either. Perhaps we should look at such things as the Ryder cup, on which the Government spent £470,000, or the Scotland House fiasco, when it spent £400,000 at the Olympic games. [*Interruption.*]

The Deputy Presiding Officer: Order.

Rhoda Grant: That is not to mention top salaries and the 16 referendum workstreams on which the Government is wasting our money, instead of spending it on young people who need skills and need to be trained to take the jobs that are available for them—[*Interruption.*]

The Deputy Presiding Officer: Order.

Rhoda Grant: Richard Baker talked about the skills shortages in the oil and gas industry. We need funding for colleges, so that people can be trained to fill such skills gaps. It is wrong that people are sitting at home and are not even getting unemployment benefits when they could get jobs if training in colleges was available to them. They are real people—they are not the people who are sitting in this chamber navel gazing. They are people who are thinking about their opportunities, their career chances and their life chances.

Rob Gibson said that the Labour Party does not want to do anything for rural areas, but he forgets North Highland College, which is in his constituency. The funding formula already damaged it; how much more damaged will it be by the funding cuts? Colleges operate in both rural and urban areas and they create skills and help people to maximise people's life chances, which is why we need to fund them properly.

The SFHA has stated clearly that social rented housing has been unfairly penalised. I am sure that it welcomes, as everybody else does, the additional money that was announced today, but £10 million for the affordable housing budget is a drop in the ocean and is far too little. Elaine Murray talked about the housing associations that responded to her, which said that building had stalled in their areas. She pointed out the effect of bad housing on people's life chances.

Kevin Stewart: Will Rhoda Grant give way?

Kenneth Gibson: Will the member take an intervention?

Rhoda Grant: I will not take an intervention. I need to make progress.

The housing association grant has been cut by £30,000 a unit, which means that it is impossible to build units—even more so in rural areas. I remind Rob Gibson that a rural house cannot be

built on a £40,000 subsidy. A lot of the housing associations in my area cannot build because of the subsidy level.

Kenneth Gibson: Will the member take an intervention?

Rob Gibson *rose—*

Kenneth Gibson: I appreciate Rhoda Grant taking an intervention. Given what she has said, what should the HAG level be?

Rhoda Grant: The HAG should be at a level that allows people to build housing units. Rural housing associations used to attract more HAG because they could not achieve economies of scale. We need to set the HAG at a level that makes building sustainable, otherwise no houses will be available.

We face a crisis in housing. The bedroom tax will affect 100,000 Scottish households. We need to build smaller homes to help families to avoid that tax, because families—real people—are facing poverty or homelessness, and the Government has done nothing but cut the funding that would build homes in which they could live.

Shelter has said that we face a cliff edge in house building and it has backed our policy of investing consequentials in housing. However, the Government has not listened.

Kevin Stewart: Will Rhoda Grant give way?

Rhoda Grant: A measly £10 million for housing will do nothing for people who are facing homelessness.

The Deputy Presiding Officer: Rhoda Grant is not giving way.

Rhoda Grant: We welcome the £10 million for the retrofit programme, but for people who are living in fuel poverty, and if we need to spend £200 million to combat fuel poverty and to meet the Government's targets, £10 million is but a drop in the ocean. It was sad that the SNP used its majority on the Economy, Energy and Tourism Committee to stop the committee reiterating its recommendation that the Government invest no less than £100 million in dealing with fuel poverty. Members of that committee are not carrying out their duty to scrutinise the Government; indeed, they are a sop to it and are giving it cover. However, the people of Scotland will not afford them such cover.

This is not a budget for growth and it does nothing for jobs. There are cuts to the Edinburgh to Glasgow rail improvement programme and the M8 bundle that Michael McMahon discussed, which are cuts to jobs and our economy. NPD is not working; it has been either mismanaged or misused. The figures show cuts of £333 million this year and £348 million next year but—guess

what?—in 2014, £199 million will go into NPD, to coincide with the referendum. I do not think that the Scottish people will be bought in that way.

The Government has also failed in procurement. It is creating leakage within capital spending programmes.

The budget is a missed opportunity to create jobs and homes, a missed opportunity to cut carbon and poverty and a missed opportunity to save the next generation from the scrap heap. The Scottish people will not be bought by the Government.

The Presiding Officer (Tricia Marwick): It would be courteous to members if other members ceased to turn their backs on the chair.

16:50

John Swinney: The test of a stage 3 debate and the process that leads up to it is whether there is a reasoned fair wind to consider the proposals that the Government has put forward in response to the arguments that have been marshalled by other stakeholders and other political parties. In that respect, Mr Rennie makes a fair distinction in the sense that he and his party have marshalled to me a proposal to extend childcare support to a significantly larger number of two-year-olds than the Government is prepared to do because of the policy choices that we have made. Essentially, I assess those two respective positions as a fair acknowledgement of the fact that Mr Rennie wants to do one thing in the budget and we want to do another. That is an honest disagreement about where the focus should lie.

