



OFFICIAL REPORT
AITHISG OIFIGEIL

Finance and Constitution Committee

Monday 8 March 2021

Session 5



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Pàrlamaid na h-Alba

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BUDGET (SCOTLAND) (NO 5) BILL: STAGE 2 1

FINANCE AND CONSTITUTION COMMITTEE

8th Meeting 2021, Session 5

CONVENER

*Bruce Crawford (Stirling) (SNP)

DEPUTY CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

COMMITTEE MEMBERS

*Dr Alasdair Allan (Na h-Eileanan an Iar) (SNP)

*Tom Arthur (Renfrewshire South) (SNP)

*Jackie Baillie (Dumbarton) (Lab)

*Alexander Burnett (Aberdeenshire West) (Con)

*Patrick Harvie (Glasgow) (Green)

*Dean Lockhart (Mid Scotland and Fife) (Con)

*Fulton MacGregor (Coatbridge and Chryston) (SNP)

*John Mason (Glasgow Shettleston) (SNP)

Anas Sarwar (Glasgow) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Kate Forbes (Cabinet Secretary for Finance)

Daniel Johnson (Edinburgh Southern) (Lab) (Committee Substitute)

Dougie McLaren (Scottish Government)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

Virtual Meeting

Scottish Parliament

Finance and Constitution Committee

Monday 8 March 2021

[The Convener opened the meeting at 10:00]

Budget (Scotland) (No 5) Bill: Stage 2

The Convener (Bruce Crawford): Good morning, and welcome to the eighth meeting in 2021 of the Finance and Constitution Committee. We have received apologies from Anas Sarwar, and I welcome Daniel Johnson as his substitute. As this is your first meeting as a substitute member, Daniel, I invite you to declare any relevant interests that you may have.

Daniel Johnson (Edinburgh Southern) (Lab): Thank you for your welcome, convener. I do not have any declarations to make at this time, beyond my written entry in the register of members' interests.

The Convener: Thank you, Daniel.

The first item on the agenda is to take evidence on the Budget (Scotland) (No 5) Bill at stage 2. We are joined for this item by Kate Forbes, the Cabinet Secretary for Finance, and by two Scottish Government officials: Dougie McLaren, deputy director, public spending; and Graham Owenson, team leader, local government finance, local taxation policy and business rates unit. You have a big title there, Graham. I welcome our witnesses to the meeting, and I invite the cabinet secretary, Kate Forbes, to make an opening statement.

The Cabinet Secretary for Finance (Kate Forbes): Before turning to the stage 2 amendments, I thank the committee for its report on the budget, to which I responded last week, and for its constructive approach to agreeing the timetable for this year's budget process, given the delayed United Kingdom budget. The truncated timetable continues, with stage 3 of the budget bill scheduled for consideration tomorrow, following stage 1 consideration and the Scottish rate resolution, which were both on 25 February.

The amendments have the broad purpose of incorporating into the bill further spending proposals that have been developed since its introduction on 28 January, in light of the change in the funding position since then—and that seems to be a bit of an understatement.

Specifically, the funding changes are: an extra sum of approximately £1.1 billion, combining resource, capital and financial transactions, from the UK supplementary estimates for 2020-21, which were notified to us last month and are being carried over into 2021-22 outwith the reserve; and the headroom from the net consequential of £1.175 billion of resource from the UK budget, minus the £500 million that we had already made at the bill's introduction.

Today's 13 amendments give effect to the proposed spending changes, and I hope that the supporting document that we submitted to the committee has been useful to members. In summary, with reference to that document, the changes relate to the proposals in my parliamentary statement on 16 February, totalling £881 million of resource, £197 million of capital grant and £41.5 million of financial transactions, together with further commitments totalling £526.8 million of resource. The only changes from the 16 February statement are that two of the capital funding elements are being profiled over two years rather than one, namely town centres and 20-minute neighbourhoods, in respect of which £30 million is proposed for 2021-22 from the £50 million total, and local bridges maintenance, which is to receive £12 million in 2021-22 from the £32 million total.

The further commitment costs are largely for the extension to the strategic framework business support grants that the First Minister announced on 23 February, together with the smaller items listed in the supporting document that have been firmed up to date, mainly in light of Covid pressures.

The costings for the extended non-domestic rates relief and the expanded self-isolation support grant are in line with the respective revised forecasts published on Friday by the Scottish Fiscal Commission.

In schedule 1, there are 12 amendments to portfolio-level, external-body and total allocations, with a further amendment to the overall cash authorisation at section 4. I understand that there will be one minor change in advance of amendments towards the end of this committee meeting.

Convener, with your permission, I will briefly update the committee on progress regarding negotiations with Opposition parties. I have secured a commitment from the Green Party to support the bill's passage, reflecting today's stage 2 amendments and some further amendments that I intend to lay at stage 3, subject to progress at stage 2. I am also continuing discussions with the Liberal Democrats, who had previously secured concessions at stage 1 on mental health,

education recovery and business support in exchange for supporting the budget at stage 1.

The main additional commitments as part of the agreement with the Greens are: extending concessionary travel for young people in Scotland to under-22s, including 21 year-olds; expanding universal provision of free school meals to all primary school children in term time, phased over the next two years; and increasing the cash underpin in the public sector pay policy from £750 to £800 up to £25,000 of salary as well as increasing the pay rise from 1 to 2 per cent up to £40,000 of salary. The £100 million anti-poverty funding that I announced last month, and is in today's amendments, will be used to provide a pandemic support payment to support people on low incomes, particularly families, and an additional £40 million of capital will be targeted at supporting green recovery and our net zero ambitions.

I will be able to say more at stage 3, but I wanted to take the opportunity to update the committee on that recent development. If sufficient progress is made with the Liberal Democrats today, I will update Parliament tomorrow.

I look forward to the committee's questions.

The Convener: The clerks and officials are discussing the minor change to amendments that you mentioned as we proceed with the evidence session. That might require us to suspend for a short period at the end of the evidence session before we go into the formal amendment process, but we will come to that when we reach it.

Cabinet secretary, I will begin the questions. Following the United Kingdom budget last week, can you provide the committee with details of the block grant adjustment, the extent to which it differs from the provisional block grant adjustment, and how it will impact on the budget for 2021-22? You might have covered some of that already, but it would be helpful to put it on the record. If there is any technical detail that you require to follow up with your officials, please feel free to draw them into the discussion.

Kate Forbes: I am happy to follow up with more information. As you will appreciate, the UK Government gave us the option of either using the provisional or the UK budget block grant adjustments as the basis for the 2021-22 budget. The lateness of the UK budget has increased the volatility that we could face. We are still considering the overall impact of the block grant adjustments. We cannot cherry pick the block grant adjustments that we like; we have to take it as a whole, and some tax changes that the UK Government announced might deliver a more positive benefit, but others will have a negative impact. Once the Scottish Fiscal Commission's

forecast of tax revenues and social security expenditure is published, we will have a fuller picture of the impact.

I will follow up in writing to the committee about our final decision on block grant adjustments, but it is likely that we will continue to use the provisional block grant adjustments, not only because it will protect the Scottish budget in the short term—it might mean that we have more negative reconciliations later—but, until we are in a position of having fully understood the overall impact of the UK Government's announcements, it reduces volatility to choose to use the provisional block grant adjustments.

My officials might want to come in on the detail of that, but otherwise I will follow up in writing.

Dougie McLaren (Scottish Government): There is a bit of detail and some underlying numbers about the overall comparative effect between the provisional BGA and the updated one that we got last week, so it is up to the committee whether you want that in a follow-up letter or want some of that now.

