



The Scottish Parliament
Pàrlamaid na h-Alba

Passage of the
Budget (Scotland) (No.5)
Bill 2016

SPPB 234



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Pàrlamaid na h-Alba

Passage of the
Budget (Scotland) (No.5) Bill 2016
SP Bill 86 (Session 4), subsequently 2016 asp 12

SPPB 234

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Foreword

Purpose of the series

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

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

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

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 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 fifth 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. Previously, that process consisted of three phases:

- the budget strategy phase, the aim of which is to allow the Parliament to scrutinise progress being made by the Scottish Government in delivering, through its spending priorities, its own targets and to take a strategic overview of the public finances. This phase was intended to take place at least once per Parliamentary session;
- the draft budget phase, during which subject committees examine and report to the Finance Committee on the Scottish Government's draft budget and the Parliament debates the Finance Committee's report. This phase takes place annually; and
- the Budget Bill phase, which also takes place annually.

The budget process leading up to the introduction of the Bill to which this volume relates did not include a budget strategy phase. The Finance Committee instead recommended that the Scottish Government continue to publish performance

scorecards alongside the draft budget each year and that the budget strategy phase be replaced by a more flexible approach to the scrutiny of outcomes.¹

Material relating to the draft budget phase can be found on the Scottish Parliament website². The Finance Committee reported on the draft budget phase on 29 January 2016 (2nd Report, 2016 (Session 4): Report on Draft Budget 2016-17 (SP Paper 897³)) and that report was debated by the Parliament in the same debate at which it considered the general principles of the Bill on 3 February 2016. The *Official Report* of that debate is included in this volume.

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 required⁴, 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.

¹http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Guidance_to_subject_committees.pdf

²<http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/94252.aspx>

³http://www.scottish.parliament.uk/S4_FinanceCommittee/Reports/FIS042016R02Rev.pdf

⁴ 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.gov.scot/Publications/2016/01/8682>

Budget (Scotland) (No.5) Bill

[AS INTRODUCED]

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ACCOMPANYING DOCUMENTS
Accompanying documents are printed separately as SP Bill 86-AD.

Budget (Scotland) (No.5) Bill
[AS INTRODUCED]

An Act of the Scottish Parliament to make provision, for financial year 2016/17, 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 2017/18, for authorising the payment of sums out of the Fund on a temporary basis; and for connected purposes.

PART 1

FINANCIAL YEAR 2016/17

Use of resources etc.

1 The Scottish Administration

- (1) The Scottish Administration may use resources in financial year 2016/17 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 2016/17 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 2016/17 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 2016/17 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 2016/17 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 2016/17 are as follows.
- (2) In relation to the Scottish Administration, £33,187,018,000.
- (3) In relation to the direct-funded bodies—
- (a) the Forestry Commissioners, £61,173,000,
 - (b) the Scottish Parliamentary Corporate Body, £84,409,000,
 - (c) Audit Scotland, £6,170,000.

5 Contingency payments

- (1) This section applies where, in financial year 2016/17, 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 regulations 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.
- (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 2017/18

6 Emergency arrangements

- (1) This section applies if, at the beginning of financial year 2017/18, 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 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—
- (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 2016/17 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 2017/18.

PART 3

MISCELLANEOUS

Amendment and repeal

7 Budget revision regulations

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

8 Repeal of spent provisions

Part 2 (financial year 2016/17) of the Budget (Scotland) Act 2015 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 2016/17.
- 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 2016.

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, Europe 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; central government grants to non-departmental public bodies, local authorities and other bodies and organisations; international relations; development assistance; Historic Environment Scotland.</p>	203,820,000	40,000,000
<p>2. Through their Finance, Constitution and Economy 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; digital and broadband technology; 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; expenditure on corporate and central services; expenditure in relation to the running costs of the Office of the Chief Economic Adviser and the Office of the Chief Statistician; expenditure on Protocol; costs associated with referendums; expenditure on strategic communications with various audiences; the Accountant in Bankruptcy; funding to support delivery of parliamentary elections.</p>	591,564,000	186,000,000
<p>3. Through their Health, Wellbeing and Sport 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; legacy of the 2014 Commonwealth Games.</p>	13,118,150,000	2,050,000,000
<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</p>	2,852,993,000	179,000,000

<i>Purposes</i>	<i>Amount of resources (other than accruing resources)</i> £	<i>Amount of accruing resources</i> £
<p>5 10 15 social work services; central government grants to local authorities; grant in aid for the Scottish Further and Higher Education Funding Council, 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; activities associated with the Chief Scientific Adviser for Scotland; international and other educational services; funding for international college and university activities; sundry lifelong learning activities.</p>		
<p>20 25 30 35 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 Commissioner; 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 to create safer and stronger communities; measures in relation to drug abuse and treatment; 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>	2,406,604,000	39,700,000
<p>40 45 50 6. Through their Rural Affairs, Food and 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 Scotland’s seas, representing Scotland’s interests in relation to common fisheries policy, international fisheries negotiation and aquaculture and freshwater policy,</p>	491,789,000	602,100,000

<i>Purposes</i>	<i>Amount of resources (other than accruing resources)</i> £	<i>Amount of accruing resources</i> £
<p>5</p> <p>10</p> <p>15</p> <p>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.</p>		
<p>20</p> <p>25</p> <p>30</p> <p>35</p> <p>40</p> <p>45</p> <p>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 road equivalent tariff fares; 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 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; costs related to public inquiries; loans to Scottish Water and Scottish Water Business Stream Holdings Limited; water grants, including to the Water Industry Commission for Scotland; 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.</p>	2,188,725,000	230,000,000
<p>50</p> <p>8. Through their Social Justice, Communities and Pensioners' Rights 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</p>	10,928,441,000	30,000,000

<i>Purposes</i>	<i>Amount of resources (other than accruing resources)</i> £	<i>Amount of accruing resources</i> £
<p>5</p> <p>10</p> <p>15</p> <p>20</p> <p>25</p> <p>scheme; housing support grant; other services, including payments under the Bellwin scheme covering floods, storms and other emergencies; funding of the Local Government Boundary Commission for Scotland; funding of strategic contracts to increase the resilience and capacity of third sector organisations; planning; architecture; building standards; housing subsidies and guarantees; Energy Assistance Package; Home Insulation Schemes; repayment of debt and associated costs; other expenditure, contributions and grants relating to housing; activities relating to homelessness; research and publicity and other portfolio services; grants to local authorities and registered social landlords; loans to individuals; community engagement; regeneration programmes; grants for Vacant and Derelict Land Fund; loans to organisations; funding of payments for welfare purposes; funding to tackle food poverty; expenditure relating to equality issues; expenditure and grant assistance in relation to public service reform and efficiency; funding for advice and advocacy services; funding to support delivery of local government elections.</p>		
<p>30</p> <p>9. Through their Fair Work, Skills and Training portfolio, for use by the Scottish Ministers on: grant in aid for Skills Development Scotland; funding activities for young people to develop skills in connection with training and work; the provision of Education Maintenance Allowances.</p>	252,500,000	Nil
<p>35</p> <p>10. For use by the Scottish Ministers on: pensions, allowances, gratuities etc. payable in respect of the teachers' and national health service pension schemes.</p>	3,300,285,000	2,200,000,000
<p>40</p> <p>11. 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.</p>	192,962,000	18,100,000
<p>45</p> <p>12. 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).</p>	28,355,000	9,800,000
<p>13. 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:</p>	112,500,000	2,000,000

<i>Purposes</i>	<i>Amount of resources (other than accruing resources)</i> £	<i>Amount of accruing resources</i> £
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; special payments made in relation to intestate estates which fall to the Crown as ultimate heir.		
14. For use by the Scottish Courts and Tribunals Service on: operational and administrative costs.	88,908,000	35,000,000
15. For use by the Office of the Scottish Charity Regulator on: operational and administrative costs.	2,950,000	Nil
16. For use by the Scottish Housing Regulator on: operational and administrative costs.	3,700,000	Nil
17. For use by Revenue Scotland on: operational and administrative costs.	5,221,000	Nil
18. For use by Food Standards Scotland on: operational and administrative costs, including research, monitoring and surveillance and public information and awareness relating to food safety and standards.	15,300,000	Nil
Total of amounts of resources:	36,784,767,000	5,621,700,000

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 grants; managing the national forest estate in Scotland; administrative costs.	61,273,000	30,000,000

<i>Purpose</i>	<i>Amount of resources other than accruing resources £</i>	<i>Amount of accruing resources £</i>
5 2. For use by the Scottish Parliamentary Corporate Body on: operational and administrative costs of the Scottish Parliament; payments in respect of the Commissioner for Ethical Standards in Public Life in Scotland, the Standards Commission for Scotland, the Scottish Public Services Ombudsman, the Scottish Information Commissioner, the Scottish Commission for Human Rights and the Commissioner for Children and Young People in Scotland; any other payments relating to the Scottish Parliament.	96,678,000	1,000,000
10 15 3. 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.	6,582,000	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
30 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).	150,000,000
35 5. Section 14 of the Water Services etc. (Scotland) Act 2005 (Scottish Water Business Stream Holdings Limited).	Nil

Budget (Scotland) (No.5) Bill

[AS INTRODUCED]

An Act of the Scottish Parliament to make provision, for financial year 2016/17, 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 2017/18, for authorising the payment of sums out of the Fund on a temporary basis; and for connected purposes.

Introduced by: John Swinney
Supported by: Nicola Sturgeon, Joe FitzPatrick
On: 28 January 2016
Bill type: Budget Bill

BUDGET (SCOTLAND) (No.5) BILL

ACCOMPANYING DOCUMENTS

SCOTTISH GOVERNMENT STATEMENT ON LEGISLATIVE COMPETENCE

On 28 January 2016, the Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy (John Swinney MSP) made the following statement:

“In my view, the provisions of the Budget (Scotland) (No.5) Bill would be within the legislative competence of the Scottish Parliament.”

PRESIDING OFFICER’S STATEMENT ON LEGISLATIVE COMPETENCE

On 28 January 2016, the Presiding Officer (Rt Hon Tricia Marwick MSP) made the following statement:

“In my view, the provisions of the Budget (Scotland) (No.5) Bill would be within the legislative competence of the Scottish Parliament.”

BUDGET (SCOTLAND) (No.5) 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.5) Bill. It describes the purpose of the subordinate legislation provision in the Bill and outlines the reasons for seeking the proposed power. No
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, 2016-2017), since all spending – both in terms of overall amounts and the purpose for which resources are to be used – must be subject to prior Parliamentary authorisation.

RATIONALE FOR SUBORDINATE LEGISLATION

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

DELEGATED POWER

Section 7 – Amendment of this Act

Power conferred on: the Scottish Ministers
Power exercisable by: regulations 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

Published 2nd February 2016

SP Paper 899

10th Report, 2016 (Session 4)

Web

Delegated Powers and Law Reform Committee

Budget (Scotland) (No.5) Bill at Stage 1

Published in Scotland by the Scottish Parliamentary Corporate Body.

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Delegated Powers and Law Reform Committee

The remit of the Delegated Powers and Law Reform Committee is to consider and report on—

- a. any—
 - i. subordinate legislation laid before the Parliament or requiring the consent of the Parliament under section 9 of the Public Bodies Act 2011;
 - ii. [deleted]
 - iii. pension or grants motion as described in Rule 8.11A.1; and, in particular, to determine whether the attention of the Parliament should be drawn to any of the matters mentioned in Rule 10.3.1;
- b. proposed powers to make subordinate legislation in particular Bills or other proposed legislation;
- c. general questions relating to powers to make subordinate legislation;
- d. whether any proposed delegated powers in particular Bills or other legislation should be expressed as a power to make subordinate legislation;
- e. any failure to lay an instrument in accordance with section 28(2), 30(2) or 31 of the 2010 Act; and
- f. proposed changes to the procedure to which subordinate legislation laid before the Parliament is subject.
- g. any Scottish Law Commission Bill as defined in Rule 9.17A.1; and
- h. any draft proposal for a Scottish Law Commission Bill as defined in that Rule; and
- i. any Consolidation Bill as defined in Rule 9.18.1 referred to it by the Parliamentary Bureau in accordance with Rule 9.18.3.



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Introduction

1. At its meeting on 2 February 2016 the Delegated Powers and Law Reform Committee considered the delegated power provision in the Budget (Scotland) (No.5) Bill at Stage 1 (“the Bill”)¹. The Committee reports to the Parliament on the provision under Rule 9.16.3 of Standing Orders.
2. The Scottish Government has produced a Delegated Powers Memorandum (“DPM”)² on the delegated power provision in the Bill.
3. This Bill was introduced by the Deputy First Minister and Cabinet Secretary for Finance, Constitution & Economy on 28 January 2016. The Bill makes provision for the Scottish Administration’s budget for the financial year 2016/17.

Delegated Power Provision

4. The Bill confers one delegated power to make subordinate legislation upon the Scottish Ministers. This power is contained in section 7 of the Bill.

Section 7 – Amendment of this Act

Power conferred on:	Scottish Ministers
Power exercisable by:	regulations
Parliamentary procedure:	affirmative

5. Section 7 of the Bill provides that the Scottish Ministers may by regulations amend the amounts specified in sections 4(2) and 4(3) and schedules 1-3. Section 7(2) provides that this power is subject to the affirmative procedure.
6. Sections 4(2) and 4(3) of the Bill specify the cash amounts which can be drawn on the Scottish Consolidated Fund by the Scottish Administration and each of the direct-funded bodies respectively. Schedules 1 and 2 of the Bill specify the authorised purposes and the amounts of resources which can be used by the Scottish Administration and the direct-funded bodies in relation to those purposes and schedule 3 provides the amounts of borrowing available to certain specified statutory bodies under the enactments listed in that schedule.
7. The Scottish Government states in its DPM that the power in section 7 of the Bill is necessary in order to permit the Scottish Ministers to amend the Bill in order to take account of inevitable changes to the Scottish Government's spending plans during the financial year to which the Bill applies. The Scottish Government considers that there is a need for a mechanism to allow Ministers to seek authorisation for such changes. It is further explained that since devolution, the use of subordinate legislation to make refinements to the Scottish Government's spending plans has become a regular part of the budget process, and that all of the annual budget acts have been subject to at least one revision through secondary legislation.
8. **The Committee reports that it is satisfied with the power in section 7 of the Bill, and that its exercise is subject to the affirmative procedure.**

¹ Budget (Scotland) (No.5) (Scotland) Bill [as introduced] is available at the following website:
[http://www.scottish.parliament.uk/S4_Bills/Budget%20\(Scotland\)%20\(No.5\)%20Bill/SPBill86S042016.pdf](http://www.scottish.parliament.uk/S4_Bills/Budget%20(Scotland)%20(No.5)%20Bill/SPBill86S042016.pdf)
[accessed February 2016]

² Budget (Scotland) (No.5) (Scotland) Bill Delegated Powers Memorandum is available at the following website:
[http://www.scottish.parliament.uk/S4_Bills/Budget%20\(Scotland\)%20\(No.5\)%20Bill/SPBill86ADS042016.pdf](http://www.scottish.parliament.uk/S4_Bills/Budget%20(Scotland)%20(No.5)%20Bill/SPBill86ADS042016.pdf)
[accessed February 2016]



EXTRACT FROM THE MINUTES OF PROCEEDINGS

Parliamentary Year 5, No. 77 Session 4

Meeting of the Parliament

Wednesday 3 February 2016

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

Budget (Scotland) (No.5) Bill: The Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy (John Swinney) moved S4M-15522—That the Parliament agrees to the general principles of the Budget (Scotland) (No.5) Bill.

Jackie Baillie moved amendment S4M-15522.1 to motion S4M-15522—

Insert at end—

“, and, in so doing, believes that the Scottish rate of income tax should be set at 11p for 2016-17, 1p higher than the UK rate set by the Chancellor of the Exchequer”.

After debate, the amendment was disagreed to ((DT) by division: For 43, Against 81, Abstentions 0).

The motion was then agreed to ((DT) by division: For 63, Against 46, Abstentions 15).

P E Grice
Clerk of the Parliament
3 February 2016

Budget (Scotland) (No 5) Bill: Stage 1

The Presiding Officer (Tricia Marwick): The next item of business is a debate on motion S4M-15522, in the name of John Swinney, on the Budget (Scotland) (No 5) Bill.

14:40

The Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy (John Swinney): Last week, I introduced the Budget (Scotland) (No 5) Bill for 2016-17, which will implement the draft budget that I set out in December. I welcome the report of the Finance Committee, and I will formally respond to it in advance of stage 3, as agreed with the committee.

The budget that is before Parliament today is a budget that will promote growth in the economy and reform public services. It will ensure that the maximum impact is generated from our expenditure and that decisions on revenues raised reflect our principles-based approach to taxation.

Public spending in Scotland continues to face significant challenges, as another real-terms reduction has been applied to our total departmental expenditure limit for 2016-17. Looking ahead, the settlement that we received in the United Kingdom spending review will mean that the Scottish budget will continue to fall in real terms in every year until the end of this decade.

The financial context is also set by the continued pressure on household incomes. Since its election, the Government has been determined to protect household incomes, particularly for low earners. Our longer-term financial decisions are influenced by the expectation that we will get further powers from what will be the Scotland Act 2016. In December, I said that the Government would set out its longer-term intentions on use of those new powers before Parliament is dissolved for the election. To use those powers, we need a fiscal framework that delivers on the Smith commission; it must be a framework that is faithful to that agreement and fair to Scotland.