When it comes to some of the other issues, around colleges and housing, I am genuinely staggered by some of the things that I have heard from some of the Opposition members who have been involved in dialogue with me about the issues in the budget. However, before I get on to those questions, I want to take a moment to discuss an issue about welfare reform that has percolated through the debate. It was commented on by my colleagues Bruce Crawford, Aileen McLeod, Jamie Hepburn and Kenneth Gibson, and also by Dr Murray, Malcolm Chisholm and Michael McMahon.

I unreservedly accept the difficulties that are coming our way as a consequence of welfare reform. I and the Government find it an unacceptable agenda. We and our local authority partners are going to face much greater burdens and pressure as a consequence of the welfare reform agenda that is being pursued by the United Kingdom Government. Nobody in the chamber can dissent from that view.

The Scottish Government has acted in a number of areas—including on council tax benefit, again working with our local authority partners—to try to ameliorate the arbitrary 10 per cent reduction in council tax benefit by the United Kingdom Government. The Deputy First Minister has established a £9.2 million Scottish welfare fund and we have put in place advisory service support to try to deal with the issues.

However, I will not in any way stand here and be accused by members of misleading Parliament and suggesting that, somehow, what we have done can tackle the significance and scale of the welfare reform problem that is coming our way. We have done what we can, within our resources, to tackle it. That is inherent in the budget, which is another reason why it is worthy of support. However, we cannot pretend that we can make all the difficulties go away. That is why this Government wants to do something about them by acquiring the powers over welfare that will enable us to tackle the issue.

Willie Rennie: Will the cabinet secretary take an intervention?

John Swinney: I ask Mr Rennie to forgive me for a moment.

If Rhoda Grant seriously expects us to be able to tackle the full effects of the bedroom tax by building one-bedroom houses between now and 1 April, when the changes will kick in, it highlights the total mental paralysis that exists in the Labour Party on the whole issue. The idea that it would be possible to build a phalanx of one-bedroom houses before 1 April to try to deal with the issue highlights the absurdity of the do-nothing position of the Labour Party—well, it is actually not the do-nothing position of the Labour Party, but the better-together position of the Labour Party and the Conservatives.

Ken Macintosh: Instead of grossly distorting the—*[Interruption.]*

The Presiding Officer: Order!

Ken Macintosh: Instead of grossly distorting my colleague Rhoda Grant's measured contribution on housing and sitting back with his complacent attitude that the Scottish Government is doing everything it can when it clearly is not, will the cabinet secretary recognise that although putting additional money into housing would not ameliorate everything it would make a difference and that putting in £350 million would make a bigger difference?

John Swinney: I am putting more money into housing and have done so over the past 12 months. What I will not do is try to con the people of Scotland by spending the same money twice. That I will not do.

Capital expenditure has been a major issue in the debate. I asked Gavin Brown, who was complaining about our decisions and the fact that not enough progress has been made on NPD, what he thought of the UK Government's 25 per cent cut in capital budgets. For all his great debating prowess, not a stitch of an answer came forward from him.

Gavin Brown: Will the cabinet secretary give way?

John Swinney: Ah—here it comes now.

Gavin Brown: I am grateful to the cabinet secretary for giving way. He knows full well that we would pay for the housing through Scottish Water's mutualisation, which would save £100 million a year. However, will he finally admit that what he told this chamber in September about accelerating NPD was not quite right?

John Swinney: I note that for the second time there was no answer to the 25 per cent question. That means that Mr Brown is a hypocrite, because he says one thing here and then defends other things in terms of the UK Government's position in the House of Commons.

Mr Brown asked me how much of the resource-to-capital transfer had taken place. I can tell him that I have reported to Her Majesty's Treasury that from 2012 to 2013 the Scottish Government will have transferred £227.6 million from resource to capital. My planned transfer was £206.6 million but the transfer from revenue to capital DEL has been £227.6 million.

Mr Fraser said that I should not be allowed to have any more capital money because I cannot spend the capital money that I already have. It was part of his big attack on NDP—or, to correct him, NPD. The capital underspend in 2007-08 under my stewardship was £2 million; in 2008-09, £3 million; in 2009-10, £3 million; and in 2010-11, £2 million. In 2011-12, the underspend was £30 million, because of project costs in relation to the Forth replacement crossing. I know how to spend capital budgets efficiently and effectively; I do not waste money on the PFI schemes on which all my predecessors wasted money when in office.

We have heard many comments about the issues surrounding the college budget. I gently point out to Parliament that the college budget for the next two years is going to be £522 million, which is higher than any college budget ever was before I came to office as finance minister. It was £510 million and it is now £522 million. Let me—

Neil Findlay: Will the cabinet secretary give way?