The Convener: A follow-up letter that provides us with the specifics would be more appropriate. If the information is detailed, it is quite difficult for everyone to understand the flow in the middle of an evidence session, so a follow-up letter would be helpful.

Last week, on behalf of the committee, I wrote to the Chief Secretary to the Treasury about the findings in our budget report. Cabinet secretary, as you know, the report states:

"The Committee recommends that given borrowing costs are extraordinarily low, HM Treasury considers increasing the Scottish Government's capital borrowing powers as a value for money means of supporting economic recovery."

I note from your response to our budget report that you have also written to the Chief Secretary to the Treasury

"to request that limits imposed on the Scottish Government's borrowing and reserve powers are increased."

Have you received a response yet? Are your officials having discussions with Treasury officials on that matter?

Kate Forbes: We have had conversations with Treasury officials on capital borrowing limits from the very beginning. To date, there has been no indication that additional capital borrowing powers will be granted to the Scottish Government. Unless there is anything further to come, the short answer is that there has not been any movement on capital borrowing.

My concerns are twofold. First, we know that we need to embark on a comprehensive programme of capital investment to drive economic recovery.

That is why we set out our five-year capital spending review, which was based on a 5 per cent cut to our overall capital—[*Inaudible.*] I hoped that that cut would be reversed in the UK Government's budget, because we know the importance of capital spending, but it has not been reversed.

My second concern is that it is quite clear from the UK's approach to levelling up funds and the replacement of European Union structural funds with the shared prosperity fund that the UK Government intends to invest on a UK-wide basis rather than generating the equivalent Barnett consequentials. That is a political, ideological choice that means that the Scottish Government will receive less capital funding of its own to invest. Instead, the UK Government will leapfrog the Scottish Government and invest directly. That issue has caused huge concern to the Welsh Government and the Northern Ireland Executive. We feared that it would happen, and our fears were realised after the UK Government's budget. Over the weekend, there has been quite a lot of coverage about where the funding will be directed and why.

The Convener: I would like to make comments on that. Other members might follow up on that issue.

Murdo Fraser (Mid Scotland and Fife) (Con): Good morning, cabinet secretary. I would like to ask about a couple of areas. My first question arises from what you have just told us about additional funds for an uplift in public sector pay. Some weeks ago, when we took evidence from the Convention of Scottish Local Authorities, it raised the concern that, if it were to follow the pay policy that the Scottish Government had announced, it would put a substantial additional burden on its resource budget. Given what you have just announced about public sector pay, are you putting more money into local government to help it to meet the expectation of local government workers that they will also get a 2 per cent increase if they are paid up to £40,000 a year?

Kate Forbes: I will certainly engage with COSLA on the substance of today's negotiations. I have already spoken to Gail Macgregor about that matter. It is important that we ensure that local government has an adequate settlement, but it is for local authorities, as the employers, to determine how the funding is used. It is not for the Scottish Government to tell COSLA how to use its funding and how to cover public sector pay.

During the past few weeks, I have set out the local government settlement, which includes a more than 3 per cent uplift in its core settlement, £259 million for Covid pressures and £275 million for Covid pressures next year. I will continue to engage with COSLA on the overall settlement, but,

quite rightly, it is for local authorities to determine how the funding is used.

Murdo Fraser: Thank you for that answer but, when COSLA spoke to us, it was clear that it would struggle to even match the 1 per cent increase that you had previously announced. Has the Scottish Government done any costings on the likely impact on local government of the new pay policy?

10:15

Kate Forbes: I say, on behalf of COSLA and local government, that it is really important that local government has the freedom to set its own policy. If I were to tell you now precisely how much money will go to local government for pay, that would be to ring fence funding, which all parties constantly criticise me for doing.

We understand that public sector pay policy not only has an overall impact on workforces that are subject to it, it is also a benchmark for workforce negotiations, whether those be in the health service, among teachers or in local government. Clearly, there will be an impact but ultimately, such negotiations are between employers, trade unions and the workforce. The Scottish Government is not party to fair pay negotiations between local government as an employer and the workforce.

Murdo Fraser: I have a separate question on land and buildings transaction tax. For the past 12 months, there has been a temporary extension to the threshold over which such tax is payable, which has been welcome throughout the period affected by Covid. You decided that you would not extend that beyond the end of the financial year. In his budget, the chancellor announced that it would be extended in England, which will generate Barnett consequentials. I notice that the Welsh Government has also decided to extend its own exemption until the end of June. Is there a particular reason for your decision not to extend that tax holiday, as we might call it, which the sector saw as being beneficial in stimulating demand?

Kate Forbes: It is a pertinent question, which I have weighed up really carefully because, ultimately, I want to ensure that our tax policies accelerate economic recovery rather than hinder it. My officials will correct me if I am wrong about this point, but I do not think that the changes to LBTT will necessarily generate consequentials. They will generate block grant adjustments, which of course will then be part of our decision making on whether to go with provisional or final block grant adjustments. However, we cannot cherry pick such adjustments.

Three factors were involved in arriving at my decision. The first is that the measure was always

designed to help the property market to recover. We were clear from the outset that the change was temporary, was intended to support activity last year, and would end on 31 March 2021. In that period, the property market has recovered. Sales were at their highest-ever level in December, rising 360 per cent since April and 180 per cent since the temporary nil-rate band was introduced. Therefore there has been recovery.

My second point is that such recovery happened despite the fact that the nil-rate band was at a lower threshold than in England. We have therefore seen recovery despite a lower tax cut, as it were, in Scotland than in the rest of the UK. That means that when it comes to the cliff edge of 31 March, the calls for extending the nil-rate band have been much stronger in relation to stamp duty, because tax has been reduced by up to £15,000 and there appear to be concerns about the speed with which house purchases are progressing. I am not aware of similar concerns in Scotland in relation to an overall blockage in the house purchase market or the impact that such a cliff edge might have. There is far more to gain from extending the band in England than there is in Scotland.

My final point is about choices. When I look at the need for support among the business community and the Scottish economy right now, the number 1 ask has consistently been about non-domestic rates. In Scotland, we have chosen to go further on that aspect, in that we have adopted 100 per cent rates relief for a full year for more sectors. That is a conscious choice. However, the money all comes from the same budget. I think that non-domestic rates relief will do more to support economic recovery than extending the LBTT nil-rate band. For first-time buyers, there will continue to be a higher threshold of the nil-rate band.

Murdo Fraser: That is a helpful response, cabinet secretary, but your answer is based on the assumption that extending the tax relief period would be a cost to the Scottish Government. I was interested to look at the figures for last year, which showed that, in the period from September, the revenue from LBTT was £223 million, which was £39 million more than was generated the year before. That would suggest that, in fact, reducing the threshold level had increased the amount of tax that had been brought in. What modelling have you done to show that the change will not reduce revenues rather than increase them?

Kate Forbes: I have two issues with that evidence. The first is that your figures are only from September onwards, as you said, so they do not take into account LBTT revenues across the year. There has been some press coverage of the question of whether this tax change could lead to

higher LBTT revenues and whether, therefore, it should be continued. However, it is revenue data for the third quarter onwards rather than the whole year to date, and we need to compare the years, because we know that there was a lot of pent-up demand because of lockdown coming to an end in the summer, which we must take into account.

The second part to that is that a comparison of the housing markets in Scotland and England shows that Scotland has seen record levels of transactions and LBTT revenues, despite the fact that the nil-rate band threshold is half of what it is in England. In other words, we have seen an equal recovery, despite the tax threshold being lower. Last July, if I had done what the UK Government did and given a tax cut to a buoyant market, that would not have been a great use of our budget. I have to use the budget in ways that genuinely improve our economic recovery, rather than giving tax cuts to a buoyant market.