I met the Chief Secretary to the Treasury again this week, and work is going on, as I speak, to try to reach an agreement, but I must make it clear to Parliament that there is a long way to go; there is significant difference between our respective views and time is short to reach an agreement. On one point, I want to be absolutely definitive: I will sign only a deal that is fair to Scotland and is consistent with the principles that were agreed by the Smith commission. I will not sign a deal that is harmful to the interests of the people of Scotland.

The budget provides the resources that are necessary to deliver a strong and sustainable economy while tackling economic inequality. It delivers an extensive capital programme that will support our economy, enhance our social infrastructure and help to address climate change. It takes forward a bold and ambitious programme of public sector reform, together with our delivery partners, to ensure the sustainability and quality of our services, and it delivers on our commitments to the people of Scotland at a time of continued pressure on household incomes.

In the December budget statement, the Government proposed a Scottish rate of income tax for the first time. The limited nature of the income tax power that is currently available to the Scottish Parliament allows only for a single rate to be set and then applied to all three income tax bands, which means that any increase on the wealthiest taxpayers would also apply to those on the lowest incomes. The proposals from other parties to increase income tax by 1p next year would hit the taxpayers who are least able to pay.

Willie Rennie (Mid Scotland and Fife) (LD): How does that comment match the comment that John Swinney made to the Finance Committee last month? He said:

"I view the Scottish rate of income tax as a progressive power ... Clearly, people on higher incomes will pay comparatively more than people on lower incomes."—*[Official Report, Finance Committee, 13 January 2016; c 40.]*

Therefore, surely what he has just said is wrong.

John Swinney: If Mr Rennie had been listening, he would know that what I said was that the proposal to increase income tax by 1p next year would hit the taxpayers who are least able to pay. Of course it would. It would put up tax for the lowest-paid people in our society, whether those individuals were newly qualified teachers, police officers, firefighters, postal staff, bus drivers, charity workers, shop workers or hotel workers. Workers the length and breadth of the land would see their income tax rise.

Jackie Baillie (Dumbarton) (Lab): Would the cabinet secretary reflect on the fact that teachers are doing their own photocopying and buying jotters for the classroom because there are no resources in our classrooms? They absolutely understand why we are proposing to increase income tax by 1p.

Does the cabinet secretary welcome the rebate that we propose that would help to protect people who are on the very lowest incomes?

John Swinney: I want to say to teachers and public service workers the length and breadth of the country, who have had to endure pay constraints because of the austerity programme of

the UK Government, that I value the sacrifices that they have made, and that the last thing that I am going to do is put up their taxes.

Jackie Baillie just raised the proposed rebate to mitigate the effects of the tax rise. The immediate conclusion to draw from that announcement of a proposed rebate is that there is recognition that the tax rise is damaging to the incomes of low-paid workers. There are also the legislative and practical issues that would need to be overcome—and quickly—to make that concept a reality from April this year. *[Interruption.]*

Let us go through the detail. Labour will need to demonstrate clearly the legal basis under which it believes that such a payment can be made. If it is—*[Interruption.]*

The Presiding Officer: Order. Let us hear the Deputy First Minister.

John Swinney: I am only helpfully going to dismantle Labour's proposals, so they should be quiet and listen.

If the rebate is a tax relief, it is outside the powers of the Scottish Parliament in relation to income tax, as conferred by the Scotland Act 2012. If it is a social security payment, that is outside the competence of the Parliament, as defined in the original Scotland Act 1998.

Further evidence that the proposal is not properly thought through is provided by the lack of clarity about how it would be administered and, in particular, how it could be done within the £75 million that has been allocated for the proposal by Labour. An estimated 1 million taxpayers—workers and pensioners—could be eligible for the £100 rebate, which would cost £100 million. That is more than Labour has budgeted for the rebate, which does not even meet the needs of individuals within our society.

The second problem is that on top of that would be the costs of setting up and operating administrative systems by 32 local authorities across Scotland. We know already that it costs local authorities many millions of pounds to administer help with council tax bills, for which authorities already have a lot of information about the circumstances of claimants.

Thirdly, the rebate payment is likely for tax purposes to be counted as income, and so those who receive it would be liable to pay tax on it. It does not seem to me to be too much to expect that those who propose policies of this kind have at least considered those issues, but there seems to be little evidence that that has happened.

The only conclusion we can draw is that it is unlikely that anyone would receive the rebate on the basis of the proposition that Labour has offered to the people of this country.

Jackie Baillie: Mr Swinney's speech is very reminiscent of what we heard from his back benchers yesterday, which was all about detail—fine aspects of detail. [*Interruption.*]

The Presiding Officer: Order. Let us hear Ms Baillie.

Jackie Baillie: Let me say to John Swinney that it is, to be frank, an excuse for not addressing the question of principle. I want to know what he thinks about the principle of what we are proposing, because that, politically, is important.

John Swinney: That was a very revealing intervention, because the detail matters. On 1 April, a citizen of this country who was going to have their tax raised by Labour—but who will not have it raised by the SNP—would have the right to expect that what is being promised by Labour can actually be delivered. What Jackie Baillie must do in her speech today is explain how the legal, practical and operational issues that I have raised will somehow be overcome by what she has written on the back of a fag packet.

This Government will freeze income tax, and we will deliver a pay rise to around 50,000 of the lowest-paid workers in Scotland. The uprating of the living wage, its extension to social care workers and an uplift of £400 for people who are covered by public sector pay policy who earn £22,000 or less will see tens of thousands of people being better off because of this budget.

That is the difference between the SNP and Labour. We want to give the lowest paid a pay rise; Labour wants to give them a tax rise. [*Applause.*]

Lewis Macdonald (North East Scotland) (Lab): I am sorry that Mr Swinney was, I understand, too busy to come out of the Parliament today to talk to the local government workers who were lobbying outside it. As he has reiterated that he has set his face against any increase in tax, what is his message to the 16,000 local government workers who are liable to lose their jobs as a result of £500 million of cuts in the coming financial year?

John Swinney: I say to those individuals that the Scottish National Party is determined to protect their incomes, not punish them with a tax rise that the Labour Party has come out with.

Neil Findlay (Lothian) (Lab) rose—

John Swinney: No afternoon would be complete without Mr Findlay.

Neil Findlay: It is fairly simple. How can the Government protect people's income if they do not have a job? [*Interruption.*]

The Presiding Officer: Let us hear the Deputy First Minister. [*Interruption.*] Enough, Mr Findlay!

John Swinney: The Government has given public sector workers the guarantee of no compulsory redundancies. That is what we have delivered for the people of this country.

The budget reaffirms our commitment to deliver inclusive growth through investment in education and skills. Almost £5 billion is invested annually in delivering school education, and average expenditure per pupil is higher in Scotland than in England. The health budget in Scotland will reach over £13 billion. We will protect the budget for colleges in Scotland and ensure that higher education spending is over £1 billion in 2016-17.

The Scottish Government is investing £250 million in supporting the integration of health and social care services at local level. That is the biggest reform in how we deliver health and social care services since 1948. That money is designed to pay the living wage to social care workers in our country, which I thought the Labour Party would have welcomed, and which I thought its local authority leaders would embrace and think is a good idea. [*Interruption.*]

The Presiding Officer: Order.

John Swinney: What have we had? We have had obfuscation from the Labour Party and complaints about the SNP Government doing the right thing to protect people on low incomes in our society. We want to ensure that the health and social care reforms bring together those important services to expand the social care that is available to members of the public, to deal with the financial pressures that are felt across the system, and to ensure that workers are able to command the living wage. Those are the SNP Government's priorities on health and social care.

As well as doing that, we will maintain 1,000 additional police officers on the streets of Scotland and protect the front-line policing budget in real terms next year. With a further £55 million being provided to support a new phase of change and transformation, we will ensure that police services meet the needs of the people of Scotland.

In a time of austerity, we will inject resources to protect household incomes from the welfare changes that the United Kingdom Government has undertaken.

Dr Richard Simpson (Mid Scotland and Fife) (Lab): Will the Deputy First Minister take an intervention?

The Presiding Officer: I am sorry, but the Deputy First Minister is winding up.

John Swinney: The investment that we are making in the Scottish welfare fund is £38 million, and there is £343 million for council tax reduction and £35 million to ensure that nobody pays the bedroom tax in Scotland. That is on top of the

commitments to providing free school meals for our youngest citizens and free personal care for our most elderly citizens.

The budget meets the needs and expectations of the people of Scotland. It confronts austerity, protects people and their household incomes, stands in the face of a rise in people's tax by the Labour Party; and delivers for the people of this country.

I move,

That the Parliament agrees to the general principles of the Budget (Scotland) (No.5) Bill.

14:54

Jackie Baillie (Dumbarton) (Lab): Politics is all about choices, and the SNP today has to make its choice. The budget before us is an austerity budget and so far it is clear that John Swinney has chosen to pass austerity on, rather than break from it.

It does not need to be that way. There is a real opportunity and a chance to do things differently. The SNP can make different choices and our amendment shows the way. We have new powers now, and new powers are coming. I ask the SNP to work with us to use those new powers to invest in our children and in Scotland's future, and to keep the promise that it has made to the Scottish people time after time: that more powers will mean the chance to do things differently and to make fewer cuts.

The SNP believed in that during the general election when it set out plans to end austerity that it wanted an incoming UK Government to adopt. What has changed since last May? Let me tell the Government. You now have the power to do that for Scotland. You can deliver real change right now.

Mark McDonald (Aberdeen Donside) (SNP): Will the member give way?

Jackie Baillie: In a minute. This is about our future. I am ambitious for Scotland: I want a growing economy, and I want our young people to do better than the generation that went before them, with better skills for the jobs of tomorrow in the industries of the future.

However, you do not get that without investing in your people and specifically in their education and skills. Investing in education is one of the most significant ways of growing our economy and we have a lot of catching up to do. Take a look at what has happened in education over the past nine years. There are 4,000 fewer teachers in our classrooms and 152,000 fewer students in our colleges, classroom assistants have gone and not enough young people are achieving their potential. What a waste.

Mark McDonald: Will the member give way?

Kevin Stewart (Aberdeen Central) (SNP): Will the member take an intervention?

Jackie Baillie: I will take an intervention from Mark McDonald.

Mark McDonald: Jackie Baillie asked what has changed since May. In the Finance Committee's report on the budget—*[Interruption.]*

The Presiding Officer: Order.

Mark McDonald: Wait for it. Paragraph 27 of the Finance Committee's report states:

"The Committee supports the Scottish Government's proposal to set SRIT at 10p for 2016-17."

Jackie Baillie is a member of that committee and that recommendation was agreed unanimously, so I ask her: what has changed since Friday?

Jackie Baillie: I am sure that Mark McDonald, if he had been paying attention, would have realised that I was not at the meeting on Friday.

Members: Oh!

The Presiding Officer: Order.

Jackie Baillie: Perhaps—*[Interruption.]*

The Presiding Officer: Order, order. Let us hear Ms Baillie.

Jackie Baillie: Perhaps Mark McDonald—*[Interruption.]*

The Presiding Officer: Order! Let us hear Ms Baillie.

Jackie Baillie: Thank you, Presiding Officer. Mark McDonald might want to get his glasses tested.

Education spending on the SNP's watch has fallen by 8 per cent for pre-school, 11 per cent for primary school and 4 per cent for secondary school. Put simply, that is £561 less per head being spent on our school children. That is not a picture of a Government that is investing in our economy or in our future. The SNP has cut the central education budget by £130 million and it wants to cut the local government budget by at least £350 million. As education is local government's biggest budget, it is inevitable that there will be more cuts to come.

Make no mistake: the big losers in John Swinney's budget are the local communities, schools and public services that people value. The budget cut to local government is hundreds of millions of pounds. The UK Government has cut the Scottish Government's budget, but John Swinney has taken that cut and doubled it before passing it on to local government. That is austerity on stilts and it is John Swinney's choice to do that.

We should not worry, however; as the First Minister told us, it is all simply reprofiling. When is a cut not a cut? When it is reprofiling, of course. Members should expect to see that word used quite often in future.

The share of local government spending is down to 30 per cent, which is a further drop of 1.7 per cent in comparison with last year. Gone is the concordat and mutual respect; gone are the warm smiles and the handshakes. Now it is all threats and draconian sanctions, and a complete disregard for local democracy. The temperature in relations is near freezing. When I am told by John Swinney that he has been very generous and fair to local government—

John Swinney: Will the member give way?

Jackie Baillie: I ask the member to listen to the point first, then he can respond to it.

I point to the 40,000 fewer public sector workers, with the GMB estimating that at least 8,000 more will go and the Convention of Scottish Local Authorities suggesting that it could be 15,000. If this was a private sector closure, John Swinney would have MSPs on their feet in the chamber demanding that task forces be set up. Where is the task force to save local services and jobs from John Swinney's cuts?

John Swinney: I point out to Jackie Baillie that employment in Scotland is at its highest level. Secondly, Jackie Baillie knows that there are three elements to the local government package that I have required it to sign up to—the council tax freeze, the integration of health and social care and the protection of teacher numbers. Which one of those does Jackie Baillie object to?

Jackie Baillie: John Swinney threatens the lot. [*Interruption.*] Can I also say to him—

Members: Answer the question.

Jackie Baillie: I will, if members are silent.

The Presiding Officer: Order. Let us hear Ms Baillie.

Jackie Baillie: I did not hear a denial that 40,000 public sector workers have lost their jobs. The workers outside who are protesting for their jobs and their communities are looking to us in the chamber. Where were the SNP ministers or back benchers? John Swinney would not even meet the trade unions to consider the impact of the cuts.

Kevin Stewart: Will Jackie Baillie take an intervention?

Jackie Baillie: Let me touch on the living wage for care workers—something that Labour members have been demanding for some time now, and that Labour councils such as

Renfrewshire Council have been delivering and leading the way on.

Kevin Stewart: Will Jackie Baillie take an intervention?

The Presiding Officer: I do not think that Ms Baillie is giving way, Mr Stewart.

Jackie Baillie: I ask John Swinney whether it is fair, in all honesty, to deliver a living wage for workers that is paid for by sacking thousands of their colleagues. Many of us joined the trade unionists from the GMB, Unite and Unison and the councillors from across Scotland who are outside the Parliament today protesting about the cuts to local government, but they have done more than simply protest. They have been positive in offering alternatives and trying to find solutions. Unite has suggested a debt amnesty and Unison has suggested changing how councils borrow, both of which would realise savings. The GMB has worked alongside local councils to protect services. All of them care about the future of their communities and they know that the cuts to come in years 2 and 3 will potentially be even worse than this year's. No wonder John Swinney did not want to do a spending review and has hidden the cuts to come.

It is time for grown-up politics. It is time to choose.

John Swinney: Will Jackie Baillie give way?

Jackie Baillie: Rory Mair, the outgoing chief executive of COSLA, said:

"If you self-deny the ability to raise more money and you decide that the way to deal with a downturn in resources is to cut, however you dress it up, that's an austerity budget."

Too true.

John Swinney: Will Jackie Baillie give way?

The Presiding Officer: Ms Baillie is not giving way, Mr Swinney.

Jackie Baillie: Given the choice between using our powers and making cuts to our children's future and our country's future, we choose to use our powers. Scottish Labour would use the tax system in a fair way, raising the Scottish rate of income tax by 1p to avoid making cuts to local schools and local communities.

Income tax is by its nature progressive. An army of experts tell us that, and even John Swinney has said:

"Clearly, people on higher incomes will pay comparatively more than people on lower incomes."— [*Official Report, Finance Committee, 13 January 2016; c 40.*]

Those are his words, so there we go. However, with the proposed rebate of £100 to those taxpayers who earn between the £10,800

threshold and £20,000, we would make it even fairer and even more progressive.

I have heard SNP MSPs who are opposed to increasing tax in principle pretend that this is about detail, and I heard that from the cabinet secretary as well. It is really about the decision.

John Swinney: Will Jackie Baillie give way?

Jackie Baillie: I do not have time.

The Presiding Officer: Ms Baillie is in her last 30 seconds.

Jackie Baillie: We have done the detail. Leaders in councils—

John Swinney: There was no answer on the detail. [*Interruption.*]

Jackie Baillie: I am happy to share and discuss the detail with John Swinney, but let me say to him—[*Interruption.*] Presiding Officer—

The Presiding Officer: It is time to wind up, Ms Baillie.

Jackie Baillie: Leaders of councils across Scotland, which already make payments, have made it clear that they are ready, willing and able to do this, so the Government should stop pretending that it is too difficult.

It is not too late for the SNP. We could work together to end Tory austerity in Scotland—the SNP used to want to do that—and invest in our children, our economy and our future. I say to John Swinney that he should not persist with the cuts. For all his noise, he knows how painful those cuts are and he knows that he does not have to do that. Let us use the powers that we have, because faced with a choice of using our powers to invest in the future of Scotland or continuing Tory austerity, which is exactly what he is doing, there is no contest.

The Presiding Officer: You need to close, Ms Baillie.

Jackie Baillie: We would choose to use our powers.

I move amendment S4M-15522.1, to insert at end:

“, and, in so doing, believes that the Scottish rate of income tax should be set at 11p for 2016-17, 1p higher than the UK rate set by the Chancellor of the Exchequer”.