John Swinney: Oh yes—we will take Mr Findlay.

Neil Findlay: Given what he said to Mr Brown, can Mr Swinney tell us whether he and the rest of the glee club on his back benches are hypocrites for cheering a £25 million cut over the next two years? [*Interruption.*]

The Presiding Officer: Order!

John Swinney: We have been waiting all afternoon for someone to accept Mr Findlay's intervention—and I am so glad that I did.

Let me read to Mr Findlay—[*Interruption.*] If we could all settle down for a moment, we will all be able to hear this. I want to read to Mr Findlay the words of John Henderson of Scotland's Colleges—[*Interruption.*]

The Presiding Officer: Order!

John Swinney: —in a message relayed by Twitter that has been printed out for me. He says:

"We are delighted. This is welcome—hugely welcome. The picture has changed significantly."

That comes back to my first point. Are the Opposition parties being reasonable about what the Government is trying to do in difficult financial circumstances? The answer is no; they are being utterly unreasonable about what the Government is doing.

The Presiding Officer: You need to bring your remarks to a close, cabinet secretary.

John Swinney: The Labour Party has told us that, throughout the process, it has focused on housing, colleges and rail, but then Ken Macintosh started wittering on about the issues to do with voluntary severance, with some Alice in Wonderland view that somehow we can keep on more staff than we actually have the money to pay for. That not only illustrates his financial inability to deal with the issues, but perhaps explains why he cannot understand the project finance model. Thank goodness that he is not sitting where I am today.

Decision Time

17:01

The Presiding Officer (Tricia Marwick): There is one question to be put as a result of today's business. The question is, that motion S4M-05550, 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, George (Paisley) (SNP)
 Adamson, Clare (Central Scotland) (SNP)
 Allan, Dr Alasdair (Na h-Eileanan an Iar) (SNP)
 Beattie, Colin (Midlothian North and Musselburgh) (SNP)
 Biagi, Marco (Edinburgh Central) (SNP)
 Brodie, Chic (South Scotland) (SNP)
 Brown, Keith (Clackmannanshire and Dunblane) (SNP)
 Burgess, Margaret (Cunningham South) (SNP)
 Campbell, Aileen (Clydesdale) (SNP)
 Campbell, Roderick (North East Fife) (SNP)
 Coffey, Willie (Kilmarnock and Irvine Valley) (SNP)
 Constance, Angela (Almond Valley) (SNP)
 Crawford, Bruce (Stirling) (SNP)
 Cunningham, Roseanna (Perthshire South and Kinross-shire) (SNP)
 Dey, Graeme (Angus South) (SNP)
 Don, Nigel (Angus North and Mearns) (SNP)
 Doris, Bob (Glasgow) (SNP)
 Dornan, James (Glasgow Cathcart) (SNP)
 Eadie, Jim (Edinburgh Southern) (SNP)
 Ewing, Annabelle (Mid Scotland and Fife) (SNP)
 Ewing, Fergus (Inverness and Nairn) (SNP)
 Fabiani, Linda (East Kilbride) (SNP)
 Finnie, John (Highlands and Islands) (Ind)
 FitzPatrick, Joe (Dundee City West) (SNP)
 Gibson, Kenneth (Cunningham North) (SNP)
 Gibson, Rob (Caithness, Sutherland and Ross) (SNP)
 Grahame, Christine (Midlothian South, Tweeddale and Lauderdale) (SNP)
 Hepburn, Jamie (Cumbernauld and Kilsyth) (SNP)
 Hyslop, Fiona (Linlithgow) (SNP)
 Ingram, Adam (Carrick, Cumnock and Doon Valley) (SNP)
 Keir, Colin (Edinburgh Western) (SNP)
 Kidd, Bill (Glasgow Anniesland) (SNP)
 Lochhead, Richard (Moray) (SNP)
 Lyle, Richard (Central Scotland) (SNP)
 MacAskill, Kenny (Edinburgh Eastern) (SNP)
 MacDonald, Angus (Falkirk East) (SNP)
 MacDonald, Gordon (Edinburgh Pentlands) (SNP)
 MacDonald, Margo (Lothian) (Ind)
 Mackay, Derek (Renfrewshire North and West) (SNP)
 MacKenzie, Mike (Highlands and Islands) (SNP)
 Mason, John (Glasgow Shettleston) (SNP)
 Matheson, Michael (Falkirk West) (SNP)
 Maxwell, Stewart (West Scotland) (SNP)
 McAlpine, Joan (South Scotland) (SNP)
 McDonald, Mark (North East Scotland) (SNP)
 McKelvie, Christina (Hamilton, Larkhall and Stonehouse) (SNP)
 McLeod, Aileen (South Scotland) (SNP)
 McLeod, Fiona (Strathkelvin and Bearsden) (SNP)
 McMillan, Stuart (West Scotland) (SNP)
 Neil, Alex (Airdrie and Shotts) (SNP)
 Paterson, Gil (Clydebank and Milngavie) (SNP)