Murdo Fraser: I am sure that we could pursue that further, but I am happy to leave it for now.

John Mason (Glasgow Shettleston) (SNP): I will pursue the issue of LBTT. Is part of your thinking that we need to target those most in need, cabinet secretary? First, in a constituency such as mine, many people do not own their houses, so a tax holiday will not help them. Secondly, the flats in the estate in which I live are going for about £70,000. Again, a tax break will not help those people at the lower end of the scale. Is that also part of your thinking?

Kate Forbes: It is part of our thinking. With regard to supporting first-time buyers specifically, a cut to LBTT on its own does not support first-time buyers. We have in place a first-time buyer relief that increases the nil rate band to £175,000, which means that first-time buyers save up to £600 in tax. However, that sits alongside a number of policy initiatives to support first-time buyers. The chancellor took a leaf out of our book by supporting first-time buyers with deposits, which is something that we already had in Scotland. Using LBTT in isolation is a very blunt tool that, in some cases, risks pushing property prices higher as opposed to helping first-time buyers to get on the housing ladder.

John Mason talked about the average cost of a house in Scotland. Setting a threshold at £250,000 still took eight out of 10 properties out of paying tax. That tells you a lot about the average house price in Scotland. In some areas, the thought of even getting to a property price of £250,000 is outside the realms of possibility. Our position is to help as many people as possible to get on the housing ladder or, at least, to have a safe, secure and warm home. That goes alongside all the other initiatives that are, arguably, more important, such as building affordable social housing.

John Mason: That is great. Thank you.

A couple of points arise from your letter of 2 March, to which you referred earlier. In response to comments from the committee, you wrote:

“without full devolution of tax powers, as we have called for ... our ability to respond to Scotland-specific risks ... will always be limited.”

Can you expand on that? How are the limited tax powers restricting us?

Kate Forbes: I would answer that in two ways. First, over the past few years, as more taxes have been devolved, there has been an interplay between devolved taxes and reserved taxes. We have seen that with the effective tax rate and the marginal tax rate for some taxpayers when it comes to income tax and national insurance contributions. We see that in supporting the economy. Arguably, the only business tax that we have is non-domestic rates—which are not, in fact, a business tax.

As we have seen during the pandemic, managing risk requires a toolbox of different taxes for supporting people. If we have only one business tax, it will be a very blunt instrument that does not allow for the nuance that is needed when it comes to the pandemic’s impact on Scotland. Economically, we have seen that some businesses have fared relatively well in the pandemic. We note the impact on tech businesses. They and supermarkets have done relatively well, whereas other businesses are on their knees. Because we have only one business tax—non-domestic rates—we cannot nuance it sufficiently to help those in need while continuing to take revenue from those who do not need a tax cut.

Those would be my two answers. First, in managing recovery, we need a mix of taxes. Secondly, we know that there is an interplay between reserved and devolved taxes, which is not helpful to Scottish taxpayers. To manage the risks and shocks to the Scottish economy, we need a broader range of tools.

John Mason: In your letter, you touched on the UK shared prosperity fund, which the convener has also mentioned. Do you have any more indications from the UK Government as to where that is going? Is there a danger that, although we want to move to more active travel and public transport, for example, and we might be investing in railways, the UK Government could be investing in roads, so there would be a clash of priorities? Is that one of the risks?

Kate Forbes: That is a risk. We have it on record that the UK Government intends to manage the shared prosperity fund. We have seen what it has done on the levelling-up funds. That seems to be a bizarre methodology for allocating capital

funding to certain areas but not others. I do not believe that that has been published yet, unless anybody has seen it; I have certainly not seen it.

As somebody who is speaking to you from what I like to call the epicentre of civilisation, which is also known as Dingwall, in the Highlands, and which is in a region that has benefited enormously from European Union structural funds, I point out that there are very few local rural roads that we might drive down without seeing signs that say that they have been funded with EU structural funding. We know that regions such as ours have benefited enormously from those funds, but I do not see a significant increase in capital funding coming from the UK Government to replace what has been removed by Brexit.

In my view, you are absolutely right: the UK Government will make choices and decisions about where to invest for what appear to be pretty political purposes, without necessarily reflecting the priorities of the people of the area concerned. We are committed to investing in the hospitals and schools that need capital investment. We will wait and see whether the UK Government does similarly.

Daniel Johnson: We have all been noting with interest the row about pay for nurses that has been sparked following the UK budget. The one thing that the pandemic has done has been to underline that its burden has not fallen equally on everyone’s shoulders and that some people have very much been on the front line, shouldering more of the burden than others. The 1 per cent offer simply did not reflect the value and worth of the work that nurses have been doing.

Did that row cause the Scottish Government to reflect somewhat? This morning, we have heard about a 2 per cent pay increase for public sector workers, but is there a case for considering whether certain workers deserve more, not just for the work that they have been doing but because of the critical role that they play in building resilience into public services? After all, Covid is not going away.

Do nurses deserve more than 1 per cent? Do they deserve more than 2 per cent?

10:30

Kate Forbes: I would agree with the sentiment of Daniel Johnson’s question. I remind those who are watching this evidence session or examining our public sector pay policy that the public sector pay policy does not apply to a number of different workforces, including those in the national health service, as there will be separate pay deal negotiations within the NHS. Although the public sector pay policy acts as a benchmark, there are

still separate negotiations involving trade unions, employers and the workforce.

I would unequivocally say that the public sector pay policy that we have adopted is more generous and that it tries to balance the need to recognise our public sector workers—not just with rounds of applause but with fair remuneration—with the challenges of affordability. I have spoken today about a guaranteed cash underpin of £800. That compares with £250 south of the border. We have introduced a 2 per cent threshold to smooth the funding curve through the public sector pay policy, and we have committed to pay at least a real living wage of £9.50, which will be an increase of 2.2 per cent.

I agree with the sentiment of Daniel Johnson's question. Not all the answers will be given today, as the workforce negotiations still have to take place over the coming months. The public sector pay policy sets the benchmark, but it is not the final destination.

Daniel Johnson: Can the cabinet secretary confirm that, just a few days ago, the Scottish Government confirmed that nurses would be getting just a 1 per cent pay rise, albeit on an interim basis? Is she saying that that is not the case, or will she be announcing an update on that interim pay settlement?

Kate Forbes: That precedes the workforce negotiations. NHS agenda for change, NHS doctors and dentists, local government, including teachers and social workers, police officers, firefighters and colleges will use the public sector pay policy as a benchmark and a reference point, but the proper, substantial negotiations still have to take place.

Daniel Johnson: So it is just 1 per cent. That is fine.

I want to ask about other workers who have been playing a critical role. The cabinet secretary will not be surprised to hear me bring up the subject of pay for those who work in social care. The median pay for social care workers is just £9.50 an hour. Does she feel that that reflects the value of the work? More important, does she think that there is a role for social care workers to play in baking in the resilience that we must bake into our public services, given the savings that they can make if they are performing their job as well as they can? Frankly, that is dependent on pay. Could the cabinet secretary make some comments about what we need to do to improve the pay of social care workers?

Kate Forbes: Yes, I can. That has featured in budget discussions. I said in my stage 1 budget statement that I was keen to explore everything possible to support social care workers more. Our commitment right now is that we will implement a

collective bargaining approach, and we are agreed that we will adopt the recommendations that emerge through collective bargaining with trade unions. That is a substantial shift in position, because it says that we will sign up to the outcome of that collective bargaining, and that is a fundamental step in the right direction as part of the move to a national care service.