15:05

Kenneth Gibson (Cunninghame North) (SNP): It is with pleasure that I speak on behalf of the Finance Committee in this stage 1 debate on the Budget (Scotland) (No 5) Bill for 2016-17 and to our draft budget report, which was published last Friday.

Scrutiny of the draft budget always works to a tight and demanding schedule. This year's timetable was even more challenging than usual as the Scottish Government had to await publication of the UK Government's spending review in late November 2015 before it introduced its budgetary proposals. I would like to thank all those who contributed to our scrutiny, particularly given the challenging circumstances.

As most members are aware, we approach budget scrutiny on the basis of four principles: affordability, which is the wider picture of revenue and expenditure and whether they are appropriately balanced; prioritisation, which is a coherent and justifiable division between sectors and programmes; value for money, which is the extent to which public bodies are spending their allocations well and achieving outcomes; and budget processes, which is the integration between public service planning and performance and financial management.

This year, we concentrated our scrutiny on affordability and budget processes. Historically, budget scrutiny has focused almost entirely on the Government's spending plans, with little consideration of taxation. However, the devolution of some tax powers, along with the expectation of more to come, fundamentally changes the process and caused us to reassess it. Last year, we considered in detail the land and buildings transaction tax and landfill tax; this year, a key element of our scrutiny was on the Scottish rate of income tax.

Subject committees considered Government spending plans in their areas and we recommended that they examine the extent to which public bodies are adopting a priority-based budgeting approach to deliver the outcomes set out in the national performance framework. The Finance Committee welcomes the work of the subject committees in making the shift towards a more outcomes-based approach. I thank them for their helpful contribution to our scrutiny process.

To enable us to hit the ground running when the draft budget was published, we issued separate calls for written evidence on, in addition to taxation, the work of the Scottish Futures Trust and progress in delivering preventative spending. I thank all who submitted evidence.

Given the new tax powers, for the first time we questioned the Deputy First Minister over two sessions. The first session considered the Government's tax proposals in detail; we then scrutinised its spending proposals at an external meeting in Pitlochry. That worked well and we will consider the need for any further changes to budget scrutiny as part of our legacy report.

In Pitlochry, we also held workshops with representatives of local businesses, voluntary organisations and public bodies, hearing first-hand about the impact of public spending on their community and how spending should be prioritised. The key issues raised included flood prevention, access to high-speed broadband, transport, housing and community empowerment. Nevertheless, given the topicality and importance of issues relating to taxation, I intend to largely concentrate on those, although I will also briefly touch on the work of the Scottish Futures Trust and on delivering the prevention agenda. Other members will wish to discuss the Government's spending priorities and I look forward to hearing from them.

Turning first to affordability, the committee considered the need for a balanced budget, with expenditure being no greater than revenue. The draft budget proposes to apply a 10 pence Scottish rate of income tax, meaning that Scottish taxpayers will continue to pay the same rate of income tax as those in the rest of the UK.

To inform our consideration of the issue, we held several oral evidence sessions during the autumn. One or two witnesses favoured a reduced rate of SRIT on the basis that that would act as a stimulus to the wider economy, boosting jobs and growth; others advocated an increased rate on the basis that higher revenues could be used to reduce inequalities. However, a clear majority of responses supported the maintenance of the 10p rate for 2016-17, citing factors such as the complexity for employers, the mobility of labour, the economy's on-going but incomplete recovery from recession, the impact on our workforce, which has endured below-inflation pay rises in recent years, and the blunt nature of the power.

Having considered the matter in detail in our report, the committee unanimously supported the Government's proposal to set the Scottish rate of income tax at 10p for 2016-17. Nevertheless, we heard some innovative proposals for changes to taxation going forward, and recommended a wide-ranging debate across Scotland on taxation policy in anticipation of expected new financial powers from April 2017.

To inform such a debate, one of our key recommendations is that future decisions on taxation policy must be informed by behavioural analysis. Expert witnesses explained how taxpayers could be expected to change their behaviour in response to tax changes. Evidence from around the world suggests that higher rates of income tax are likely to lead to behaviours that impact negatively on tax revenues, including reductions in labour supply, tax avoidance and migration. Those behavioural responses are particularly important in relation to high earners,

who are more likely to have the means, mobility and motivation to change their behaviour in response to tax changes. Professor David Bell told us that the highest 10 per cent of taxpayers pay more than half of income tax revenues, while the top 1 per cent contributes around a fifth. He estimated that there are around 11,000 additional-rate taxpayers in Scotland. As such a large proportion of tax revenue depends on a relatively small number of taxpayers, the committee was clear that it is imperative that the potential impact of behavioural responses on tax revenues is assessed before changes to taxation policy are made.

Ultimately, the intention underlying the devolution of tax powers is that the Scottish Parliament will be responsible for raising more of the money that it spends and thus that it will be more accountable to the electorate. Nevertheless, a large part of its income will continue to be dependent on the block grant and, as members know, the mechanism by which it will be reduced to compensate for devolved tax powers is of supreme importance to Scotland's future financial wellbeing. We have consistently raised concerns about the impact of relative population growth on the indexation of the block grant adjustment. We therefore welcome the fact that the Deputy First Minister supports the indexed deduction per capita method and we recommend that that method is agreed in the fiscal framework that will underpin the devolution settlement.

Members will not need reminding that time is of the essence in agreeing the framework if the Parliament is to scrutinise it prior to dissolution. We look forward to questioning the Deputy First Minister and the Chief Secretary to the Treasury on the framework in the coming weeks to consider whether it meets the criteria agreed by the Smith commission and, importantly, whether it is fair to Scotland and to the rest of the UK and meets the no detriment principle. The Finance Committee has consistently raised concerns about the current lack of transparency in relation to block grant adjustments arising from the devolution of financial powers and we believe that full transparency is an essential element in securing public confidence in the process. It is therefore imperative that the fiscal framework contains detailed explanations of how the block grant will be adjusted in 2016-17 and beyond.

Regarding taxes that are already devolved, we have closely followed developments in the first year of their operation, particularly with regard to the land and buildings transaction tax. Stakeholders raised concerns that LBTT had a negative effect on sales at the higher end of the property market. Although it is not possible to fully assess LBTT's impact before outturn figures for the full year are available, the latest indications are

that high-value sales are returning to previous levels, while according to Your Move and Acadata, the middle and lower tiers of the market have been given a new lease of life by the Government's approach. On that basis, we are supportive of the proposal to maintain the current rates and bands for residential LBTT. However, we have also recommended that the Government conducts and publishes a review of LBTT once the outturn figures for its first year of operation become available. That will doubtless assist the Parliament in its scrutiny of next year's draft budget proposals regarding LBTT.

Members will be aware that the committee takes a keen interest in the Scottish Fiscal Commission's work. Indeed, stage 2 proceedings on the bill that puts the commission on a statutory basis will take place next week. I look forward to discussing the issues raised in our stage 1 report then, so I do not intend to discuss the commission at length today, except to reiterate our recommendation that greater clarity is needed on the role of the commission and how it works in practice, particularly regarding whether it is asked to agree the forecasting methodology prior to publication of the official forecasts and what happens if it does not do so.

Regarding the Scottish Futures Trust, the committee invited written evidence on how successful it is in achieving its aim,

"to improve the efficiency and effectiveness of infrastructure investment in Scotland by working collaboratively with public bodies and industry, leading to better value for money and ... improved public services."

The overwhelming majority of responses were positive and indicated a high level of regard for the SFT, its staff and their professionalism and collaborative approach. Suggestions on how the SFT could further improve its work were also made, and we look forward to hearing the SFT's views on those suggestions in due course.

Staying with capital investment, an issue around which on-going concerns have been raised relates to the impact of the European system of accounts 2010 regulations, which have led to certain non-profit-distributing projects being reclassified as public sector spending. We note that £398 million was allocated from the capital departmental expenditure limit budget in 2016-17 to cover NPD projects, and we believe that it is vital that full transparency is provided on the impact of reclassification, particularly where it resulted in delays to other planned capital investment projects.

That is no doubt relevant to the fiscal framework negotiations that relate to additional borrowing powers. We would welcome an update from the Deputy First Minister in that regard.

The committee continues to scrutinise the Government's commitment to

"a decisive shift towards preventative spending."

We have long taken an interest in the subject. Although there is evidence of progress, the committee remains frustrated by the lack of evidence of a large-scale shift towards prevention. We received more than 40 responses to our call for evidence on the topic, several of which highlighted perceived barriers, including a lack of shared ownership among public sector partners.

It is clear that if a decisive shift towards prevention does not take place, public bodies will face growing demands for services against a backdrop of finite and perhaps diminishing resources. The committee therefore agreed to take further evidence on prevention before reporting its conclusions by the end of this parliamentary session.

As I said, the committee's budget scrutiny focused on affordability and budget processes, but many other topics were covered in our report, which I am sure that members will raise in the debate. I hope that I have given a flavour of the increasingly broad range of subjects that the Finance Committee considers as part of our draft budget scrutiny, and I look forward to hearing from members.

15:15

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

The Deputy First Minister is fond of telling us the extent to which he is a victim of so-called Tory austerity from Westminster, so I thought that it might be useful to ask the Scottish Parliament information centre where the total Scottish Government budget for 2016-17 stands in relation to previous years. SPICe told me that the total budget for 2016-17 will be higher in real terms than the budget in every year of devolution from 1999 to 2007. It will be higher than the budget in each of the years 2011-12, 2012-13 and 2013-14. In cash terms, it will be nearly £400 million higher than the current year's budget.

We know that the Scottish Government will always complain that it does not have enough money, and we know that it will always put the blame for that at Westminster's door. The difference in this budget is that the finance secretary could have chosen to increase taxation, if he wanted to, and he chose not to do so.

Those of us in the Parliament who have long memories will remember the Scottish Parliament election in 1999, when a fresh-faced Mr Swinney was the architect of the penny for Scotland campaign. It is something of an irony that, 17 years later, that very campaign has been taken up

by Labour and the Liberal Democrats and it is Mr Swinney who is holding the line against increases in income tax.

Kevin Stewart: Will the member take an intervention?

Murdo Fraser: No, I will not.

Kevin Stewart: No?

The Deputy Presiding Officer (Elaine Smith): Mr Stewart, the member said no.

Murdo Fraser: Mr Swinney is right to hold the line against increases in income tax. As we have often said, the Scottish Conservatives believe that people in Scotland should not be taxed more highly than people in the rest of the United Kingdom. Sometimes that has been a lonely message to put out, but no more. It gladdens my Tory heart to hear those self-proclaimed social democrats and political progressives on the SNP benches arguing so vigorously and passionately against increases in taxation.

Conservative members are happy to stand shoulder to shoulder with the SNP in holding the line against the tax grabbers on the Labour and Liberal Democrat benches, who would clobber Scottish families. To coin a phrase, we are happy to be better together with the SNP on this issue.

However, the SNP can hardly complain about Tory austerity when it had the choice to raise taxation. [*Interruption.*]

The Deputy Presiding Officer: Order, please.

Murdo Fraser: What all that means is that in the coming election, for those who are unionist voters and for those who voted no in the referendum, there is now only one party that will protect their pockets and household incomes, and that is the Scottish Conservatives.

Willie Rennie: Will the member give way?

Murdo Fraser: I will of course give way to Mr Rennie, tax grabber.

Willie Rennie: I have studied the Conservative proposals for the budget, which comprise £189 million in tax cuts and spending increases, but I can see only £50 million in cuts—that involves a cut to the bus pass scheme. Where would the rest of the money come from? How would Mr Fraser pay for his policies?

Murdo Fraser: If Mr Rennie had studied our proposals in detail, he would have seen that we challenge some of the assumptions in Mr Swinney's budget about the revenue that is likely to be raised. For example, we know that, according to the Office for Budget Responsibility, LBTT revenue is about £42 million behind his

projected revenue. We think that some of his sums are wrong.

We would also make different choices. For example, as Mr Rennie well knows, we would introduce a graduate contribution. We have been clear about that. If Mr Rennie studies what we said in more detail, he will see that we have a package of proposals, and I will spell out in more detail why they are important.

We have determined that our priority should be the Scottish economy. A strong and vibrant economy is essential not just for the economic and social benefit of the people of Scotland but as a means of generating the tax income that the Scottish Government requires. That will be particularly important in the coming year and in subsequent years as a closer link between Scotland's economic performance and the Scottish Government's tax take is established.

With that in mind, we have proposed a number of changes to the budget—I am glad that Willie Rennie was paying attention to them. First, we have concerns about the increase in non-domestic rates. Partly, that involves the doubling of the large business supplement from 1.3 per cent to 2.6 per cent. Notwithstanding its title, that supplement will hit many relatively modest businesses, as it applies to properties with a rateable value of £35,000 or more, which include relatively modest shops in many Scottish high streets. The First Minister has told us that she wishes Scotland to become the most competitive part of the United Kingdom in which to do business. Unfortunately, having a rate that is double that payable south of the border flies in the face of that.

Perhaps more worrying are the proposals to change empty property relief and end the exemption for industrial property. The business community has expressed the strong view to us that that will be extremely damaging, that it could bring to a halt new speculative industrial development and that it might even lead to the demolition of 1 million square feet of empty factories. That is important because a vibrant, dynamic economy needs a stock of empty properties for new and expanding businesses to move into. We share the business community's concerns about the adverse impact that those changes will have on the potential for economic growth and on our ability to attract inward investment.

We have concerns about LBTT, which I have spelled out, and we believe that the threshold for the 10 per cent rate should be increased. We maintain the opposition that we have had in recent years to the cuts in college funding, which have resulted in a decrease in college places of 153,000, which particularly impacts on people

such as women who are trying to get back into the workforce.

Our package of proposals would put the Scottish economy first and foremost, as we are always conscious that a growing economy is necessary to widen the tax take. We will abstain on stage 1 of the bill tonight to allow further discussions to take place. However, we are clear that this party will not support proposals to increase taxation and, if necessary, we shall be happy to go into the coming election as the only party defending hard-pressed Scottish households that feel that they are already contributing quite enough to Government coffers. That is the distinctive Conservative message.

The Deputy Presiding Officer: We come to the open debate. At the moment, I can allow speeches of six minutes, but that might have to change, as we are tight for time.

Before I call the first speaker, I remind everyone that the code of conduct dictates that members should not turn their backs on the chair. I ask members to bear that in mind for the rest of the debate.

15:22

Joan McAlpine (South Scotland) (SNP): I welcome the budget and highlight the £250 million health and social care package. It bears particular scrutiny as it represents the greatest shift in health spending that we have seen since 1948 and it puts our talk about preventative agendas into practice.

We would think that there would be a consensus in the chamber on that extra money for health and social care, particularly since Mr Swinney has specifically said that it should go to provide a living wage for care workers. That issue has been raised repeatedly in the chamber, because providing the living wage for care workers also in turn tackles delayed discharges, delivers improved quality of care, speeds up the delivery of care packages and increases the number of care packages.

Of course, increasing wages to care workers improves job satisfaction rates, which reduces churn in the sector and ensures that there are fewer staff shortages. That leads to continuity in care packages, which is another issue that has been raised repeatedly in the chamber, as it is important that people who receive care packages in the community see the same people.

That is all very good news, but it is being rejected by Labour councils, backed by their political allies in the Parliament. It is astounding that they would walk away from the budget, given the number of times that Labour has raised the issues of health and social care and of the living wage in that sector.

Jackie Baillie: Will the member give way?

Joan McAlpine: I will finish this point. Two years ago, Neil Findlay lodged a motion about the results of Unison's staff survey, which were published in its document "Scotland—It's time to care". The motion said that resources should be provided to ensure the payment of the Scottish living wage, which we have done.

The Economy, Energy and Tourism Committee recently completed an investigation into low wages.

Drew Smith (Glasgow) (Lab): Will the member give way?

Joan McAlpine: In that investigation, Labour members of the committee repeatedly asked us to introduce the living wage in the care sector.

I will give way.

The Deputy Presiding Officer: Ms McAlpine, who are you giving way to?

Joan McAlpine: I will give way to Mr Smith, who is on his feet.

Drew Smith: Given that Ms McAlpine quoted what Unison rightly had to say about the living wage for social care workers, does she agree with what Unison has said about the scale of public sector cuts and job losses that will come as a result of the budget? Why is there no task force for the tens of thousands of public sector workers who will be put out of a job by this SNP budget?

Joan McAlpine: When we look in detail at the budget, we can see that it is absolutely despicable that Labour councils around the country are threatening to sack workers. We are talking about a 12.5 per cent cut to this Government's budget under the Tories. Councils here have been relatively protected, as Mr Swinney has said, compared with councils in England. [*Interruption.*]

The Deputy Presiding Officer: Order, please.

Joan McAlpine: The package represents a 1 per cent cut. If the Labour bosses of councils do not have the imagination and the ability to manage that in the same way as Mr Swinney has managed the budget of the country, they are doing a disservice to the workers they claim to represent.

Jackie Baillie: Will the member take an intervention?

Lesley Brennan (North East Scotland) (Lab): Will the member take an intervention?

Joan McAlpine: I will.

The Deputy Presiding Officer: Jackie Baillie.

Jackie Baillie: Will Joan McAlpine tell us what SNP-controlled Dundee City Council is doing in

issuing notices to 6,000 employees to ask whether they will take redundancy?