Robertson, Dennis (Aberdeenshire West) (SNP)
 Robison, Shona (Dundee City East) (SNP)
 Russell, Michael (Argyll and Bute) (SNP)
 Salmond, Alex (Aberdeenshire East) (SNP)
 Stevenson, Stewart (Banffshire and Buchan Coast) (SNP)
 Stewart, Kevin (Aberdeen Central) (SNP)
 Sturgeon, Nicola (Glasgow Southside) (SNP)
 Swinney, John (Perthshire North) (SNP)
 Thompson, Dave (Skye, Lochaber and Badenoch) (SNP)
 Torrance, David (Kirkcaldy) (SNP)
 Urquhart, Jean (Highlands and Islands) (Ind)
 Walker, Bill (Dunfermline) (Ind)
 Watt, Maureen (Aberdeen South and North Kincardine) (SNP)
 Wheelhouse, Paul (South Scotland) (SNP)
 White, Sandra (Glasgow Kelvin) (SNP)
 Wilson, John (Central Scotland) (SNP)
 Yousaf, Humza (Glasgow) (SNP)

Against

Baillie, Jackie (Dumbarton) (Lab)
 Baker, Claire (Mid Scotland and Fife) (Lab)
 Baker, Richard (North East Scotland) (Lab)
 Baxter, Jayne (Mid Scotland and Fife) (Lab)
 Beamish, Claudia (South Scotland) (Lab)
 Bibby, Neil (West Scotland) (Lab)
 Boyack, Sarah (Lothian) (Lab)
 Brown, Gavin (Lothian) (Con)
 Carlaw, Jackson (West Scotland) (Con)
 Chisholm, Malcolm (Edinburgh Northern and Leith) (Lab)
 Davidson, Ruth (Glasgow) (Con)
 Dugdale, Kezia (Lothian) (Lab)
 Eadie, Helen (Cowdenbeath) (Lab)
 Fee, Mary (West Scotland) (Lab)
 Ferguson, Patricia (Glasgow Maryhill and Springburn) (Lab)
 Fergusson, Alex (Galloway and West Dumfries) (Con)
 Findlay, Neil (Lothian) (Lab)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Goldie, Annabel (West Scotland) (Con)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (East Lothian) (Lab)
 Griffin, Mark (Central Scotland) (Lab)
 Harvie, Patrick (Glasgow) (Green)
 Henry, Hugh (Renfrewshire South) (Lab)
 Hume, Jim (South Scotland) (LD)
 Johnstone, Alex (North East Scotland) (Con)
 Johnstone, Alison (Lothian) (Green)
 Kelly, James (Rutherglen) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Lamont, John (Ettrick, Roxburgh and Berwickshire) (Con)
 Macdonald, Lewis (North East Scotland) (Lab)
 Macintosh, Ken (Eastwood) (Lab)
 Malik, Hanzala (Glasgow) (Lab)
 Marra, Jenny (North East Scotland) (Lab)
 Martin, Paul (Glasgow Provan) (Lab)
 McArthur, Liam (Orkney Islands) (LD)
 McCulloch, Margaret (Central Scotland) (Lab)
 McDougall, Margaret (West Scotland) (Lab)
 McGrigor, Jamie (Highlands and Islands) (Con)
 McInnes, Alison (North East Scotland) (LD)
 McMahon, Michael (Uddingston and Bellshill) (Lab)
 McMahon, Siobhan (Central Scotland) (Lab)
 McNeil, Duncan (Greenock and Inverclyde) (Lab)
 McTaggart, Anne (Glasgow) (Lab)
 Milne, Nanette (North East Scotland) (Con)
 Mitchell, Margaret (Central Scotland) (Con)
 Murray, Elaine (Dumfriesshire) (Lab)
 Pearson, Graeme (South Scotland) (Lab)
 Pentland, John (Motherwell and Wishaw) (Lab)
 Rennie, Willie (Mid Scotland and Fife) (LD)
 Scott, John (Ayr) (Con)
 Simpson, Dr Richard (Mid Scotland and Fife) (Lab)

Smith, Drew (Glasgow) (Lab)
 Smith, Elaine (Coatbridge and Chryston) (Lab)
 Smith, Liz (Mid Scotland and Fife) (Con)
 Stewart, David (Highlands and Islands) (Lab)

The Presiding Officer: The result of the division is: For 68, Against 56, Abstentions 0.

Motion agreed to,

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