Right now, as I have already outlined, the living wage that we are paying is higher than it is elsewhere. I would like to go further, and I would like to consider that as part of workforce negotiations.

When it comes to ensuring that there is funding in place, we have got to do it properly and well. The Scottish Government provides funding for workers in the private sector, but we need to get a more sustainable approach to ensure that social care workers in the public, private and voluntary sectors have a fair wage, and we will do that as part of the approach to collective bargaining.

Daniel Johnson: Does the cabinet secretary really think that the living wage is sufficient pay for people who have such a critical role? Surely we could just bypass those negotiations, given the very clear claim and call being made by the GMB for £15 an hour. Surely that is a pretty straightforward position that the cabinet secretary could address right now in the budget.

Kate Forbes: To put it bluntly, I have to ensure that everything is affordable. We have to ensure that our priorities can be implemented. I do not dispute the importance of fair remuneration, but I am required to balance the budget, and I have to ensure that we can implement what we promised to do. When it comes to an increase in pay, £15 per hour is equivalent to a salary of around £30,000 a year. That will have a knock-on impact on other workforces, particularly nurses in the NHS. The figure cannot just be plucked out of a hat. It needs to be affordable, and it needs to be implemented, and that is why we have wholeheartedly endorsed our approach to collective bargaining. We need to honour that process.

The Convener: I just want to check that the noise outside my house is not interfering with anybody's sound quality. There is a gentleman using a digger. Kate, is it interfering with your hearing me?

Kate Forbes: I can hear it vaguely, but it is not interrupting or disturbing me.

The Convener: That is good. Patrick Harvie is next.

Patrick Harvie (Glasgow) (Green): Background noise is usually the problem that I have, speaking from Dumbarton Road in Partick.

I will pursue some of the same issues as Daniel Johnson on public sector pay. In particular, when the Scottish Government's public sector pay policy was originally announced, in relation to the NHS, it was quite accurately described as an interim settlement because that NHS pay review is still due. Indeed, negotiations will take place on a range of other sectoral bases in the future. It strikes me as a little startling if Labour's position is now, as we have just heard, that collective bargaining negotiations should be bypassed. I want to clarify my understanding that what you have announced today, following discussions with the Scottish Greens, is an enhanced position, which will still be an interim position ahead of those sectoral negotiations such as the NHS Scotland pay review. It is an enhanced interim position and the collective bargaining negotiations that are taking place, which I would like to think most political parties would support, still have the importance that they deserve to have.

Kate Forbes: Yes, I hope that most political parties support that approach to collective bargaining as well. Patrick Harvie is right to characterise the commitment that we have made today on public sector pay policy as a significantly enhanced position. It increases the cash underpin to £800. It also increases the pay rise from 1 per cent to 2 per cent for salaries up to £40,000. He is right that this acts as a reference point, and there are a number of pay deals that are up for negotiation over the coming months. That is for my colleagues to take a lead on, whether that is the Cabinet Secretary for Health and Sport, equivalent colleagues in other areas or, indeed, as Murdo Fraser said at the outset, local government, where there are different employers.

In particular, most people will be watching with interest to see what the final settlement is for the health and social care workforce, who have been on the front line. The approach to collective bargaining with the care sector, in particular, is new and, we hope, an indication of the respect that we have for the social care workforce.

Patrick Harvie: The backdrop to that is that, for a significant number of years, Scotland has attempted to have a better public sector pay approach than the UK, which has, over recent years, had a policy much closer to a freeze. There is that historical difference and the fact that a progressive approach is being taken with the underpin, which effectively amounts to well over 4 per cent at the bottom end of the pay scale—for a new teaching assistant, it would represent well over 4 per cent, and for a starting nurse it would approach 4 per cent. Those changes mean that Scotland will not only have significantly better public sector pay, given the historical context, but significantly better equality in public sector pay,

having taken steps to close the public sector pay gap.

Kate Forbes: We have taken a more progressive approach. The agreement that we reached with the Green Party today makes that more progressive as well as fairer for those who are earning less. To put that in context, the majority of staff nurses are at the top of band 5 and are on a salary of £31,600, while senior nurses at the top of band 6 are on a salary of around £39,000. Today, we have announced a public sector pay policy of that underpin of £800, which as you say, is substantially more, as well as a 2 per cent pay increase up to a threshold of £40,000.

Although the NHS workforce will still be subject to separate negotiations and those commitments just act as a benchmark, I hope that they reflect the importance that we place on the work of those on the front line, recognising their efforts not just with a round of applause, but also with a fairer approach to pay.

Patrick Harvie: Finally, on the capital side, several issues have been discussed, including public transport, agri-environment schemes, energy efficiency and the use of the town centre fund to support sustainable transport. The phrase "green recovery" is very easy to throw around—many Governments are talking about green recovery but are not quite defining how that will shape economic recovery from the effects of Covid.

How would you describe the concept of a green recovery in the Scottish Government's plans? If there are further consequential from the UK Government as a result of its deciding how it will define its economic recovery plan—there was not very much on that in the UK budget—how do you intend to continue to ensure that all political parties can feed into those discussions, given that, in the past, in-year budget revisions have tended to involve less in the way of interparty and cross-parliamentary scrutiny?

Kate Forbes: I recognise not just the importance of investing in low-carbon initiatives but the fact that we have very ambitious targets for transitioning to net zero. We have to ensure that every penny that we invest is helping us to reach those targets, because they are extremely challenging. In the capital spending review, there is a five-year commitment of an additional £2 billion of low-carbon investment through the low carbon fund. Bluntly put, if that £2 billion is going on low-carbon investment, it is not going on high-carbon investment. We must also ensure that the £1.6 billion over five years to transform the heat and energy efficiency of buildings is supported, not just because it helps us to meet our targets but

because, in making those investments, we will revitalise our economy.

We have choices. We can choose to invest in a way that helps us to transition to net zero or we can invest in a way that makes that more difficult. The approach that we have taken demonstrates our commitment to using money in a way that boosts rather than hinders that transition.

However, the focus of this committee session is, of course, on next year. In my statement on 16 February, members saw, in recognition of the Greens' priority of energy efficiency, an additional £45 million for energy efficiency next year. I have also announced an additional £40 million of capital targeted at supporting a green recovery and our net zero ambitions. In the short term, there is additional capital out of a very challenging capital settlement. I hope that you will see that investment continue and grow over the next five years in an effort to meet our ambitious targets.

10:45

Dr Alasdair Allan (Na h-Eileanan an Iar) (SNP): You have identified around £90 million to go towards supporting local authorities with the council tax freeze. What assessment has been made of that figure? Are you satisfied that it is a robust figure to cover those costs? What options will local authorities have, given that you have indicated that they will have some options?

Kate Forbes: That £90 million is the equivalent of what councils would have raised with a 3 per cent increase in council tax. It is a robust figure. I am not aware of any dispute about that £90 million reflecting what councils might have been able to raise if they had increased council tax by 3 per cent. That money allows us to support household incomes as well as ensure that, from the council tax perspective, there is no detriment to services, as councils can draw down that funding.

There is a choice for councils. I have said that there is no absolute commitment or requirement, but councils can choose to compensate for a freeze on council tax by making use of that £90 million fund.

Dr Allan: How does that policy option affect people in different income brackets? For instance, do you think that that measure or, indeed, other measures for local authorities will likely benefit people on lower incomes?

Kate Forbes: The council tax freeze has to be seen alongside the council tax reduction scheme, which explicitly supports around 500,000 low-income households in respect of local tax liabilities that they would not have been able to meet. Although there is much dispute and debate about how to make council tax more progressive and

fairer, the council tax reduction scheme does that, because it supports low-income households.