Joan McAlpine: My understanding is that that is completely misleading—it misinterprets what is actually happening.

Labour has pinned its principles to the mast on social care repeatedly in the chamber. It has raised the issue of the living wage for healthcare workers and it has raised the issue of delayed discharges. It has pinned its principles to the mast on that. Now Labour's principles are under water, because its members have a chance to implement what they say they want, but they are walking away. As far as I can see, they are making a last desperate attempt to hurt the SNP before the election. However, they are not hurting the SNP. The people they are really hurting are the long-term sick, the terminally ill, the frail elderly, the disabled and people stuck in hospital beds. They are the people who will be hurt if the £250 million social care package is not put in place because their Labour councils are walking away from it.

What is Labour's message to care workers—the care workers to whom it is denying the living wage? Not only is it denying them the living wage, but it is now threatening to tax them. [*Interruption.*]

The Deputy Presiding Officer: Order, please.

Joan McAlpine: As well as threatening to tax them, Labour is offering those low-wage workers—who are not going to get the living wage—a rebate, but we do not even know the legal status of the rebate. It would be a matter of going back to Labour councils for means testing of the rebate.

Jenny Marra (North East Scotland) (Lab): Will the member give way?

Joan McAlpine: No—I have already taken two interventions. I am sorry; I do not have time.

The Deputy Presiding Officer: The member is now closing.

Joan McAlpine: People will have to go back to Labour councils to claim their rebate—if it is legal and if it can be introduced. Of course, Labour members just love means testing, don't they? [*Interruption.*]

The Deputy Presiding Officer: Ms McAlpine, could you draw to a close, please?

Joan McAlpine: Somebody mentioned the trade unions. I remind members that the Trades Union Congress found that under the Tories real wages in Scotland have fallen by the equivalent of £1,500. That is the amount of money that we have saved people through the council tax freeze, which, week after week, Labour councillors continue to oppose.

The Deputy Presiding Officer: Ms McAlpine, you must close.

Joan McAlpine: It is the SNP Government that is protecting workers in the home care service and everywhere else. It is a shame that Labour has lost—

The Deputy Presiding Officer: Close, please, Ms McAlpine.

Joan McAlpine: —the tag of the workers' party that it used to have.

The Deputy Presiding Officer: I remind members that, if they take more than six minutes, it is colleagues' time that they are taking up, and I will have to reduce the time later.

15:29

Willie Rennie (Mid Scotland and Fife) (LD): This is the budget of many firsts. It is the first budget with substantial tax powers. It is the first budget without a fixed income. It is the first budget where we can increase Government spending. It is the first budget with costed alternative tax proposals on the table. It is the first budget where any pretence that councils have flexibility over their budgets has completely evaporated.

This is also the first year when John Swinney has been deprived of his well-worn and rather shabby songbook—the book of songs that he trots out on these occasions. “We value the relationship with our local authority partners”—he cannot say that any more; he has strong-armed them into submission with a triple whammy of fines worth £408 million. If Scotland's 32 councils were to increase the council tax by just £1 each, they would face fines imposed by the SNP Government totalling £408 million. The historic concordat is simply history.

What else can John Swinney no longer sing? “We have a fixed budget”—he has flexibility now. “If only we had the powers”—he has the tax powers now. “This is a budget against austerity”—not if he uses the powers; he can do something about that if he does. His favourite—“These are Westminster cuts”—is gone, too. With a triple lock on councils to deny them any choice and his refusal to use the Parliament's powers, he is imposing the kind of budget that he has previously condemned.

The people of Scotland will know that his refusal to act means that every single cut to public services to Scotland is a John Swinney cut. He cannot shirk that; he must accept it. He cannot point anywhere else any more. The £500 million cut to schools and council services is a John Swinney cut. The loss of 152,000 college places—John Swinney is responsible for that. The failure to invest to meet our climate change targets and fuel

poverty targets, the cuts to police budgets and mental health services not being treated on an equal footing—this is John Swinney's budget and he must accept the consequences of his decisions today.

The Liberal Democrats' case is that the situation is so urgent that we must use the Calman powers that we have now rather than wait for the Smith powers that are due in two years. We recommend that we increase income tax by one penny to deliver £475 million of investment to repair the damage of SNP cuts to education and to make a transformational investment in education.

John Swinney *rose*—

Willie Rennie: If Mr Swinney is getting to his feet, can he explain how he will protect the incomes—

John Swinney: I am more than happy to explain if Mr Rennie will give way.

The Deputy Presiding Officer: Order.

Willie Rennie: I will let Mr Swinney in when I let him in.

John Swinney: In the interests of parliamentary courtesy—

The Deputy Presiding Officer: Order.

Willie Rennie: I will let Mr Swinney in when I let him in.

How can John Swinney protect the incomes of the council workers across the country who he is about to sack as a result of this budget? Will he explain that? [*Interruption.*]

The Deputy Presiding Officer: Order, please.

John Swinney: I would be grateful if Mr Rennie would share with Parliament when he became so concerned about those issues—he defended the cuts to our budget under the five years of the Conservative-Liberal coalition.

Willie Rennie: I am afraid that that is in the old songbook; it is not in the new songbook. Mr Swinney needs to understand that if it was not for the Liberal Democrats cutting tax for those on low and middle incomes, people in Scotland would be far worse off; they have been far better protected than by the SNP.

It will surprise no one that we proposed to spend more than the Tories at the last general election. We believed that the severe cuts that they are now delivering were unnecessary and would risk the economic recovery.

What I am proposing today is consistent with our approach last May. Thanks to the Liberal Democrats in government, those on low and middle incomes have seen reductions of more

than £800 each year because of the increase to over £10,000 in the personal allowance. In fact, thousands of people have been taken out of tax altogether—a policy that I remember members on the SNP benches opposing.

Kevin Stewart: Will Mr Rennie give way?

Willie Rennie: Not just now.

The Deputy Presiding Officer: Mr Rennie is approaching his last minute.

Willie Rennie: Our proposal would mean that we can increase taxes on those with higher incomes while protecting those on lower incomes. For instance, someone would have to earn more than £19,000 to pay more tax next year compared with this year, thanks to a further rise in the tax threshold, and someone who earns more than £100,000 a year would pay 30 times as much extra tax as someone on the median wage in Scotland of £21,000.

Our proposal is a progressive measure to invest in and have a transformational effect on our public services. It would mean investment in a pupil premium, investment in nursery education, investment to stop SNP cuts to our schools and investment to protect our colleges from further SNP cuts. That is the investment that we propose with a penny for education, which the so-called progressives on the SNP benches reject. We will support the Labour amendment at decision time.

15:35

Mark McDonald (Aberdeen Donside) (SNP): When I asked Jackie Baillie about the Finance Committee's report on the draft budget, she responded by saying that she was not at the meeting when we discussed it. Her argument is somewhat undermined by the fact that the Labour Party was represented at that meeting and that it signed up to the recommendation on the SRIT in the Finance Committee report. There is one line in the report from which the Labour Party dissented, which is:

"The Committee, therefore, welcomes that the DFM now supports indexed deduction per capita and recommends that this approach is agreed in the fiscal framework."

The Labour Party is opposing the deal that would ensure that Scotland would get a fair settlement in the fiscal framework.

Jackie Baillie: Will the member take an intervention?

Mark McDonald: It would be unfortunate if Jackie Baillie tried to explain the thinking behind why something was opposed at a meeting at which she was not present. [*Interruption.*]

The Deputy Presiding Officer: Ms Baillie, Mark McDonald is not taking an intervention.

Mark McDonald: I will move on.

When the committee took evidence on the Scottish rate of income tax, Stephen Boyd from the Scottish Trades Union Congress said:

“our point is that, at this particular moment in the economic cycle, having been through an historically unprecedented collapse in real wages over the past five years, 2016-17 is not the moment in which to increase taxes on the lower paid.”

Ruchir Shah of the Scottish Council for Voluntary Organisations said:

“We do not need to increase taxes to invest in prevention. Prevention is something that can be done with budgets now ... I do not think that we should look towards the new tax powers as a panacea and as the way to bring extra money into prevention. We need to look at our budgets independently of the tax system.”

I have another quote from that committee meeting:

“the yield that we would get from 1p on the Scottish rate of income tax is actually quite small ... Is there not a better argument to be had about shifting the spend within the overall budget, which is substantially higher?”

That was said by Jackie Baillie. I wonder what has transformed the Labour Party’s opinion between that September meeting of the Finance Committee—that evidence is on the record—the signing off on the committee’s report, which happened just last week, and today’s debate. Perhaps Jackie Baillie can enlighten us.

Jackie Baillie: Mark McDonald realises, of course, that the yield would be £0.5 billion. Failure to use the SRIT now will lead to devastating cuts of £1 billion before any new powers come to this Parliament. Does he not regret the decision that his cabinet secretary is making?

Mark McDonald: I can only apologise to Jackie Baillie for again quoting her own words at her. She said:

“the yield that we would get from 1p on the Scottish rate of income tax is actually quite small ... Is there not a better argument to be had about shifting the spend within the overall budget?”—[*Official Report, Finance Committee*, 30 September 2015; c 7, 15, 30.]

If she wants to change her position, that is a matter for her.

Neil Bibby (West Scotland) (Lab): Will the member take an intervention?

Mark McDonald: I am looking to develop my comments a little further.

As the cabinet secretary said when he gave his budget statement to Parliament, this budget is important because of the need for public sector reform—the need to reform the way in which we deliver our services. We are in a period of ongoing Tory austerity at Westminster, so doing things in the same way as we have always done them will not be sustainable in the long term. We

have seen reform of police and fire and rescue services, and reforms of health and social care are taking place. It is now time to look at how services are delivered at the local level and to drive forward the shared services agenda.

That agenda has been taken forward very well in some areas of Scotland—it would be remiss to suggest that a strategic approach has not been taken in parts of Scotland. However, it is also fair to say that a lot of local authorities are lagging far behind when it comes to public sector reform and the shared services agenda.

An interesting element of the debate is the Labour Party’s insistence that savings can be achieved only by cutting front-line services. Only last week in *The Press and Journal*, the finance convener of Aberdeen City Council, Labour councillor Willie Young—a man with whom I have my own special relationship—boasted that the council had identified £20 million-worth of savings without a single saving coming from the front-line services that the Labour Party today says are the only things that are left to be tackled. The notion that there are not savings to be found in local government or that local authorities could not achieve different ways of delivering services flies in the face of what Labour councillors are saying.

Drew Smith: Since Mr McDonald is fond of quoting other members, I point out that, on 23 April last year, he said:

“we cannot sustain further austerity, which results in those with the least being hurt the most”.

He went on to say that his belief is

“that we need to see a commitment to public spending increases”.—[*Official Report*, 23 April 2015; c 8-9.]

How does Mr McDonald propose that we raise more money for public services? [*Applause.*]

Mark McDonald: I am always grateful when Labour members are fans of my early work. [*Interruption.*]

The Deputy Presiding Officer: Order, please. We must hear Mr McDonald close.

Mark McDonald: The point that I make to Mr Smith, if he will listen, is that we put forward a comprehensive and costed package that a Westminster Government could deliver as an alternative to austerity. We did not get the result in the Westminster election that we were hoping for, and Mr Smith’s party certainly did not. That was what that comment related to.

The point about the SRIT, on which I have always been consistent, is that I do not believe that it is right that the same increase in tax should apply to those on the basic rate as applies to those on the higher rate.

The Deputy Presiding Officer: Mr McDonald, you must close.

Mark McDonald: The Labour Party disagrees with me on that, but I suspect that the public will disagree with the Labour Party.

The Deputy Presiding Officer: If members take interventions, they must take them in their own time.

15:41

Malcolm Chisholm (Edinburgh Northern and Leith) (Lab): Context is everything when it comes to decisions about tax. The context today is the biggest cut to local government budgets in my lifetime. The Finance Committee accepts the SPICe figure of a 5.2 per cent cut to local authority budgets and, on pages 40 and 41 of its report on the draft budget, makes a fairly sharp critique of the nonsense that we have heard from the Government about the cut being only 2 per cent. In Edinburgh, that translates to £85 million-worth of cuts for the coming financial year. I am sure that the 2,000 workers who are going to lose their jobs in Edinburgh are extremely grateful that John Swinney is going to protect their non-existent incomes.

I say to Joan McAlpine, who talked about shocking sackings, that we have an SNP-Labour coalition in Edinburgh. It would pay her to look at the comments of the SNP group leader in the council and what he thinks of the Government's settlement for local government.

That is the context in which Labour has made its choice. It is the same context in which John Swinney has instead sent an unprecedented letter to local government threatening a further £408 million-worth of cuts if local authorities do not accept the whole package, including the council tax freeze. Just to be clear about what that means, in the past, if councils did not accept the council tax freeze, they would lose the council tax support money. However, this year, if councils do not accept the council tax freeze, they will lose the council tax support money, the social care money and the teachers money. As the leader of the City of Edinburgh Council has said, that is a democratic outrage.

Joan McAlpine: The member talks about a £400 million cut, but that includes money that is set aside for health and social care and to maintain teacher numbers. Why should councils get £250 million for health and social care if they are not going to deliver it? It is not a penalty—the money is for a specific purpose.

Malcolm Chisholm: Joan McAlpine completely misunderstands the point that I made and the significance of her cabinet secretary's letter.

Councils would lose all that money just if they did not do one thing. If they did not have a council tax freeze, they would lose all the social care money. That is a completely different point from the one that Joan McAlpine makes.

That is the wider context in which Labour has made its decision. For the past 24 hours, I have struggled to understand the SNP's response. In 1999, at the start of a massive increase of public expenditure from Labour, which all parties welcomed—even the Tories at the time—the SNP supported the penny for Scotland but, now that we have the biggest cut that we have ever seen to local Government, it does not support that.

The SNP is also the party that very recently actually supported a local income tax, saying how fair and progressive it was. Nor do we need to go back very far, because at the Finance Committee last month—two members have quoted this already—John Swinney said:

"I view the Scottish rate of income tax as ... progressive".—[*Official Report, Finance Committee*, 13 January 2016; c 40.]

Therefore, all the rhetoric about a regressive income tax that we have heard for the last 24 hours is merely rhetoric. Why is the SNP—*[Interruption.]*

The Deputy Presiding Officer: Order.

Malcolm Chisholm: Why is the SNP not looking at the effect of the change that we are proposing on people's actual incomes? I will deal with that issue once Mark McDonald has made his intervention.

Mark McDonald: The evidence from the STUC was that because of the impact on wages in real terms, 2016-17 is not the year to increase the SRIT. Does Malcolm Chisholm not accept that contention by the STUC?

Malcolm Chisholm: I certainly know what Stephen Boyd was saying yesterday, and I have heard many speakers from the trade unions and the rally outside a couple of hours ago who were not saying that.

As I was saying, let us look at the effect on incomes. David Eiser, who I am sure that Mark McDonald respects as a good economist and who he has heard at the Finance Committee, has said:

"in assessing the progressivity of an increase in SRIT, it is more relevant to consider the change in after tax income,"

—which is understandable—

"not the change in the amount of tax paid."

On a £12,000 income—and this is without the rebate—income falls by 0.2 per cent. On £23,000, it falls by 0.6 per cent. On £50,000, it falls by 1 per cent. On £100,000, it falls by 1.5 per cent. As

Willie Rennie said, on £100,000 someone is paying 30 times more tax than someone who is on the median income. If the rebate is added in, of course that is even better for those who are earning up to £20,000.

What John Swinney said about our proposals is exactly what he said when we said that local government could deal with this for the bedroom tax, and because of that, the local authority administration systems are already in place.

John Swinney *rose—*

Malcolm Chisholm: I have no time; I am in my last minute.

I am still struggling to make sense of the Scottish Government's position on our proposals, other than to conclude that it is an electoral calculation. That is the top and bottom of it. What I say, and what we say, is that it is better to do what is right than to second-guess the electorate.

Nothing is more important for the future of Scotland than education. I would expect the SNP to agree with that, because clearly it is crucial to the growth of the economy as well as to individual opportunity. We are saying that now, in the current context, in the current circumstances of unprecedented cuts on local government budgets—half of which are to education—the right thing to do is to raise more income. Our proposal would do that in a progressive way.

The choice before the people of Scotland today and next May is a penny for Scotland or double austerity with the Tories and the SNP.

15:47

Chic Brodie (South Scotland) (SNP): I am happy to participate in the debate. I decided to do so in the forlorn hope that we could have a clinical and analytical review of—*[Interruption.]* Just wait—a review of alternative proposals. However, I was not hopeful and I was right.

With that reflection, let us try to understand the basis of this budget—why we are here in the present and what has happened in the recent past. If we do not do that, there is no hope for any meaningful alternative proposals in the future with the powers to come. I credit the Deputy First Minister for facing the challenges not just of this budget, but of the budgets that he has produced over the last eight years.

To understand the budget, we start by asking: why are we here? Willie Rennie did his Pontius Pilate job of saying, "It's nothing to do with me, gov." He obviously does not understand the economic cycle, or he would get on it. We are here because the UK has run up a mountainous debt of £1.6 trillion. We are here because the UK

chancellor said that he was committed to a large budget surplus by 2019-20.

As a consequence of current fiscal arrangements, we are here because the Scottish DEL budget will fall by 4.2 per cent in real terms between 2015-16 and 2019-20, and it has fallen by £2.7 billion in real terms in the period 2010 to 2016.

Murdo Fraser *rose—*

Chic Brodie: Not just now.

We are here because Scotland's capital budget, despite George Osborne's claim to have increased capital spending, will be £600 million less, or 70 per cent lower, than it was in 2010-11. That is why we are here. Under the current fiscal arrangements, we are hitched to the application of a Tory austerity programme of choice, not necessity, that does not have to be applied with the immediate haste that it is being applied. It will get worse.

Murdo Fraser: Will the member take an intervention?

Chic Brodie: No, not just now.

Six weeks after the November budget forecast, the OBR said that gross domestic product will now be 0.2 per cent less than forecast. The balance of payments deficit in November was double that of the balance of payments deficit in November 2014. At the end of December, borrowing was £69.3 billion, which is almost the figure for the forecast for the whole financial year to March. That is why we are here. We have a Scottish budget that recognises those factors but considers balanced priorities and risk aversion, and I will come on to those in a minute.

What are the alternatives? We have heard that the Tories will cut taxes or at least maintain them and they will also cut benefits further in the face of crippling debt and a challenging global economy. Labour says that it will increase income tax rates by a penny in the pound. That is a sure sign that Labour members know that they will not be in a position to implement that change. It is regressive and unfair. Labour should give us the details.

Lewis Macdonald: Will the member take an intervention?

Chic Brodie: Let me ask some questions and then I will give way.

What will the impact on pensions be? What will be the percentage change on net disposable income for those who are on £20,000, which includes teachers, police officers and nurses, and those who are on £100,000? What will the scheme cost to administer? How much tax is to be paid on the rebate? Stephen Boyd might have changed his views but at the Finance Committee, he said:

“keeping the SRIT at 10p made sense.”—[*Official Report, Finance Committee*, 30 September 2015; c 6.]

Lewis Macdonald: I am sure that Mr Brodie will recognise that the STUC said yesterday that Labour’s proposal is serious and should be given serious consideration. I am sure that he also recognises what we have said about rebates for pensioners and those who are on the lowest incomes. If Mr Brodie regards income tax as a regressive tax, what is a progressive tax?

The Deputy Presiding Officer: Mr Brodie, I do not know whether you heard Mr Macdonald because he turned away from his microphone. If you did, now is your opportunity to speak again.

Chic Brodie: When I get questions like that, it reminds me that the weapons of Labour and its associates are boomerangs.

Whatever the balance of the budget, Labour cannot deny the additional investment. We have talked about the redirection of spending on care and are delivering substantial investment in educational attainment—

Drew Smith: Will the member give way?

Chic Brodie: No, I do not have time.

We are continuing to pursue national security. All that is underpinned by a long-term economic growth platform that supports internationalisation, research, innovation, partnership, growing small businesses and social enterprises.

If I may, I will finish off by saying something to local authorities. I believe that the budget is realistic. It is tight because of the circumstances but it is not anti-austerity. To paraphrase Charles Kettering, if you are doing things the way you always did, you are doing them wrong. These times give us the opportunity to create a productive Scotland by looking at how we share services, how we become lean and mean by disposing of underutilised or non-utilised assets that require maintenance and by procurement through the entrepreneurial spirit of the third sector and community and social enterprises. Is it tough? Yes, it is tough, but when the going gets tough, the tough get going.

15:54

Patrick Harvie (Glasgow) (Green): That is quite an act to follow. As the Deputy First Minister knows, I like to give credit where it is due on these occasions and today I want to say something positive about the Government and the Labour Party’s position. The Government is due some credit for its position on ensuring that the living wage should be given to care workers, including those who do not work directly for local authorities.

Dr Simpson: Will the member take an intervention?

Patrick Harvie: I would like to make some progress.

The Economy, Energy and Tourism Committee was deeply concerned about that in its inquiry into fair work. We heard evidence about the impact that poverty wages in the sector have.

I disagree with the context in which the Government is doing it, but the point is that those workers are due the living wage and we should be grateful that that is going to happen.

Dr Simpson: I thank the member for giving way. The question is, who is going to pay for the living wage? We are all agreed that it should be there, but we are being told that the voluntary organisations will have to meet 25 per cent of the costs. After years of being strapped for cash, that will be extremely difficult and challenging for them.

Patrick Harvie: I agree with that point very strongly. All that I am saying is that I like to say something nice to each side at the beginning of my speech. I promise that I will move on.

The Labour Party and, to be fair, the Liberal Democrats are due credit, too, for acknowledging a truth that has become increasingly unavoidable, not just this year but over the past several years: if we want to protect local and national public services, we will have to raise the revenue that is necessary to do that. Simply managing cuts from Westminster and blaming a UK Government—which, to be fair, is culpable for the deeply wrong and damaging actions that it is taking—is not enough. It is not enough simply to know who to blame; we have to know what to do about it, and raising revenue will be an important part of the response.

I do not agree with Labour and the Liberal Democrats on how best to do that. From my point of view, the emphasis of their proposal only on income is inadequate. Wealth inequalities are even starker in Scotland than income inequalities. Wealth must become a bigger part of the taxation picture, not a smaller one. Over the years, we have had many debates on the role of central Government versus the role of local government. The proposal to put up income tax by 1p would make local government more, not less, dependent on grants from central Government.

Lewis Macdonald: Will the member give way?

Patrick Harvie: In a moment.

Over the coming weeks, the Scottish Greens will set out proposals for a longer-term approach, which will make use of the more sophisticated tax powers that we hope will be devolved. As well as covering income tax and wealth tax, those

proposals will address the critical issue of local empowerment. Meanwhile, in the shorter term, we have already proposed an end to the council tax freeze and an end to the financial penalties that the Scottish Government threatens local authorities with if they do not comply.

In addition, this morning, in amendments to the Land Reform (Scotland) Bill, I proposed means of achieving in excess of £300 million per annum in additional revenue from taxation on derelict land. The Minister for Environment, Climate Change and Land Reform did not agree with what I was proposing, but she has agreed to discuss the issue further, and I hope that that discussion will be fruitful. In the shorter term, we could use the council tax multiplier, so that grossly undervalued luxury properties end up paying a bit more.

I will give way to Lewis Macdonald if he still wants to intervene.

Lewis Macdonald: I am grateful. I acknowledge that Patrick Harvie has now said that he recognises the need for action in the immediate term. Does he recognise that that is the central point of Labour's proposal? The crisis in local government funding cannot wait if services are to be protected, and action must be taken in the coming financial year.

Patrick Harvie: I agree completely that if we want to avoid the kind of crisis that Lewis Macdonald is concerned about, which we are all concerned about, action needs to be taken, and that that must mean revenue raising. My proposal is that we do that at local level as well as by ensuring that we properly address the balance between wealth and income taxes. At the moment, Labour's proposal would push the balance too far in the direction of income when it should be going in the other direction.

I have written to the cabinet secretary on a number of other issues that I hope will be addressed, not least the on-going shifts in the transport budget. There have been hugely significant increases in road building when we should be emphasising a shift towards sustainable, active and public transport. That is a trend that seems to emerge both when budgets are going up and when budgets are going down. At a time when it appears that the world is moving towards a greater degree of ambition on climate change in the wake of the Paris agreement, the climate change budgets are being savaged, there is a lack of any shift towards sustainable transport policies in the Scottish Government's budget and there has been a dramatic reduction in funding for energy efficiency work. Those are not things that the Greens can possibly support.

I urge the cabinet secretary to give an indication that he is willing to reverse those changes during

the scrutiny of the budget, or to at least look at how the severity of their impact can be reduced. I do not say that with great hope of hearing something positive from the cabinet secretary, but my ears will be open.

16:00

Linda Fabiani (East Kilbride) (SNP): I will start by putting some of what is being said in context. Some of that context is the Scottish Government's strong economic record. The proof is there: the employment level in Scotland has reached a record high of Scots now in work; Scotland has the highest employment rate of the four UK nations and it outperforms the UK as a whole; the youth unemployment rate fell to the lowest level for September to November since 2006; and the number of registered businesses in Scotland has grown by 12 per cent since 2007, along with a growth in Scotland's productivity rate from the same time. Not only that, our international exports have increased by 36 per cent between 2007 and 2014.

The Government has a strong economic record and it has delivered balanced budgets over its time in office. That can be contrasted with some of the stuff that has been going on recently with Labour, which has put forward what is largely a confusing position. Instead of putting forward positive things for discussion at budget time, which I am sure John Swinney would listen to very carefully, Labour has taken a scatter-gun approach, with anything that will do for a headline in the paper. For example, it was only in December that Jackie Baillie, Labour's finance spokesperson, said on television that she agreed that the Scottish rate of income tax was a blunt instrument.

Jackie Baillie: Perhaps the member would agree that we have sharpened that instrument by introducing a rebate to make it more progressive and fairer.

Linda Fabiani: That is an interesting point. Earlier, Jackie Baillie said that the detail would be provided; I very much look forward to hearing that detail. The position has changed—Labour's position has changed even since Friday, when Lesley Brennan and Jackie Baillie did not agree any position whatsoever for the Finance Committee, as Mark McDonald pointed out.

Labour members cannot even agree within their own group, so let us look at the context from which Labour's new policy has come. In the Scotland Act 2012, following the Calman commission, Labour and the Tories agreed a single Scottish rate of income tax. There was no control over personal allowances, tax bands, tax reliefs or rebates—therefore, it was not progressive.

Now Labour is offering this £100 annual payment. How? I heard it said that we would be given the detail and I look forward to seeing that. It cannot be a tax rebate or a tax allowance, because that is not allowed. If it is to come through local authorities, it must be a benefit. Benefits are generally a reserved matter, and will be so even if the current Scotland Bill is enacted.

That was a look at how the rebate could be paid. Next comes how it will be administered. How will the local authorities get the appropriate data, and how will they check it? Will people have to apply for the rebate? We all know that the low take-up of benefits is worst among those with the lowest incomes. Is this yet again a Labour push against universality?

All those issues and many more will perhaps be explained in detail by Labour in closing, along with the timeline to 1 April for implementation. Labour's plans are all over the place.

Neil Bibby: Linda Fabiani talks about looking for extra detail. Could she give us the detail about what the SNP is going to do to stop the swingeing cuts that are affecting our communities?

Linda Fabiani: The SNP is very clear in what it has put forward; John Swinney's budget has that detail. Labour would do better to work with that. It should recognise that it is the Tories who are the problem here and work with us to get a better deal, and with the councils to make it better for people all round, instead of coming up with crazy economics that have no back-up.

There is a complete confusion in what Labour is trying to do. I said that perhaps clarification would be given, but I am not convinced that it will be. We have heard so many off-the-cuff announcements from Labour over the last while,

“full of sound and fury,
Signifying nothing,”

as is often mentioned in literature. Every time detail is requested, we move on to something else. I have not even heard air passenger duty mentioned today, although it is supposed to be the answer to many issues.

I have no doubt that the consistency and commitment of the First Minister and the Deputy First Minister will result in the correct decision for Scotland on the fiscal framework that is being negotiated, which Labour cannot agree on either. I also have no doubt that, when the confusion and the incompetent financial and operational forecasting of Labour's proposed policy are contrasted with the record in government and sound financial management in the hardest of times of John Swinney and his team, it will be widely recognised that the Parliament should

agree to the general principles of the Budget (Scotland) (No 5) Bill.

16:05

Ken Macintosh (Eastwood) (Lab): John Swinney has enjoyed a remarkably long run as finance secretary, and he and his SNP colleagues have managed to escape the level of opprobrium and censure that some of his budget decisions have merited in that time. However, his luck has finally run out, and he has finally been found out.

I acknowledge that, in the past, perhaps assisted by his personable manner, Mr Swinney's political and financial conservatism has often been charitably or sympathetically interpreted as prudence. However, this time, most people—certainly in the media—have identified and named his approach for what it is: Conservatism with a capital “C”.

The *Financial Times* headline was “Scottish budget follows George Osborne's example”. The article said:

“While denouncing Conservative austerity policies for squeezing the Westminster block grant for Scotland, Mr Swinney emulated the UK chancellor George Osborne”.

The Telegraph said “John Swinney's Scottish budget ‘a Tory copycat’”. It said:

“The Finance Minister pledges a ‘Scottish alternative’ to austerity but refuses to raise taxes and copies a series of George Osborne's policies.”

In what many have seen as a step too far, the finance secretary has put local government at the centre of his budget and decided to cut a whopping £500 million from locally delivered public services. Half a billion pounds is to come out of libraries, day care centres, learning support for the young, and care at home for the old. As *The Guardian* concisely summarised it,

“Taking his cue from George Osborne's budget, the SNP's John Swinney slashed spending for councils”.

If SNP ministers or members do not want to hear that from the press, they can have it from one of their own. The SNP councillor Sandy Howat, to whom Joan McAlpine referred earlier, is the deputy leader of the City of Edinburgh Council. He said:

“A ... cut of this scale would be very damaging for jobs and services within ... local government generally ... the harsh reality is that this will translate to real job cuts that hit real families, in real communities ... Everyone will be hurt by this.”

In some ways, that should all come as no surprise to us. The SNP has been cutting support to our communities for years and passing the blame elsewhere. Although Mr Swinney and his on-message back benchers complain bitterly about cuts from the Conservative Government, the

Scottish Parliament information centre has revealed that the Government passed on double those cuts to our local authorities.

John Mason (Glasgow Shettleston) (SNP): Does the member think that John Swinney has been too generous to the health service? Would he rather see some of the money moved from the health service to local government?

Ken Macintosh: As Mr Mason knows full well, that is not the alternative that we are proposing. We propose that the SNP raises income tax by 1p, and protects the low paid and our public services. That is in addition, not instead of.

It should also come as no surprise to see Mr Swinney try to deploy his full range of budget tricks and techniques. He talked proudly about the increase in the affordable housing budget, but a quick glance at the published figures revealed that the overall housing budget is virtually unchanged. In other words, in the middle of a housing crisis, with 150,000 people waiting for accommodation, he has not increased support for housing funding; he has simply moved money from one column to another.

At least those figures were published. On fuel poverty, Mr Swinney tried to publish last year's draft figures rather than the normal outcome figures to hide the fact that he is cutting the budget for that by £15 million. When he was found out, the SNP came up with the most convoluted form of words. Apparently, all the spending is down to it, but the cuts are someone else's responsibility.

Worst of all is when the SNP gives no figures at all. It likes to boast about its commitment to the renewables industry, never away from bemoaning any decisions that are taken at UK level despite the fact that the investment comes from UK consumers. However, we discovered not in the budget book but in a subsequent local government finance circular that Mr Swinney has decided to cut business rates relief for the Scottish renewables industry. He did not even have the guts to tell the industry. Why has Mr Swinney chosen to impose that additional penalty on the sector at the same time that he is accusing the UK Government of withdrawing support? Exactly how much will he raise by heaping that substantial additional cost on the sector when it is already withdrawing from Scotland at a rate of knots because of the withdrawal of the renewables obligation?

There has long been a gap between SNP rhetoric and the reality of SNP ministerial spending decisions. In the past, the SNP has managed—incredible as it may seem to us—to pass responsibility or blame either to George Osborne or to our local authorities. When employment goes up, it is because of successful SNP policies. When

unemployment goes up, it is because of Westminster.

Today, Mr Swinney opened his remarks with misplaced braggadocio, proposing to dismantle Labour's proposal. He proceeded to present two of the most feeble arguments that I have heard: that income tax is not progressive, and that we need to look at the proposal in more detail. On the first point, Mr Swinney should—as several speakers have highlighted—check the *Official Report* for his own remarks about income tax being progressive before trying to tell us that he has changed his mind.

As for the second point, everything that I have heard today—Chic Brodie summed it all up—brings to mind the words of Edwin Morgan, in his admonition to us all to avoid

“the droopy mantra of ‘it wizny me’”,

or in this case, “We cannae do it.” In that poem, Edwin Morgan said to this Parliament that we should avoid being a “nest of fearties”:

“A nest of fearties is what they do not want.

A symposium of procrastinators is what they do not want.”

I fear that that is what the SNP has become. “If only we had more powers”, the SNP members say. Well, today we have called them out. Given the choice between using the powers that we have or cutting Scotland's future, we choose to use our powers.

16:11

George Adam (Paisley) (SNP): I have taken part in most of the budget debates since my election in 2011, and every one of them has taken place against the backdrop of the Westminster Tory austerity programme. The Scottish Government continues to deliver for our nation, and this time we find once again that the Scottish Government is mitigating the excessive impacts of Westminster spending cuts. This budget protects the most vulnerable in our society from the on-going Westminster austerity programme.

I will address the Scottish Government's record on education. As we heard yesterday, the passage of the Education (Scotland) Bill shows that closing the educational attainment gap has been a priority for the Scottish Government.

Neil Findlay: Will the member give way?

George Adam: For far too long, progress in education has depended on where you were born and where you live. We now have the £100 million attainment Scotland fund that quite rightly targets primary schools that serve our most deprived communities, and £33 million of that investment is being provided this year. The work on educational

attainment is happening this year. Let us not forget that, in these times of Westminster austerity, we are continuing to invest in offering 600 hours of free, high-quality early learning and childcare for all three and four-year-olds, moving to 1,140 hours by the end of the next session of Parliament if the SNP Government is re-elected.