During the pandemic, we have seen an increase in applications to the council tax reduction scheme, which indicates that those who are in need are making use of that scheme. Alongside that, the council tax freeze helps countless families, some of whom have been working from home and have seen their household bills, such as their energy bills and other utilities bills, increase. If we are helping businesses with their tax for a year, we should help households with their tax bills, as well.

Dr Allan: Finally, what estimate have you made of the pressures that local authorities have identified as existing on their budgets just now as a consequence of the Covid crisis? How can or should the Government be involved in that?

Kate Forbes: Local government has done a sterling job over the past year. It has been on the front line, and the settlement reflects that point. The funding for core services in the settlement needs to be looked at. There will be a 3.1 per cent funding increase for local revenue services. That money is the cash for local government day-to-day spending. There have been Covid-related pressures on local government, which is why I initially announced £259 million of non-recurring Covid consequentials. That money is not ring fenced; there are no strings attached. Councils can use that funding to address Covid-19 pressures, and that has now been agreed with COSLA.

On 16 February, I increased the funding to local government by £275 million. Again, there are no strings attached to that; it is not ring fenced. Councils can use that for the Covid pressures that they face. Overall, that is a fair local government settlement that recognises the particular pressures on local government, and we have now agreed the distribution of the funding streams with COSLA.

Jackie Baillie (Dumbarton) (Lab): I will start with questions on the council tax freeze and then move on to questions on pay. Does the cabinet secretary intend to build the £90 million into local government's baseline, so that councils do not have to find 3 per cent at the start of the new financial year before they do anything else with their budget?

Kate Forbes: As Jackie Baillie will know, given that we have still not completed stages 2 and 3 of this year's budget bill, I am unlikely to start setting next year's budget. We will consider all such matters with COSLA in next year's budget negotiations.

We want to ensure that there are fair settlements for local government not only this year but next year. Next year, it is unlikely that the

Scottish Government will be in receipt of substantially more Covid consequential funding, so it is likely that next year's budget will be even more challenging than this year's budget. We will have to weigh up all such matters and come to a conclusion with COSLA.

Jackie Baillie: I was not asking the cabinet secretary to reflect on next year's budget. She is able to build the funding into the baseline in this year's budget, which would avoid any problems in the future.

However, I will move on to some general questions. How much of the substantial increase in the budget that she is now enjoying is recurring funding and how much is non-recurring funding? How much of this year's Covid funding is she carrying forward into next year?

Kate Forbes: In answer to the second question, I am carrying forward all £1.1 billion of the late consequentials that were announced in the UK supplementary estimates and were notified to us in the past week or so. Those consequentials will be carried over into next year outwith the reserve, which is also what the Welsh and Northern Irish Governments are doing, because they will be of more use next year.

In relation to additional funding this year, there is £1.175 billion of net resource consequentials, the vast majority of which relate to Covid, so they are non-recurring. The recurring amount is negligible. I can provide a bit more information on that in letters—it is quite complex in terms of what has been deducted and what has been added. About £9 million of the £1.175 billion is in the recurring space, and it relates largely to education.

Jackie Baillie: However, if I am correct, there was a recurring uplift just shy of £1 billion in your main budget. Is that right?

Kate Forbes: In the UK Government's spending review, it was announced that we would get £1.3 billion—if I remember correctly, off the top of my head—of additional funding. I cannot find the figures now, but I will write to the committee on precisely what recurring funding was given to us.

Jackie Baillie: Thank you. That is helpful. It is a substantial uplift, by anybody's reckoning.

How much is being set aside in the budget to cover nurses' pay if it exceeds the interim 1 per cent increase?

Kate Forbes: The health portfolio, which is very mindful of the upcoming negotiations, will absorb those costs. There have been a lot of conversations with unions, but I understand that agreement has not been reached. We know that funding will need to be sourced to cover the increase, but that funding is not held corporately; it is held within the health portfolio.

Jackie Baillie: Okay, but you will have had to assess the cost of doing a deal with another political party. How much is the enhanced public sector pay deal, which will be a framework for nurses' pay?

Kate Forbes: It is approximately—I stress "approximately", because the public sector pay policy acts as a reference point—equivalent to £100 million.

Jackie Baillie: Actually, then, that is not such a huge sum, given the number of public sector workers in Scotland.

Kate Forbes: That is right. People sometimes forget that the public sector pay policy does not apply to many of the workforces that the public and press coverage are most interested in. The policy acts as a benchmark, but it does not directly apply to, for example, agenda for change, which is for NHS workers, or to local government. It is used as a benchmark and employers then negotiate with their workforces the final settlement for those workforces.

Jackie Baillie: Sure, but it is a helpful guide, and it usually determines where public sector pay ends up.

For the record, I indicate that Labour of course supports collective bargaining, but we do not regard it as an either/or option or as an alternative to putting in place a substantial pay increase for social care workers. You would expect me to say this but, particularly on international women's day, there is an opportunity to create a step change in pay for that sector, which is largely female and low paid. Why has the cabinet secretary rejected Labour's reasonable approach? We said that we want £15 an hour but that we would accept £12 an hour as an immediate uplift, with a process in place to review that, which would be akin to collective bargaining.

Kate Forbes: I appreciated the Labour Party's constructive approach, and I spent a considerable amount of time doing the sums and figuring out what might be possible, because I whole-heartedly agree with the sentiment of wanting to provide support to our carers, many of whom were forgotten about until the pandemic, when we realised just how much we depend on them.

I have several points to make in response, but the starting position in all this is that Scotland provides a much more generous living wage benchmark across the care workforce than is the case elsewhere. On the funding, I would like to do many things, but I need to have the funding available, and the public sector pay freeze south of the border has a material impact.

The GMB asked for £15 an hour for our carers. That would equate to a salary of just over £29,000

every year, up from a £19,500 salary, which is the equivalent of £10 an hour. That would be a substantial increase in pay of about 58 per cent. There are workforces in the public, private and voluntary sectors, and the Scottish Government would have to give due consideration to helping those sectors to afford the increases. There would also be an impact on bands 1 to 5 in the NHS workforce, under agenda for change. Therefore, the implications for affordability are substantial and significant—it could cost more than £2 billion to implement the £15 per hour. Obviously, an increase to £12 per hour would cost less, but it would still be substantially more than the funding that we have available.

People often talk about the huge increase in funding that the Scottish Government has had this year, but all of that is related to Covid—it is Covid consequentials, which means that they are non-recurring. We get them in one year with no guarantee that they will come in the following years—in fact, they will not come in the following years. Therefore, pay has to be afforded out of our recurring funding, because pay is, by its nature, recurring. Right now, I just cannot take the risk of using Covid consequentials to the tune of £0.5 billion without the guarantee that they will be forthcoming next year.

I agree, however, that we will implement what is recommended through collective bargaining. The Government has taken steps to put in place collective bargaining. I would not want to undermine collective bargaining; we are committed to implementing what comes from collective bargaining in the care sector.

Jackie Baillie: I note that the cabinet secretary told us earlier that she had £1.3 billion in recurring moneys in the budget. It could have been afforded.

11:00

The Convener: I will leave it to the cabinet secretary to decide whether to comment on that when she answers Dean Lockhart's questions.

Dean Lockhart (Mid Scotland and Fife) (Con): Cabinet secretary, you mentioned EU structural funds. Table 7.04 of the budget, which deals with spending plans under the EU structural funds, is blank for the periods from 2019 to 2022, reflecting the fact that the funds have been suspended since 2019, because of non-compliance by the Scottish Government. Can the cabinet secretary confirm that, as a result of that suspension of EU funds, more than £100 million has been decommitted and has been lost to the Scottish budget?

Kate Forbes: Dean Lockhart asks a remarkable question when we consider that EU structural funds will be suspended for time immemorial on

the basis of what his Government and party have subjected Scotland to in removing us from the EU. His faux outrage about EU structural funds is misplaced. We know how much our communities and our capital infrastructure have benefited from the EU, and we know that the promises to replace that funding without detriment to Scotland have been broken and that our fishermen, farmers and crofters will not see a like-for-like replacement in funding after our being taken out of the EU.

We also know that none of the devolved Governments will be in charge of distributing that capital funding to reflect the priorities of the people of Scotland, Wales or Northern Ireland. The UK Government has chosen to take those powers for itself. It will use the levelling up fund to benefit the north-east of England and that Scotland will lose out on that funding.

We will manage our internal requirements regarding EU structural funding. Mr Lockhart will know, if he was listening last week, that there has been no detriment to the communities that depend on that funding. There will be a huge detriment to those communities as a result of EU structural funding completely drying out not because of how the people of Scotland voted, but because of a political decision taken by his Government.

Dean Lockhart: I am not sure that you have answered my question, cabinet secretary. You will be glad to hear that the UK Government has committed to replace the EU funds in full and I am sure that they will not be decommitted or lost in the manner that EU funding seems to have been lost in Scotland.

In response to my question, can you confirm that those EU funds have been in suspension and that no funds have been available since 2019, which amounts to more than £100 million in lost funding?

Kate Forbes: It is not quite as simple as that. I am happy to write to Dean Lockhart with more information. We have been working with the EU to ensure that the processes in place meet its standards. We have ensured that funding is available for the community groups and others who depend on that. It is an issue of the processes between us and the EU, not of those between the Scottish Government and the communities that rely on that funding.

Dean Lockhart: It would be great if you could confirm that in writing, cabinet secretary.

There have also been reports that the EU Commission might impose penalties on the Scottish Government as a result of non-compliance. Figures of up to £190 million have been reported. Can the cabinet secretary confirm whether she is aware of any penalties that the EU Commission might impose? Has she provided in

the budget for any contingent liabilities, or are there other accounting adjustments in it, to deal with the suspension of the EU programme?

Kate Forbes: I cannot confirm that, but I can add that to my letter.

I know that Ivan McKee in particular was working on that about a year and a half ago. It has come into the public domain through newspaper reports only relatively recently. I will ensure that we have the latest information to share with Dean Lockhart as a result of the meeting.

Dean Lockhart: That would be helpful. However, in general terms, is it right to say that the Scottish Government has had to step in and use taxpayers' money to replace EU funds that have been lost?

Kate Forbes: There is a slight difference between money being lost and the process being temporarily suspended. That distinction is important to make. Work is on-going—although a lot of work has concluded—to ensure that all parties are happy with the process. That does not necessarily mean that money has been lost.

Dean Lockhart: I look forward to your written response.

We have discussed before the Scottish National Investment Bank's budget. Table 7.01 shows that, over the past two years, the bank has been allocated a total of £378 million. However, according to a parliamentary answer that I received last week, the bank has invested less than 15 per cent of that budget, which means that £320 million has not been invested. Given the huge demand for emergency funding from firms that are struggling as a result of the pandemic, why is the vast majority of the bank's budget yet to be spent?

Kate Forbes: The bank became operational only in November last year. It is the single biggest economic development in the Scottish Parliament's history and has already taken steps in doing deals. When I say that the bank is operational, I mean that it is recruiting the team—the staff—and putting in place a chief executive.

The bank has made a good start and has £200 million in fresh capital for investment next year. The funding was important to the process of being established, but what is really important is that funding is in place for the bank to start investing and that the bank is now operational.

Dean Lockhart: I appreciate that the bank has been operational for only four months or so, but is it not relatively quick and easy to identify a stream of funding from its budget that can be made immediately available to the thousands of firms that are struggling as a result of the pandemic?

Has a conscious policy decision been made not to use the bank's budget to help such firms?

Kate Forbes: That question misunderstands on two fronts the bank's role. The bank was set up to be independent of the Scottish ministers. Ministers like telling a host of public bodies what their priorities are and what to do, but the bank is by necessity independent and makes its own decisions about investment.

The bank is mission led. Its primary mission is to provide investment that is needed to put business at the forefront of driving forward our net zero ambitions, but it is independent of the Scottish ministers.

In relation to investment, I want a step change in economic growth. I want the bank to power innovation and accelerate the move to a high-tech, globally competitive and inclusive economy. That is important, but that does not mean that we are not supporting struggling businesses—we are doing that and have done that throughout the pandemic. For survival grants, we have largely used our enterprise agencies, which the bank does not replace, as well as local government. Those grants will continue until the Scottish economy is back open and trading. A slight distinction is necessary in relation to who tells the bank what to do and what the bank's role is in delivering a step change in Scottish economic growth.

Dean Lockhart: The bank's budget in this financial year is £240 million and it looks as if about £190 million of that will be unspent, given that we are close to the end of the financial year. What will happen to the £190 million of budget that the bank has not spent in this financial year? Will it be rolled over? Is it part of the budget line item for the next financial year?

Kate Forbes: Not explicitly. If I remember correctly, I will be back at the committee on Wednesday with the spring budget revision, which will give the final figures for spend in each budget line this year. It will take into account the most recent consequentials and money that has been reutilised when demand has been lower than expected.

No money sits there unused. In our overall budget management every year, we constantly try to get the most out of every penny. That means that, if there is budget available, we can redeploy it. We saw that in the summer budget revision, when we used some unspent financial transactions to support, I think on that occasion, loans to landlords who were struggling in the housing sector. We have reused funding throughout the pandemic. The nature of the pandemic has meant that we have had to work

very quickly to redeploy funding so that it is used for those who are most in need.

Fulton MacGregor (Coatbridge and Chryston) (SNP): As has already been outlined, the Scottish Government has gone further than the UK Government by extending 100 per cent non-domestic rates relief for the retail, hospitality, leisure and aviation sectors for 12 months. Given the disparity between the two Governments' approaches, will you take the opportunity to explain the Scottish Government's thinking behind its welcome move?

Kate Forbes: I did that because it was the number 1 ask from businesses for support next year. Even when the economy opens up and businesses start trading, we will want to support businesses as much as possible to recover. We hope that reducing the tax burden for a year, while they recover, will allow them to keep staff and help with start-up costs. We will revisit the policy this time next year.

I extended the relief before the UK Government's budget to provide certainty. We are nearing the end of the financial year and businesses are making decisions about what funding they have available, so I wanted to give them as much notice as possible, which meant taking a bit of a risk by announcing it before the UK Government.

The UK Government has now made an announcement. It is not going as far as we are—it is not providing 100 per cent rate relief for a full year—but I remain committed to the policy, having given the assurance to businesses that they will not pay non-domestic rates next year. However, inevitably, that means that, where funding does not completely cover our policy choices, we have to make decisions about what we do and do not prioritise.

Fulton MacGregor: The decisions that you have made will be welcome to businesses.

Earlier, you spoke about the grants that were put in place, and, as I have said in a previous committee meeting, I thank the North Lanarkshire Council's grant team for the way that it has dealt with those—it has been absolutely fantastic. The grants have helped businesses in my constituency and across the country. You talked about their continuing until the economy has bounced back. What will that mean? Will the grants continue until the economy opens for a certain sector, or will they continue in some form until the economy is back to pre-pandemic levels? Certain businesses might be able to open over the next couple of months, but the number of customers using them might not return to the same levels for some time after that. Has that been given any thought in the budget planning?