We still have £1 billion of investment in Scotland's very successful university sector while ensuring that Scottish students continue to benefit from free tuition and the continued commitment on teacher numbers in the form of the £88 million funding package.

That brings me to our local authorities. I used to work as a local councillor, and it is my opinion that local government has received a challenging but fair financial settlement.

Neil Bibby: Will the member take an intervention?

George Adam: With my previous experience as a councillor, I would say that it has always been thus.

Neil Bibby: Will the member take an intervention?

The Deputy Presiding Officer: Mr Bibby, it does not look like the member is giving way.

George Adam: It is important that our local authorities work in more innovative ways to deliver services, finding new ways to deliver them—

Johann Lamont (Glasgow Pollok) (Lab): Will the member take an intervention?

George Adam: The integration of health and social care is an example of joint working and ensuring that there is no doubling up in service delivery. It is, at its heart, an opportunity for our communities to get a service that suits their needs.

Johann Lamont: Will the member take an intervention?

The Deputy Presiding Officer: Ms Lamont, I do not think that the member is giving way.

George Adam: That is the challenge for local government, which must lead the way in innovation and delivery of best practice. I mentioned during the debate on the Education (Scotland) Bill yesterday that when COSLA and other councillors came to the Education and Culture Committee I asked them what their innovative plans for education were and in which way they would work together to make that difference. However, it appeared that, for them, it was business as usual. There was a head-in-the-sand attitude. In these challenging times, that is not good enough. We need to ensure that we work together to find new solutions and new ideas while

delivering services. We need to have a mature debate, because that is what the public want.

I will take Mr Findlay's intervention now, if he wants. [*Interruption.*]

George Adam: Sorry—Mr Findlay wanted in, but fair enough.

Neil Bibby: Will the member take an intervention?

George Adam: Mr Bibby wants in. Any more for any more?

Neil Bibby: Was there a fair funding settlement for local authorities when you were a councillor, Mr Adam, between 2007 and 2012? You voted to cut 200 teachers from schools in Renfrewshire.

The Deputy Presiding Officer: Interventions should be made through the chair, please.

George Adam: I say to Mr Bibby that the whole point is that it is time to move on and deal with the issue now. [*Interruption.*]

The Deputy Presiding Officer: Order, please.

George Adam: Our public and our constituents—[*Interruption.*]

The Deputy Presiding Officer: Order!

George Adam: When Mr Bibby and I meet at the hustings in Paisley, he will—

The Deputy Presiding Officer: Mr Adam, will you stop for a moment? Can I have order, please?

I call George Adam.

George Adam: Thank you, Presiding Officer.

Johann Lamont: Will the member take an intervention?

George Adam: During the election campaign, I will defend our case and Mr Bibby can defend his. His is not a good one, and I know which one the public trusts.

Johann Lamont: Will the member take an intervention?

The Deputy Presiding Officer: Ms Lamont, I do not think that the member is taking an intervention.

George Adam: The Scottish Government is continually working with its partner organisations to try to ensure that we provide what the public want. The Westminster austerity programme seeks to make the old, the weak and the disabled the ones who suffer the most—it seeks to make them suffer for others' excesses—whereas the Scottish Government's budget seeks to help those I have mentioned. There is £35 million to fully mitigate the bedroom tax, and funding is maintained for free prescriptions, eye checks and

concessionary travel for old, disabled and young people. The Opposition callously calls all of the above “the free stuff”, but those things help every man, woman and child in Scotland and they are valued by members of our community.

Once again, the Scottish Government is standing up for all Scots during difficult, challenging times. We have a distant, uncaring Westminster Government that has no love for our communities. I know who my constituents believe and trust with our national finances and future, and I look forward to seeing, during the campaign in the coming weeks, how the Opposition parties explain their part in all of this.

16:17

Jenny Marra (North East Scotland) (Lab): Dundee is facing £23 million of cuts to local services. This is the worst local government settlement in real terms across the whole of Scotland. The SNP tells us that there is no alternative and says that the cuts are coming from Westminster. In real terms, the cut that is coming from George Osborne to Scotland is 4.7 per cent, but the cut that is coming from John Swinney to Dundee is 5.5 per cent. There is an enhanced package of cuts for Dundee and other deprived areas across Scotland. It is austerity plus.

With the exception of teachers—Joan McAlpine might want to listen to this—every employee of Dundee City Council has received a voluntary redundancy notice. The SNP fought the previous election guaranteeing that there would be no public sector compulsory redundancies, and Mr Swinney reiterated that today. What he did not say is that people will be politely and quietly asked to go in letters left on their desks.

The Minister for Parliamentary Business (Joe FitzPatrick): Does the member understand the difference between “voluntary” and “compulsory”?

Jenny Marra: Yes, and the SNP has asked every council worker in Dundee with the exception of teachers to go quietly—to take their redundancy.

While council staff in Dundee read their voluntary redundancy letters, they see the services that they have worked so hard to maintain being slashed by the settlement from John Swinney. Where will the cuts fall? The SNP’s finance convener in Dundee has said that he is happy to maintain the council tax freeze, so he must have prepared his budget and he must know where the local SNP plans for the cuts to fall, but he has yet to come clean with the people of Dundee. We have an SNP finance secretary in Edinburgh who is happy to deliver a Tory budget in Scotland and an SNP council in Dundee happy to be good foot soldiers and visit that Tory budget

on our local services. Stronger for Scotland? I do not think so.

Kezia Dugdale was right yesterday to suggest that people who can afford it should pay a bit more tax. It is all very well the SNP saying that it is stronger for Scotland but, while it is praising public services and those who deliver them, it is undermining them by delivering eye-watering cuts. Our leader was right to propose the harnessing of the powers of this Parliament. The SNP has been desperate for years to have the power to put a penny on tax—it campaigned for that in 1999 and again in 2003. We were reminded of that on television last night when we saw the First Minister—she was not the First Minister then—campaigning for a penny for Scotland.

Every week, the First Minister says that she wants consensus. Now she has it on the most important political issue. Last week, the Liberals said that they agree with putting a penny on tax and, yesterday, Kezia Dugdale made clear Labour’s position. The First Minister now has the power for which she has campaigned all her political life. I would fully expect the Government to seize that power and initiative when it comes to the vote tonight.

When I heard on the radio yesterday the SNP saying that it wanted to keep things in line with the rest of the UK, I nearly choked on my tea. What utter disarray.

Let me go back to Dundee.

Linda Fabiani: Yes. [*Laughter.*]

The Deputy Presiding Officer: Order, please.

Jenny Marra: Not right now.

Last week, the Scottish Government, with the British Government, announced a huge package of funding to support and diversify Aberdeen’s oil and gas industry and to prepare it to seize the opportunities of decommissioning. That is very welcome. For two years, I have been raising those opportunities in the chamber. Oil platforms have been sailing down Scotland’s east coast past Aberdeen and Dundee on their way to be decommissioned in Hartlepool. That seems like a terrible loss of work and industry to Scotland and the north-east. I have written to the First Minister, Amber Rudd, the UK Government’s Secretary of State for Energy and Climate Change, and David Mundell to ask each for a meeting to see how the rest of the north-east and Dundee can share in that investment. Dundee needs a working river, not just a waterfront. We desperately need work, and John Swinney knows that.

To add insult to injury, Dundee has been dealt the worst local government settlement in the whole of Scotland, with a budget decrease of 5.5 per cent. That figure is just behind that for Shetland

and the Western Isles, but our poverty and deprivation levels are, as John Swinney knows, eye-watering in comparison. The insult was exemplified when Dundee's two MPs, Stewart Hosie and Chris Law, who were elected last year on an anti-austerity agenda, declined to comment on Mr Swinney's cuts to Dundee. They said that the issue was a matter for colleagues north of the border. That is a disgrace.

This budget and the SNP are, at best, taking Dundee for granted. In reality, we are the SNP's sold-out city in Scotland. I seriously hope that that can be redressed at decision time tonight and by John Swinney in his budget.

16:23

John Mason (Glasgow Shettleston) (SNP): Although it is sometimes preferable to speak at the start of a debate, it can also be advantageous to speak nearer the end and to have the opportunity to reflect on what others have said.

The first area that I will touch on is taxation. As has been stated, the Finance Committee focused largely on taxation during its budget study this year and, in particular, on the Scottish rate of income tax, which is our significant new power from April. Some 11 pages of our report were on that subject and we spent a considerable amount of time on it.

I come from a position where I would like to see improved public services paid for by increased taxation. I also consider that the gap between rich and poor is too wide and that we should try to rectify that by increasing both revenue and capital taxation.

Neil Findlay: Will Mr Mason taken an intervention?

John Mason: Let me finish my point, and I will take interventions if I have time at the end.

Just on Sunday night I visited the Lodging House Mission in my constituency, which houses Glasgow's main winter night shelter and is run in conjunction with Glasgow City Mission. It has 40 mattresses on the floor, yet it has had to turn people away some nights because it is not allowed to take more than 40 people on any one night. What kind of society are we in that allows that to happen? I would happily raise taxes to redistribute income and wealth much more fairly.

Neil Findlay: Will the member give way?

John Mason: I said that I would give way once I have finished this argument, which has some distance to go.

The Finance Committee looked at whether we could raise the SRIT, and the first question was whether the SRIT is progressive or not—would it

tax the better off more than those at the bottom? The answer is yes, it is progressive; we had some useful evidence from Lucy Hunter Blackburn, who compared someone earning £25,000 a year with someone earning £125,000 a year and showed that although their salaries are different by a factor of five, increasing the SRIT by 1.5p would mean that the richer person would pay eight times as much. That tells me that it is a progressive tax, and I am glad that the cabinet secretary agreed with me, although I think that the convener of the committee did not at the time. The main argument to the contrary is that, if you put 1p on 20p, that is a 5 per cent increase in tax, and if you put 1p on 40p, it is a 2.5 per cent increase, so from that point of view I accept that it is not progressive.

I argue that the SRIT is progressive, but certainly not very progressive. A lot of people on lower incomes could at this time really do without a tax increase. Since the report was finalised, we have had the Labour proposal to raise income tax by 1p. On the surface, that might seem to be attractive; I would love to have an extra £400 million that could be spent on public services, but the idea raises a lot of questions. Because it has been suggested so late in the day, the Finance Committee has not been able to examine the practicalities of how it would work. Would local authorities be able to handle a rebate system? What cost would that involve for local authorities? Could the people in most need be properly targeted? Would there be a bureaucratic burden for people who apply? Let us remember that a third of pensioners did not, because of the hassle, apply for pension credit to which they were entitled. Would the rebate payments themselves be taxable? We know that Westminster is not co-operative on such issues. There may be answers to those questions, but the reality is that they have not been looked at in any thorough way.

We had witnesses at committee advocating a tax increase—I was very impressed by NHS Health Scotland suggesting that the receipts be targeted at health spending for those who are most in need—but even the Scottish Trades Union Congress suggested that it is a blunt instrument and that we would be better off waiting a year to get control of the bands and rates, as well.

I confess that I find it to be a difficult question, because I find raising tax for those who are well off very attractive. In the end, however, I fear that there are too many people on relatively low incomes who could be seriously hurt, and I consider that we would be better off waiting just one more year for fuller powers.

Johann Lamont: I commend John Mason for a very reasoned speech, but does he think that people such as the homeless people in Glasgow whom he mentioned can wait another year? It is a

serious matter, and just because the tax is not the most progressive, would he ask his Government minister to test the arguments and find something that works better, if the arguments support that? Does he agree that we should not settle for the detail, but for the potential for that money to make a difference in people's lives right now?

John Mason: It would have helped if the Labour party had brought forward its proposal earlier in the process, so that we could have looked at it in a bit more detail.

I see that Mr Rennie has joined us again. He would not allow me to intervene during his speech, but I want to make the point—

Neil Findlay: Will the member give way?

The Deputy Presiding Officer: Mr Mason is in his final minute.

John Mason: I seem to remember a Liberal Democrat minister from Westminster coming here and refusing to give us control of the rates when we got the SRIT, because the Liberal Democrats did not want us to make it more progressive. It is a bit rich for Mr Rennie to come in at this stage and say that we should be raising tax with the very blunt instrument that we have.

Finally, on expenditure, one of the strengths of what the Government is doing is that it is protecting health spending. Assuming that we cannot or should not raise tax, if the Opposition parties want to say that there should be more for local government, they can say that, but the corollary of that is that health spending would have to be cut as well. I support the budget.

16:29

James Kelly (Rutherglen) (Lab): This is a significant debate, because there are on the table two proposals for which Parliament can vote. We can support the Labour amendment to put 1p on income tax, which will protect public services and the many thousands of local council workers' jobs that are under threat, and support investment in our schools, which will ensure that we can put forward a programme that can tackle the attainment gap, continue to promote talent and, ultimately, benefit the Scottish economy. Alternatively, we can support the Scottish Government budget, which will slash council spending by £500 million, thereby putting investment in schooling under severe threat and undermining help for the economy.

It seems to me that Nicola Sturgeon and John Swinney have become not political leaders, but managers. Mr Swinney, in particular, has become a budget manager.

John Swinney: Thank goodness someone is managing—[*Laughter.*]

James Kelly: He has been imprisoned by the accountants at St Andrew's House, and he is—

Does Mr Swinney have something to say?

John Swinney: I am grateful to Mr Kelly for letting me intervene. I will say out loud what I was muttering to my colleagues: thank goodness that someone manages the budget carefully in this Parliament.

Michael McMahon (Uddingston and Bellshill) (Lab): That was a cracking intervention.

James Kelly: Yes—it was worth waiting for, wasn't it? [*Laughter.*]

Kevin Stewart: Get on with it!

The Deputy Presiding Officer: Order, please.

James Kelly: I will get on with it.

Mr Swinney, if you had been outside earlier and had had the opportunity to speak to council representatives, you might have been able to explain to them why your budget is going to put thousands of council workers on the dole—

The Deputy Presiding Officer: Mr Kelly, speak through the chair, please.

Kevin Stewart *rose*—

James Kelly: I will give way to Mr Stewart.

Kevin Stewart: Does James Kelly not acknowledge that this morning the cabinet secretary was at the Local Government and Regeneration Committee and then the Finance Committee for those committees' budget scrutiny? Only one Labour member turned up at the Local Government and Regeneration Committee, and that member asked only one question. Is Labour really so bothered about all this?

James Kelly: The problem with the SNP is that in this debate all the bravehearts and all the progressive voices have been silenced. [*Interruption.*]

The Deputy Presiding Officer: Order, please.

James Kelly: Look at them all. They are all meek now. Given the opportunity—

Kevin Stewart: Where was Labour this morning? Will Mr Kelly give way?

James Kelly: Sit down, Mr Stewart. You have had your chance.

The Deputy Presiding Officer: Order, please, Mr Kelly. I request that members sit down. Can we have order, please?

James Kelly: Given the opportunity to use the power to do something to protect council budgets,

John Swinney has followed George Osborne's austerity route and the Tory party's cuts—*[Interruption.]*

The Deputy Presiding Officer: Order, please.

Linda Fabiani: Will Mr Kelly give way?

James Kelly: Yes. Why not?

Linda Fabiani: Given everything that Mr Kelly has said, I wonder why Labour MPs voted with the Tories last year to enact £30 billion of spending cuts to public budgets.

James Kelly: Maybe Ms Fabiani should get into the TARDIS and join us in this time and place. We are debating the Scottish budget, which is affecting Scottish communities and Scottish councils. Why does the Government not take some responsibility, instead of passing the buck?

It cannot be acceptable that teachers do not have the photocopying facilities that they need to be able to give kids their homework, and are asking the kids—some of whom do not have computers and printers—to print things out at home. That has happened in my constituency. That cannot be acceptable. *[Interruption.]*

The Deputy Presiding Officer: Order, please.

James Kelly: It cannot be acceptable that kids will have to walk to school next year because of school transport cuts, as a result of cuts from this SNP Government. *[Interruption.]* It cannot be acceptable, I say to Ms Campbell, that we are getting into a position in which we have fewer teachers and classroom assistants—*[Interruption.]*

The Deputy Presiding Officer: Order, please, Mr FitzPatrick.

James Kelly: The choice is clear. The time for talking has got to be over. It is time to stand up and be counted, to protect the budgets, to protect council workers' jobs and to protect our communities.

16:35

Gavin Brown (Lothian) (Con): This has, indeed, been a unique debate because, for the first time in a couple of years, the Labour Party has come to the chamber with a policy—it might not be the same policy as it had last week and it might not be the same policy as it will have next week but—my goodness!—it is a policy. It is extremely unfair of the Scottish Government to say that Labour has not taken any evidence on the policy and that it has been worked out on the back of a fag packet. That is not true. For months, in the Finance Committee, which has Labour members, evidence has been taken on the policy. The Finance Committee has heard from businesses, councils, the third sector and trade unions. We

have had a morass of evidence. However, the Labour Party has just ignored all the evidence apart from one submission—which it has adopted as a policy.

I hope that the Scottish Government does not feel bowed by the Labour Party and its new friends in the Liberal Democrats. I hope that John Swinney stands true to his word, as set out in his opening statement, and refuses to implement an income tax increase for the hard-working population of Scotland. As we—those of us who turned up to the Finance Committee—saw in evidence time and again, the proposal would not be good for those workers or for the economy of Scotland, so I ask the finance secretary to confirm in his closing speech that he will not be bowed by the proposal from the Labour Party.