Kate Forbes: Yes, I have given a lot of thought to that. Businesses have been clear that one of their fears is that, when we transition from lockdown—when an area moves from level 4 to a lower tier—the closure grants will stop. We have committed to a transition or lag payment, so a business will continue to receive £2,000 or £3,000 for up to four weeks after they come out of level 4, out of closure, to help with those costs.

I know that I say it all the time, but one of the challenges is that the UK Government has done something different. It has chosen to conclude the grants at the end of March and pay a big top-up grant or a big restart grant in April. That is a different approach, and I will be working with business organisations to understand their preferences and what is important to them, with regard to having either on-going grants or one big restart grant.

Inevitably, that means that the consequentials that have been generated by the UK Government's policy do not go as far as we would like. They do not cover our commitment to extending the strategic framework business fund indefinitely, so we will need to make some decisions about that, alongside the additional funding that we need to put into extending the non-domestic rates relief.

Fulton MacGregor: Are the expected extension of the grants for a period after opening and the UK Government's one-off campaign in the same ball park in terms of value?

11:15

Kate Forbes: They are not. The restart grants generate consequentials that are less than what we would need to continue the strategic framework business fund until, for example, June.

Fulton MacGregor: I will stay on that line of questioning. I have asked before and, as you probably expect, I will ask again about businesses that might not open for some time, even after we start to come out of lockdown. That is not restricted to nightclubs and soft-play businesses, but they are two of the main examples that have received funding recently. Has the fact that such businesses might not be able to open for some time, even after restrictions are lifted to some extent, been factored into budget equations?

Kate Forbes: That is why we originally said that we would continue the strategic framework business fund while businesses are in lockdown. Unfortunately, the consequentials that were generated last week were as a result of the UK Government's decision to pay one grant in April, which hinders what else we can do on business support. Our approach has been to reach as many as possible of the unreached or excluded

businesses by putting in place additional bespoke schemes. We had about 30, which it seems was criticised as being too many, followed by requests for more. We take all those factors into account. We know that some businesses will be closed for longer. We want to ensure that the funding is available for as long as it is needed, but the consequential funding that has been generated by the scheme south of the border is lower than I anticipated.

Fulton MacGregor: Thank you, cabinet secretary. That was very helpful.

The Convener: We will go to Alexander Burnett. I am sorry. I have just seen that Daniel Johnson has put an R in the chat box; forgive me. Is it a supplementary?

Daniel Johnson: Yes, it is. Thank you for taking it. Fulton MacGregor highlights an important point about different sectors. I remind the committee of my entry in the register of interests. I am a director of a company with a retail interest, albeit that it is remote.

Given what we are now discovering about the virus—the new variants and the fact that we might end up in a situation in which booster vaccinations will be required in order to provide cover—social distancing looks likely to be with us for some time. That might mean for some sectors not just that they will come out of lockdown later, but that they might not be feasible at all while the virus is endemic within the community. Is the Government looking at the potential impact of that and identifying particular sectors, and will it come forward with the insights that that work provides and the consequent financial requirements?

Kate Forbes: That is a good question. There has been an issue from the beginning in that some sectors have been harder hit, including by the costs of ensuring that their business premises can manage social distancing. I am mindful that some businesses will face an impact on their trade for longer than others will. That is why my position has been to keep grants going for as long as possible—in particular, the lag, or transition, grants that I mentioned, through which a business could receive funding for up to four weeks after it is allowed to reopen. That was to recognise the fact that, even when a business is allowed to reopen, there might be additional costs associated with social distancing, on-going costs associated with its not being able to get as much trade because space is constrained, or on-going confidence issues among consumers about returning. That was the purpose of those lag, or transition, payments.

On what we do to review the situation, we have regular meetings with business organisations; the Scottish Retail Consortium and the Scottish

Tourism Alliance are two obvious examples. They meet officials and ministers weekly or more regularly, so that there is understanding, and they have been active in informing the strategic framework in relation to how we reopen, because how we do that will have an impact on the funding that is required.

I come back to the point that I know that the grants that are provided today do not go anywhere near compensating lost income. That has been the position from the very beginning. However, there are some businesses that we continue to provide funding to and we top up their funds, and there are other businesses that have not had anything. There is a constant tension between trying to help those that have had nothing, and topping up the funds that have already gone out but do not go anywhere near compensating for lost income. Currently, we have a real challenge in knowing whether the priority should be to provide on-going funds or one big restart grant. We are working with business organisations to understand what their preference would be.

The Convener: I know that Alexander Burnett has been waiting some time to ask his questions, which I made even longer by allowing Daniel Johnson to come in. I am sorry about that—I hope that you will forgive me.

Alexander Burnett (Aberdeenshire West) (Con): That is absolutely fine, convener.

My question follows on from the topic that Fulton MacGregor was asking about and what the cabinet secretary said about trying to support businesses that you have been unable to give anything to so far.

I have constituents who are still in serious trouble. Outside caterers are receiving nothing, despite being ratepayers with a trading history. They are being passed from pillar to post, with the councils saying that it is up to the Government, and the Government—including you, cabinet secretary, in previous responses to me—saying that it is up to the councils.

Bus operators are being treated differently across councils. They are able only to rely on John Swinney saying that there is an expectation of fair treatment. Similarly, garden centres in some council areas are having to raise appeals in order to get similar treatment to that which is provided to garden centres in other council areas. What support can you offer businesses that are still falling through the cracks and those that are suffering from a postcode lottery in respect of criteria, which are ultimately approved by your Government?

Kate Forbes: As I said, we have tried to put in place on-going blanket support through the strategic framework business fund, which provides

£2,000 every four weeks. Do I think that that comes anywhere near compensating lost income? No, I do not, but the scheme is in line with what happens in the rest of the UK—or, at least, in England.

Over and above that, recognising that specific sectors have specific costs associated with them, we put in place—despite criticism from the Conservatives—up to 30 bespoke funds, which dealt with the particular issues that were faced by the hospitality industry, some wholesalers in the supply chain and others. All those funds have opened. Some are distributing funding; others have closed, having distributed the funding.

There is still a third category of business that has not received much, or has received only furlough funding or access to the self-employed income support scheme. That is why we have put in place the discretionary fund, which we have increased from £30 million to £120 million.

On guidance to local authorities, we want them to use the funding for businesses that have not had help yet, and it is up to local authorities to decide what the quantum is. I am pretty sure that, the last time I checked, the Conservatives were in power in Aberdeenshire Council, so I hope that Alexander Burnett has also made representations to it about the quantum of funding, and the criteria that are associated with it, to support his constituents.

Alexander Burnett: I went to Aberdeenshire Council in the first place about the discretionary fund. The council told me that it is not at its discretion to offer the funds to outside caterers and that that is a matter for the Government. I then wrote to you and you said that it is a matter for Aberdeenshire Council. In such circumstances, who should I approach on behalf of my constituents, and where will they get support?

Kate Forbes: You are right to approach both of us. I am open to considering whether we need to top up the discretionary fund. However, the discretionary fund is the vehicle for helping all the businesses that are in need.

I whole-heartedly endorse Highland Council's approach. I do not always, or necessarily ever, praise Highland Council, but on this occasion I think that it has done a really good job. Essentially, its criterion is that a business that has not had funding from elsewhere and has had a 50 per cent reduction in trade will be provided with support, irrespective of the sector that it is in. There are a few exceptions, including businesses that are already getting funding through bespoke schemes.

To my mind, that seems to be a very logical way of doing it. Highland Council has even said that it is looking at an additional top-up for businesses that receive the initial £2,000 grant. Some councils

are doing a great job, and I am happy to send to the member more details about what Highland Council has done, if that would be helpful in his discussions with Aberdeenshire Council.

Alexander Burnett: My final point is not about the top-up, but about how criteria are being applied. I do not expect the cabinet secretary to be able to answer on a specific case but, if I write to her after the meeting, perhaps she will respond, having been able to look at the detail of the problem that we are facing, wherein there is a difference of views on the criteria for qualification between Aberdeenshire Council and her.

Kate Forbes: I am happy to look into that.

The Convener: As members will have heard at the beginning of the discussion, manuscript amendments have been lodged to reflect corrections to administrative errors in figures in the amendments that were lodged for stage 2. Understanding orders, it is for me to determine whether to allow those amendments to be moved. I confirm that I will allow them.

A revised marshalled list has been circulated to the committee—at 10.36, I think—by Mhairi Gavin. Before we move to the formal stage 2 process, I will suspend the meeting for a little while, but before that I ask Dougie McLaren, who is the deputy director of public spending, to provide us with information on the corrections.

Dougie McLaren: Just before the weekend, we circulated to the committee some figures on a spreadsheet, which members might have in front of them. The spreadsheet itemised all the individual components of proposed spending to which there were amendments in the list that was lodged on Friday. There were 13 amendments, 11 of which were for changes to portfolio totals—10 portfolio totals and a separate one for National Records of Scotland. There were two totalling amendments—one for budget use of resources and one for cash authorisation.

Since that lodging on Friday, we have very lately discovered an error in our figures, which has flowed through to three of the amendments. I will quickly explain that error, which relates to the communities and local government portfolio. We had left in a figure for non-domestic rates of £541 million, which relates to the extension of reliefs for the full year 2021-22 for retail, hospitality and leisure, aviation and independent schools. However, of course that should not have changed the overall spending allocation in the bill because, as members will know from previous times when there have been budget act revisions for non-domestic rates, the revenues are reduced and the distributable amount to local government is thereby reduced. That will be reflected in the forthcoming local government finance order. The

general revenue grant is increased to offset that; the £541 million increase to the general revenue grant is offset by the £541 million reduction in receipts, which flows through to the distributable amount, so there should, of course, be no net change to the budget bill.

We therefore requested manuscript amendments, which have come through this morning. There is a replacement amendment to the communities and local government portfolio with the right figure—amendment 14 replaces amendment 2. There is a replacement amendment—amendment 15 replaces amendment 12—for the total budget use of resources in schedule 1. Lastly, amendment 16 for the total cash authorisation replaces amendment 13, which was lodged on Friday.

In summary, our proposal is not to move amendments 2, 12 and 13 and instead to move amendments 14, 15 and 16.

The Convener: If any member has questions that they want to ask Dougie McLaren before I suspend the meeting, they should type R in the chat bar, as normal. I do not see any Rs in the chat bar.

I will suspend the meeting for around 15 minutes, to make sure that everyone is aware of what is going on before we move to formal proceedings at stage 2. I will indicate in the chat bar when we are ready to restart. Obviously, I need a new script. Thank you, colleagues.

11:30

Meeting suspended.

11:45

On resuming—

The Convener: Item 2 is formal stage 2 consideration of the Budget (Scotland) (No 5) Bill. I remind members that they can request to speak by typing R in the BlueJeans chat function once I call the group, but please only speak when I call your name. As members will be aware, manuscript amendments have been lodged for consideration at stage 2, and members should now have the revised marshalled list.

Section 1 agreed to.

Schedule 1—The Scottish Administration

The Convener: Amendment 1, in the name of the Cabinet Secretary for Finance, is grouped with amendments 2 to 16. I draw members' attention to the notes on the grouping in regard to direct alternatives. Direct alternatives are two or more amendments seeking to replace the same text in a bill with alternative approaches.

Kate Forbes: All 13 amendments reflect the additional funding that has been notified to us by the UK Government since the bill's introduction.

Amendment 1 increases the health and sport authorisation by £211 million of resource. That comprises £120 million for mental health, £60 million for NHS recovery and £31 million for further Covid pressures.

Amendment 2 will not be moved, and I thank the convener for his understanding in that regard.

Amendment 3 increases the education and skills authorisation by £60 million of resource for education recovery. Amendment 4 increases the justice authorisation by £1 million for legal aid traineeships. Amendment 5 increases the transport, infrastructure and connectivity authorisation by £25 million of resource for additional transport network costs. Amendment 6 increases the environment, climate change and land reform authorisation by £2.05 million of resource for income shortfall at the Royal Botanic Garden Edinburgh and in non-governmental organisations. Amendment 7 increases the rural economy and tourism authorisation by £10 million of capital grant for rural tourism infrastructure.

Amendment 8 increases the economy, fair work and culture authorisation by £481.5 million, which is made up of £460 million for strategic framework business support and £21.5 million of FTs for Scottish Enterprise. Amendment 9 increases the social security and older people authorisation by £4.6 million to expand the self-isolation support grant. Amendment 10 increases the constitution, Europe and external affairs authorisation by £2.6 million of resource for Covid resilience and recovery support for the armed forces community sector. Amendment 11 is for National Records of Scotland, with £1.1 million of resource for income shortfall.

Amendments 12 and 11 will not be moved.

Amendment 14 increases the communities and local government authorisation by £307 million of funding, which is made up of £100 million of resource, £187 million of capital grant and £20 million of FTs. I know that time is marching on, but I will go into the detail of that. That funding includes £100 million of resource for anti-poverty measures, £100 million of capital grant for housing, £20 million of FTs for housing, £45 million of capital grant for fuel poverty and energy efficiency, £30 million of capital grant for the town centre fund and £12 million of capital grant for the local bridge and maintenance fund.

Amendment 15 increases the overall total amount of resources in schedule 1 by £1.1 billion, which comprises £866 million of resource, £197 million of capital grant and £40 million of FTs.

Amendment 16 increases the total cash authorisation for the Scottish Government by £1,105,250,000.

Convener, apparently I said that I will not be moving amendment 11. That was a slip; I meant to say that I will not be moving amendments 12 and 13.

I hope that that is sufficient information.

I move amendment 1.

Amendment 1 agreed to.

Amendments 2, 14 and 3 to 11 moved—[Kate Forbes]—and agreed to.

The Convener: Amendment 12, in the name of the cabinet secretary, has already been debated with amendment 1. I ask the cabinet secretary to move amendment 12.

Kate Forbes: Not moved.

The Convener: Sorry—you are right; I should not have asked you to move that.

Amendment 12 not moved.

Amendment 15 moved—[Kate Forbes]—and agreed to.

Schedule 1, as amended, agreed to.

Section 2 agreed to.

Schedule 2 agreed to.

Section 3 agreed to.

Schedule 3 agreed to.

The Convener: My apologies—I see that Ms Forbes has put an R in the chat bar.

Kate Forbes: Convener, we had a discussion about amendment 12 not being moved. The same applies to amendment 2, which I should not have moved.

The Convener: Yes—thank you. One of the committee's clerks has also raised that in the chat bar. Please forgive me; I am just going by the script that I have in front of me.

Section 4—Overall cash authorisations

Amendment 13 not moved.

Amendment 16 moved—[Kate Forbes]—and agreed to.

Section 4, as amended, agreed to.

Sections 5 to 11 agreed to.

Long title agreed to.

The Convener: I am glad to say that that ends our consideration of the bill at stage 2. I thank colleagues for their patience with the glitches that

went on in the middle of that. I also thank the cabinet secretary for being with us.

Meeting closed at 11:55.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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