Our problem with the budget is a different one, as outlined by Murdo Fraser today and in statements that he has made to the press. Our first concern is that, in line with the previous couple of budgets, this budget makes Scotland just that little bit less competitive. On a year-by-year basis, some of those things are noticed less than in others but, in the medium term, by chipping away at our competitive position we could store up problems for the future.

Last year, we complained bitterly about the residential rates of the land and buildings transaction tax, saying that we felt that, although it was right to give a break to first-time buyers, we were concerned about what might happen in other sectors of the market. We remain concerned about that today; we are concerned about the residential market. In terms of the commercial part of land and buildings transaction tax, the top rate of tax might be only marginally higher than in the rest of the UK, but sometimes even being marginally higher can count against us. We need to try to retain every advantage that we can and to erode or remove any disadvantages.

We have heard about empty property charges. We fought hard against that legislation when it came in. However, at the time, the Scottish Government's position was that we still had a competitive advantage because of the exemption for industrial property. However, in this budget, the plan is to remove that exemption, which will take away one advantage that we might have had.

We have big concerns about the large business supplement—a measure that was introduced without consultation or impact assessment. We hear from businesses that it could cause problems and could lead to businesses choosing to invest in other parts of the UK, instead of in Scotland. Will it apply to oil and gas businesses, which have been hit hard over the past year or so? We hear about all sorts of forums in the north of Scotland and Aberdeen, but we do not know whether those

businesses will be hit by the large business supplement. According to my reading of the policy, they will be. That means that we will be doubling the burden for businesses that are already struggling.

Mark McDonald: Mr Brown mentioned evidence that we heard in the Finance Committee. Does he also accept that the committee received no evidence opposing the supplement?

Gavin Brown: That is technically correct, although members—including, I am sure, Mr McDonald—received submissions that were addressed to them as individuals. Further, Mr McDonald will recall that we tendered for evidence before the announcement of the policy, so it would have been unusual for businesses to have complained about it, given that they had not heard about it.

Our second problem is that, again, the Government attempts to hide reality. It attempts to obfuscate some of the bad news and it refuses to give clear and plain answers to questions that we ask. The Government says, for example, that housing is an absolute priority, but when we pointed out on budget day back in December that it appears that the housing budget is being cut by £1 million—a small cut, but a cut nonetheless for a budget that is said to be an absolute priority—we were told that the budget for affordable housing was up by £100 million.

The Government is not telling us, however, what is being cut in order to fund that. We understand that the help-to-buy budget is being absolutely hammered. When I asked the Scottish Government today at question time what is happening to the help-to-buy budget, I was just given a three-year figure. The number, £195 million, sounds big, but if that is over three years, it reveals a pretty big cut if we divide it by three.

We also have issues about oversight of the budget. The Scottish Fiscal Commission signed off on the budget, saying that it is reasonable, but it clearly admitted to the Finance Committee that it did not examine any outputs whatsoever. The commission admitted that it would have no idea what numbers would be unreasonable. Despite having increasing concerns about the lack of behavioural analysis regarding the revenue numbers, it was still prepared to pass the budget as reasonable. We will come to that as the proposed legislation goes through.

The Presiding Officer (Tricia Marwick): You need to close, Mr Brown.

Gavin Brown: I am content to leave it there, Presiding Officer.

16:41

Alex Rowley (Cowdenbeath) (Lab): First, I acknowledge all those council workers and shop stewards and all the other people who have travelled from across Scotland to lobby the Parliament today—not to put the case for higher wages or more pay, but to put the case for their jobs and their colleagues' jobs and for public services across Scotland.

As an Opposition party examining any budget, we know that there will be proposals and moneys within the budget that are to be welcomed. I have already put on record an acknowledgement that the £250 million going into health and social care is to be welcomed. Clearly, discussions still have to take place with local authorities, which still seem unclear as to some of the detail and the conditions. Nevertheless, given the major difficulties that we have with social care throughout Scotland, that money is welcome.

We would go further on housing. It is important that we now make things happen in housing, and we have a housing crisis that needs to be tackled. Again, I note the additional funding that was put in place there.

Being in opposition is about weighing up budgets and the good things within them and deciding whether those outweigh the negatives—and therefore whether or not to support the budget. Sadly, this time round, we find ourselves in a position where we cannot support Mr Swinney's budget.

For all the bluster and shouting that has taken place in the chamber today, and for all the financial detail of the budget, we should never lose sight of the fact that we are speaking about the impact of the budget on people's lives and on communities up and down Scotland.

Kevin Stewart: Mr Rowley is right to speak about people's lives. There is an omission, however, in Labour's proposal. That omission is how the rebate system would actually work. No one from the Labour benches has outlined that today. Could Mr Rowley please outline how that rebate system would work? If it does not work, that will have a major impact on people's lives.

Alex Rowley: There is a clear choice with the budget. There is a clear choice between cutting Scotland's future and investing for Scotland's future. On this side of the chamber, we will invest in Scotland's future.

I do not forget that, when we announced that we would reverse the tax credit cuts that were coming from the Tory chancellor, we were told that we could not do that. The Government and its supporters said that that could not be done. Then, the Government had to move from that position.

Today, we seem to be getting told why the rebate cannot work. We are absolutely confident that the rebate can work, but we are absolutely happy to sit down with the Government and have that discussion, as we are with local authorities.

Kevin Stewart: Will the member give way?

Alex Rowley: We have spoken to local authorities across Scotland, and we are confident that it can work.

Kevin Stewart: Will the member give way?

The Presiding Officer: Mr Stewart, the member is not giving way.

Alex Rowley: At the end of the day, this budget is about real people. Last week, I visited a project that supports disabled people who want to be able to shop in our town centres. The project has been told by the local authority that its moneys are going to be cut.

As regards early years investment, there are threats to budgets the length and the breadth of Scotland. If we had a joined-up strategy and a joined-up budget in Scotland, we would not be cutting early years investment for those who most need it in our communities. We know that children might already have their path outlined for them by the age of three or four, which is why there has been an emphasis by local government across Scotland on investing in early years. All those types of project are in danger of being cut, and that impacts on real people's lives.

I said that I welcomed the fact that Joan McAlpine, in her speech, talked about the living wage. I, for one, have campaigned for and said that we need to introduce a living wage across the care sector. It cannot be right—it is not right—that the majority of care workers in the private sector get no more than the minimum wage. We can agree on that, but when we talk about ill-considered, ill-thought-out proposals, I have to say that, if the third sector is expected to pay 25 per cent of the living wage, I am not sure that it will work.

Indeed, it was Mr Swinney himself, a few years ago, who paid the local authorities to increase the national rate in the private sector, so again I am not sure that that will work. However, we will of course support the principle of introducing the living wage across the care sector as we move forward.

Another criticism that I have of the budget is that I have to ask: where is the strategic focus on a joined-up strategy for moving Scotland and its future forward? I am concerned about the economy of Scotland right now. How many task forces do we have up and running in Scotland? Some 65,000 jobs have gone in oil and gas, and we rightly have a task force trying to address that.

We set up a task force for the coal sector when the opencast jobs went. In Fife, I sit on a task force, along with Mr Swinney, because of the job losses there. We have a task force for steel and we have a task force in Glenrothes for the electronics and semiconductor industry. Indeed, if we look right across Scotland, there is not much left of the electronics industry.

Faced with those stark realities as regards where our economy in Scotland is right now, I ask myself: where in the budget is there any indication that we are moving towards an investment strategy and a development strategy to put Scotland's economy back on track? I certainly cannot see anything within the budget as it stands.

Mr Swinney talked about the reform of public services. I welcomed the Christie report, which said that we needed prevention. However, the Government will not be able to create the investment in prevention if it is cutting public services. That is a backward step. It is not looking to the future of Scotland; it is looking backward.

Let me also be clear: in this chamber early last week, the First Minister quite wrongly said that Labour was pushing for a deal on the fiscal framework at any cost. We are absolutely clear that it must be fair to Scotland and it must be consistent with the principles of the Smith agreement, but the people of Scotland will never forgive us if we fail to get an agreement. That is why we must work night and day to ensure that we get an agreement for Scotland.

I think that my time is up, but I want to say that none of us in this chamber should take our eye off the fact that we are talking about real people; we are talking about real jobs; and we are talking about real communities. Let us work together to ensure that we invest in Scotland's future and support Labour's amendment.

16:49

John Swinney: I will begin with Alex Rowley's remarks on the fiscal framework. I have heard a lot of criticisms from the Labour Party for supposedly not putting body and soul into trying to resolve the fiscal framework agreement. I specifically refer to the stream of comments from Ian Murray, the shadow Secretary of State for Scotland, that have in essence doubted the energy that I have put in to trying to resolve the issue.

The reason why we do not have a fiscal framework agreement is that there is no basis to have one that is consistent with the Smith commission, and I will not sign up to any document that is not consistent with the Smith commission report. No games are being played here. I take deadly seriously my responsibilities as the finance secretary of this country, and if

anybody believes that I would do anything other than try to get an agreement that is consistent with Smith, is good for Scotland and enables us to exercise the powers that we are supposed to be able exercise under what will be the Scotland Act 2016, they doubt the purpose of my adult political life.

Neil Findlay: Will the Deputy First Minister give way?

John Swinney: I am sure that this will be helpful.

Neil Findlay: I always try to be helpful to Mr Swinney. Given what he said, why does he expect council leaders to sign up to a deal that makes them considerably worse off?

John Swinney: I will come on to that in a second. *[Interruption.]* Well, I will. I have plenty of time for it. However, I will conclude my point on the fiscal framework first, because members must understand the seriousness of the situation. There are no party politics in play. The issue is about the national interests of Scotland, and I encourage all parties to think that through as we go into a difficult couple of weeks in which we will try to resolve the issues.

Willie Rennie talked about how Murdo Fraser did not have any explanations of or suggestions for how his long list of spending commitments would be paid for. I have sympathy with Mr Rennie. Mr Fraser put out a press release on 31 January that contained all the things that are wrong with the budget and all the extra spending that the Conservatives would make. He said that I was being sent a letter that would explain how that would be paid for. It is now Wednesday and I have yet to receive the letter. If I could receive the letter, it would be helpful. *[Interruption.]* We will have it at the end of the afternoon. I thank Mr Fraser—I will look at the letter in great detail, so that I can address those points.

Murdo Fraser and Gavin Brown talked about the increase to the large business supplement. Its impact will be an increase in 2016-17 of 3.4 per cent on the business rates for companies that pay the large business supplement. In 2011-12, the comparative number was 4.6 per cent and in 2012-13—in much more difficult economic conditions than we are in today—it was 5.8 per cent. I put the large business supplement in the context of that explanation, which demonstrates why it is appropriate and sustainable at this time.

Patrick Harvie raised issues around climate change, with which we will of course engage as we go through the budget process. The principal difference between last year's budget and this year's budget on issues connected to climate change is the removal of ring-fenced funds from the UK Government that were specifically targeted

at climate change measures. I have been unable to replace those funds because of spending cuts from the UK Government.

Patrick Harvie: Is the dramatic increase in the road-building budget also the result of the UK Government's decisions, or is it a question of the Deputy First Minister's own priorities?

John Swinney: The decisions on capital projects are of course decisions that we take to improve the infrastructure of the country. As Patrick Harvie will know, a range of projects are enhancing the country's rail infrastructure. Indeed, just last week we announced additional funding to improve connectivity and journey times between the north-east of Scotland and the central belt, as part of the Aberdeen city deal that the UK Government and the Scottish Government brought forward.

Willie Rennie set out his arguments on tax. He has rather changed his political argument and agenda on that. For five years, Mr Rennie made absolutely no attempt in the Parliament to disassociate himself from the swingeing reductions in public expenditure that were delivered by the United Kingdom Government, the consequences of which we had to wrestle with. Therefore, I do not take at all seriously the Liberal Democrats' sudden renewed connection with and interest in increasing public spending, after the damage with which they associated themselves as part of the Conservative Government over the past five years.

I have a number of points to make on the issue of the local government budget, which was raised by Mr Findlay and other members. The first is that the resource budget in grant in aid is proposed to reduce by £350 million. Secondly, £150 million of capital funding will be removed from local authority budgets for 2016-17, but it will be put into those budgets later in the spending review period. We had that arrangement in the previous session of Parliament, when local government got a lower capital budget at the start of the period and a larger capital budget at the end. All of the commitments that I gave to local government were honoured. In addition, as a consequence of the agreement that I have put to local government, it will get 26 per cent of the capital departmental expenditure limit budget that is available to the Scottish Government for not just the next three years but the next four years.

Willie Rennie: I cannot understand Mr Swinney's position on the issue. If the deal for local government is so great, why has he had to impose the triple lock or triple whammy on councils, with fines of £408 million? How can that make sense if the deal is so appealing?

John Swinney: I am applying that approach simply because I want to make sure that the three things that matter happen. Those are the integration of health and social care, including the payment of the living wage to care workers; the protection of teacher numbers; and the delivery of the council tax freeze. I just want to make sure that those things happen, because I think that they are very important.

Although the local government resource budget is falling by £350 million, we are injecting £250 million into the integration of health and social care, in which local authorities are key participants. That £250 million will be able to pay for more care packages that currently cannot be provided. Therefore, that directly addresses the financial pressures on local government. Also, as I explained in my letter to the president of COSLA, which was issued to all local authority leaders, that money enables local authorities to find the financial support to pay the living wage for social care workers, which we have talked about, and to address pressures in the delivery of existing social care services.

The reduction of £350 million in the local authority budget is tempered by the injection of £250 million. The difference between those is less than 1 per cent of the total expenditure of local government. Therefore, some of the rhetoric that we have heard about a catastrophic fall in local authority expenditure is utterly misplaced. We have invested heavily to afford our priorities on behalf of the people of Scotland.

Malcolm Chisholm: Will the cabinet secretary give way?

John Swinney: I am sorry, but I am going to close on the issues in relation to income tax. *[Interruption.]* I do not think that the Labour Party can moan about the number of times that I give way to Labour members in these debates.

I agree with Mr Rowley that the debate is all about people's lives. We have decided not to increase tax on low-income households in Scotland—that is the choice that we have made. The Labour Party says that it has a rebate mechanism, but we have had two hours and 20 minutes of debate this afternoon and not one single piece of detail has been offered as to how the rebate could be paid to members of the public.

If Labour members had wanted some clues about the difficulty of the issue, they need only have gone to the *Official Report* of the Finance Committee meeting of 13 January 2016. I can share with Parliament that, on that occasion, Jackie Baillie was present for the Finance Committee debate—she was there and she was an active participant in the discussion. I set out the reasons why increasing tax for low-income

households but tempering that with a rebate or some mechanism targeted at those individuals cannot be delivered within the powers of the Parliament.

Those arguments were set out clearly—in the *Official Report* and in a damn sight more detail than the arguments that we have had from the Labour Party on why a rebate can be done—to inform Parliament about why I came to the conclusion that I came to. That conclusion is that the right thing to do at this time is to protect the incomes of low-income households, to invest in the integration of health and social care and to freeze the council tax, and I hope that Parliament will support that at 5 o'clock.

The Presiding Officer: That concludes the debate—*[Interruption.]* Order. Mr Findlay, I am speaking. That concludes the debate on the Budget (Scotland) (No 5) Bill.

Decision Time

17:03

The Presiding Officer (Tricia Marwick): There are four questions to be put as a result of today's business.

The first question is, that amendment S4M-15522.1, in the name of Jackie Baillie, which seeks to amend motion S4M-15522, in the name of John Swinney, on the Budget (Scotland) (No 5) Bill, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

For

Baillie, Jackie (Dumbarton) (Lab)
 Baker, Claire (Mid Scotland and Fife) (Lab)
 Baxter, Jayne (Mid Scotland and Fife) (Lab)
 Beamish, Claudia (South Scotland) (Lab)
 Bibby, Neil (West Scotland) (Lab)
 Boyack, Sarah (Lothian) (Lab)
 Brennan, Lesley (North East Scotland) (Lab)
 Chisholm, Malcolm (Edinburgh Northern and Leith) (Lab)
 Dugdale, Kezia (Lothian) (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)
 Hilton, Cara (Dunfermline) (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)
 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)
 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)
 Rowley, Alex (Cowdenbeath) (Lab)
 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)

Against

Adam, George (Paisley) (SNP)
 Adamson, Clare (Central Scotland) (SNP)
 Allan, Dr Alasdair (Na h-Eileanan an Iar) (SNP)
 Allard, Christian (North East Scotland) (SNP)
 Beattie, Colin (Midlothian North and Musselburgh) (SNP)
 Biagi, Marco (Edinburgh Central) (SNP)

Brodie, Chic (South Scotland) (SNP)
 Brown, Gavin (Lothian) (Con)
 Brown, Keith (Clackmannanshire and Dunblane) (SNP)
 Buchanan, Cameron (Lothian) (Con)
 Burgess, Margaret (Cunninghame South) (SNP)
 Campbell, Aileen (Clydesdale) (SNP)
 Campbell, Roderick (North East Fife) (SNP)
 Carlaw, Jackson (West Scotland) (Con)
 Coffey, Willie (Kilmarnock and Irvine Valley) (SNP)
 Constance, Angela (Almond Valley) (SNP)
 Crawford, Bruce (Stirling) (SNP)
 Cunningham, Roseanna (Perthshire South and Kinross-shire) (SNP)
 Davidson, Ruth (Glasgow) (Con)
 Dey, Graeme (Angus South) (SNP)
 Don, Nigel (Angus North and Mearns) (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)
 Fergusson, Alex (Galloway and West Dumfries) (Con)
 Finnie, John (Highlands and Islands) (Ind)
 FitzPatrick, Joe (Dundee City West) (SNP)
 Fraser, Murdo (Mid Scotland and Fife) (Con)
 Gibson, Kenneth (Cunninghame North) (SNP)
 Gibson, Rob (Caithness, Sutherland and Ross) (SNP)
 Goldie, Annabel (West Scotland) (Con)
 Grahame, Christine (Midlothian South, Tweeddale and Lauderdale) (SNP)
 Harvie, Patrick (Glasgow) (Green)
 Hepburn, Jamie (Cumbernauld and Kilsyth) (SNP)
 Hyslop, Fiona (Linlithgow) (SNP)
 Ingram, Adam (Carrick, Cumnock and Doon Valley) (SNP)
 Johnstone, Alex (North East Scotland) (Con)
 Johnstone, Alison (Lothian) (Green)
 Keir, Colin (Edinburgh Western) (SNP)
 Kidd, Bill (Glasgow Anniesland) (SNP)
 Lamont, John (Ettrick, Roxburgh and Berwickshire) (Con)
 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 (Aberdeen Donside) (SNP)
 McGrigor, Jamie (Highlands and Islands) (Con)
 McKelvie, Christina (Hamilton, Larkhall and Stonehouse) (SNP)
 McLeod, Aileen (South Scotland) (SNP)
 McLeod, Fiona (Strathkelvin and Bearsden) (SNP)
 McMillan, Stuart (West Scotland) (SNP)
 Milne, Nanette (North East Scotland) (Con)
 Mitchell, Margaret (Central Scotland) (Con)
 Neil, Alex (Airdrie and Shotts) (SNP)
 Paterson, Gil (Clydebank and Milngavie) (SNP)
 Robison, Shona (Dundee City East) (SNP)
 Russell, Michael (Argyll and Bute) (SNP)
 Salmond, Alex (Aberdeenshire East) (SNP)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, John (Ayr) (Con)
 Smith, Liz (Mid Scotland and Fife) (Con)
 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)
 Yousaf, Humza (Glasgow) (SNP)

The Presiding Officer: The result of the division is: For 43, Against 81, Abstentions 0.

Amendment disagreed to.

The Presiding Officer: The next question is, that motion S4M-15522, in the name of John Swinney, on the Budget (Scotland) (No 5) 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)
 Allard, Christian (North East Scotland) (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 Kinrossshire) (SNP)
 Dey, Graeme (Angus South) (SNP)
 Don, Nigel (Angus North and Mearns) (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)
 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 (Aberdeen Donside) (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)
 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)
 Yousaf, Humza (Glasgow) (SNP)

Against

Baillie, Jackie (Dumbarton) (Lab)
 Baker, Claire (Mid Scotland and Fife) (Lab)
 Baxter, Jayne (Mid Scotland and Fife) (Lab)
 Beamish, Claudia (South Scotland) (Lab)
 Bibby, Neil (West Scotland) (Lab)
 Boyack, Sarah (Lothian) (Lab)
 Brennan, Lesley (North East Scotland) (Lab)
 Chisholm, Malcolm (Edinburgh Northern and Leith) (Lab)
 Dugdale, Kezia (Lothian) (Lab)
 Fee, Mary (West Scotland) (Lab)
 Ferguson, Patricia (Glasgow Maryhill and Springburn) (Lab)
 Findlay, Neil (Lothian) (Lab)
 Finnie, John (Highlands and Islands) (Ind)
 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)
 Hilton, Cara (Dunfermline) (Lab)
 Hume, Jim (South Scotland) (LD)
 Johnstone, Alison (Lothian) (Green)
 Kelly, James (Rutherglen) (Lab)
 Lamont, Johann (Glasgow Pollok) (Lab)
 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)
 McInnes, Alison (North East Scotland) (LD)
 McMahan, Michael (Uddingston and Bellshill) (Lab)
 McMahan, 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)
 Rowley, Alex (Cowdenbeath) (Lab)
 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)
 Buchanan, Cameron (Lothian) (Con)
 Carlaw, Jackson (West Scotland) (Con)
 Davidson, Ruth (Glasgow) (Con)
 Fergusson, Alex (Galloway and West Dumfries) (Con)

Fraser, Murdo (Mid Scotland and Fife) (Con)
Goldie, Annabel (West Scotland) (Con)
Johnstone, Alex (North East Scotland) (Con)
Lamont, John (Ettrick, Roxburgh and Berwickshire) (Con)
McGrigor, Jamie (Highlands and Islands) (Con)
Milne, Nanette (North East Scotland) (Con)
Mitchell, Margaret (Central Scotland) (Con)
Scanlon, Mary (Highlands and Islands) (Con)
Scott, John (Ayr) (Con)
Smith, Liz (Mid Scotland and Fife) (Con)

The Presiding Officer: The result of the division is: For 63, Against 46, Abstentions 15.

Motion agreed to,

That the Parliament agrees to the general principles of the Budget (Scotland) (No.5) Bill.

FINANCE COMMITTEE
EXTRACT FROM THE MINUTES

6th Meeting, 2016 (Session 4)

Wednesday 10 February 2016

Present:

Jackie Baillie	Lesley Brennan
Gavin Brown	Kenneth Gibson (Convener)
John Mason (Deputy Convener)	Mark McDonald
Jean Urquhart	

Budget (Scotland) (No.5) Bill: The Committee considered the Bill at Stage 2.

The following provisions were agreed to without amendment: section 1, schedule 1, section 2, schedule 2, section 3, schedule 3 and sections 4, 5, 6, 7, 8, 9, 10 to 11 and the long title.

The Committee completed Stage 2 consideration of the Bill.

James Johnston
Clerk to the Finance Committee
Room T3.60
The Scottish Parliament
Edinburgh
Tel: 0131 348 5215
Email: james.johnston@scottish.parliament.uk

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

The Convener: The next item on our agenda is stage 2 consideration of the Budget (Scotland) (No 5) Bill. Committee members have a note by the clerk with their papers. We are again joined by the Deputy First Minister, John Swinney, who is accompanied for this item by Scott Mackay of the Scottish Government's finance directorate.

I ask the Deputy First Minister to make an opening statement.

John Swinney: I welcome the Finance Committee's work during this year's budget process as reflected in its assessment of the draft budget and thank the committee for its willingness to undertake that scrutiny in the constrained timetable that was created by the timing of the United Kingdom Government's spending review. As I informed Parliament last week, I will respond in full to the committee's report in advance of the stage 3 debate. This session of the committee focuses on the content of the budget bill as approved in principle by the Scottish Parliament on 3 February. The Parliament will consider the Scottish rate resolution tomorrow.

As members of the committee are 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 H in table 1.2 sets out the draft budget as it is required to be restated for budget bill purposes and columns B to G provide details of the adjustments, including the statutory adjustments that are necessary to fulfil a parliamentary process.

I will highlight one substantive change to the spending plans that are outlined in the draft budget. To ensure that budgets align with the latest available information, there is an adjustment of £141.3 million to the annually managed expenditure budget provision for the teachers and national health service pension schemes. That reduction to the draft budget 2016-17 number reflects Her Majesty's Treasury's update to the discount rate applied for post-employment benefits announced in December 2015.

The other adjustments set out are as follows: the exclusion of £148.1 million non-departmental public body non-cash costs that do not require parliamentary approval, which relate mainly to depreciation and impairments in our NDPB community; the exclusion of judicial salaries and Scottish Water loan repayments to the national loans fund and Public Works Loan Board, which again do not require parliamentary approval; and

the inclusion of police loan charges to be approved as part of the budget bill. There are technical accounting adjustments to the budget of £129.5 million that reflect differences in the way that HM Treasury budgets for those items and how we are required to account for them under international financial reporting standards-based accounting rules that apply in respect of the Government financial reporting manual. I remind the committee that the budget conversion to an IFRS basis is spending power neutral.

The adjustments to portfolio budgets reflect the requirement that a number of direct-funded and external bodies require separate parliamentary approval. They include the National Records of Scotland, the Forestry Commission, Food Standards Scotland, the Scottish Courts and Tribunals Service, the Office of the Scottish Charity Regulator, the Scottish Housing Regulator, Revenue Scotland and the teachers and NHS pensions schemes. The restatement of specific grants included in the overall 2016-17 local authority settlement remains under the control of the appropriate cabinet secretary with policy responsibility. Full details of all grants treated in that way are included in the summary table on page 41 of the supporting document.

I again make it clear that those are, in essence, technical adjustments and do not change in any way the budget that has so far been scrutinised by this and other committees and approved in principle by the Parliament. I also remind members that, for the purposes of the budget bill, only spending that scores as capital in the Scottish Government's or direct-funded bodies' annual accounts is shown as capital. That means that capital grants are shown as operating in the supporting document. The full capital picture is shown in table 1.3 on page 4 of the document.

As I made clear to Parliament last week, I remain committed to an open and constructive approach to the 2016-17 budget process and continue to seek consensus on a budget that will meet the needs of the people in Scotland.

I will happily address any points that the committee has.

Gavin Brown: I have a couple of questions about process. Cabinet secretary, you said at stage 1 that you would respond formally to our report before stage 3. Should we expect that response this week, next week or the night before? Do you have a plan for roughly when we will get it?

John Swinney: I aim to get it to the committee in a timely fashion for the committee to consider it before stage 3. It would certainly not be the night before, but it might be—

Gavin Brown: The afternoon before.

John Swinney: We could debate what night-time is, but—

Jackie Baillie: Soon.

John Swinney: Yes, soon. The report will be with you shortly. I will endeavour to get it to the committee no later than the Monday before the stage 3 debate.

Gavin Brown: My other question relates to page 10 of the bill. I am sure that there is a technical answer to the question, but I would like to know what it is. In schedule 3, “Borrowing by statutory bodies”, paragraph 4 refers to

“Section 42 of the Water Industry (Scotland) Act 2002 (Scottish Water).”

John Swinney: Is this in the bill as opposed to the explanatory document?

Gavin Brown: Yes. It is in the Budget (Scotland) (No 5) Bill, on page 10.

John Swinney: I wonder whether Ms Baillie could come to my rescue and lend me her copy of the bill. This is the only time that I will invite her to rescue me.

Jackie Baillie: I could do it several times.

Gavin Brown: That is a caption competition in the making.

I am referring to paragraph 4 of schedule 3, which refers to

“Section 42 of the Water Industry (Scotland) Act 2002 (Scottish Water)”

and shows an amount of £150 million. My understanding was that the net figure in the draft budget showed that there was literally zero being borrowed in the next financial year for Scottish Water. Is the £150 million some kind of maximum if things go wrong, or is the £150 million the plan? Can you explain the difference between that and the figure in the draft budget?

John Swinney: As Mr Brown knows, there are always borrowing transactions—both of borrowing and of repayment—that are undertaken by Scottish Water. The budget bill document contains a neutral position that provides the capacity and capability to undertake borrowing transactions that are necessary to underpin the neutral position.

Gavin Brown: Thank you.

Jackie Baillie: I turn the cabinet secretary's attention to schedule 1 on page 7, in which purpose 8 relates to central Government's grant to local government. The reduction, as I understand it from the Scottish Parliament information centre, is £10.7 billion down to £10.1 billion. In your helpful supporting document for the Budget (Scotland) (No 5) Bill, which was gratefully received, there is a table on page 41, under

“Social justice, communities and pensioners' rights”, in which you show a budget last year of £10.5 billion and this year of £9.9 billion. I am trying to understand why, when you talk about a £350 million cut to local government, that document talks about a £600 million cut to local government. Can you explain what the difference is?

John Swinney: There are three relevant factors. The first relates to an implication of the current spending review period, which will conclude in March of this year. As Jackie Baillie will be aware, the Government came to an agreement with local government over the past four years that capital budgets would not be given to local government in a uniform fashion but would be varied year on year. I think that the term is “reprofiled”. What that essentially means—

Jackie Baillie: Is a cut.

John Swinney: No, it is not. It most definitely is not. It means that in earlier years of the spending review, the amount of capital is reduced and the difference is repaid at later stages, so the capital budget for local government in 2015-16 is inflated beyond its normal trend position because we are paying more in capital, because we paid less in capital in the earlier years of the spending review. The comparative number that Jackie Baillie uses for the start of the analysis for this financial year is a comparatively high figure because the budget was inflated by an additional fund for capital expenditure that, if my memory serves me right, is about £120 million. I will write to the committee with the specific details of all the numbers that I use in this explanation. So, the first thing is that the figure for 2015-16 is inflated by about £120 million, I think, because of capital reprofiling.

11:00

The second factor is that I am applying another tranche of that capital reprofiling over the next four years. Local government has been assured by me that it will receive 26 per cent of the capital departmental expenditure limit that is available to the Government over all of the next four years but that it will not come in a uniform, flat line—it will be lower in 2016-17 and it will be much higher in the later years of the spending review. That is the second component of the explanation.

The capital figure is about £150 million lower than it should be in 2016-17, but that capital will be put back in later on in the spending review, as it has been in the previous spending review. That is just to enable me to have more capital flexibility and to ask local government to use some of its capital flexibility, which relates both to reserves and to borrowing, to make up the difference.

The final element is a reduction of £350 million in the resource budget of local government.

11:03

Meeting suspended.

Those are the three components that explain the differences in the numbers. If it would be helpful, I will write to the committee swiftly to explain the precise numbers that underpin those elements.

Jackie Baillie: Thank you.

The Convener: That concludes questions from committee members. We now turn to the formal procedure regarding the bill. There are no amendments to deal with but, under the standing orders, we are obliged to consider each section and schedule of the bill as well as the long title, agreeing 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 being taken last. Fortunately, the standing orders allow us to put a single question when groups of sections or schedules are to be considered consecutively. Unless members disagree, that is what I propose to do.

Jackie Baillie: Convener, I do not know whether this is contrary to what you just said, but I want to record my dissent to section 1(1), which introduces schedule 1. I know that there is no vote on that; it is simply a matter for the record.

The Convener: We can record that point and still take all the sections together.

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. The bill now proceeds to stage 3, which is scheduled to take place on Wednesday 24 February. As members are aware, only the Scottish Government can lodge amendments at this stage, and we have received a commitment that we will have some information from the cabinet secretary by Monday 22 February.

I thank the cabinet secretary once again and suspend the meeting for two minutes to allow a change of witnesses and a natural break.

EXTRACT FROM THE MINUTES OF PROCEEDINGS

Parliamentary Year 5, No. 83 Session 4

Meeting of the Parliament

Wednesday 24 February 2016

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

Budget (Scotland) (No.5) Bill: The Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy (John Swinney) moved S4M-15693—That the Parliament agrees that the Budget (Scotland) (No.5) Bill be passed.

After debate, the motion was agreed to ((DT) by division: For 64, Against 57, Abstentions 0).

P E Grice
Clerk of the Parliament
24 February 2016

Budget (Scotland) (No 5) Bill: Stage 3

The Deputy Presiding Officer (John Scott):

The next item of business is a debate on motion S4M-15693, in the name of John Swinney, on the Budget (Scotland) (No 5) Bill.

14:40

The Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy (John Swinney): The Budget (Scotland) (No 5) Bill for 2016-17 maintains our strong record of managing the public finances using the fiscal powers that are currently available to us. It confirms our plans for taxation and expenditure to deliver sustainable economic growth, improve Scotland's public services and create a fairer and more prosperous economy, with opportunities for all our citizens to flourish.

It is also a historic budget, given the context provided by this week's agreement with the United Kingdom Government on the fiscal framework that will support the Scotland Bill. The agreement has significant implications for future Scottish budgets, which the Scottish Government and Scottish Parliament will need to consider in the coming months.

Let us not forget the significant events that have already occurred in relation to the setting of this budget. Two weeks ago, the Parliament voted to set the Scottish rate of income tax at 10p. That means that the lowest-paid taxpayers in our society are protected and the rate of tax paid by Scottish residents in 2016-17 will be the same as it is today.

Our decisions on taxation have been based on the principles that I set out in earlier legislation and are designed to deliver a coherent tax framework for the people of Scotland. The first decision on setting a rate of income tax in Scotland has therefore been one of substance and one that has required me to balance the opportunities and risks that are presented by our new tax powers. It has not been a case of making proposals without identifying how they could be implemented and what their effect on individuals would be.

I have taken the same approach when setting all devolved taxes. With land and buildings transaction tax—the first tax power to be devolved to this Parliament in more than 300 years—I delivered a progressive regime. The UK Government had passed up the opportunity to deliver such reform in the past.

However, progressivity in itself is not sufficient justification for increasing the tax burden on the lowest-paid taxpayers. Taxes must also be

proportionate to the ability to pay—I stress “ability to pay”. It would be of limited reassurance to our pensioners, our newly qualified teachers and our postal workers to know that people on higher salaries were paying more in increased taxes than they were paying, as they saw their weekly budgets come under increased strain. Such people will not care that other people are paying more; they will care that they are paying more. That is not a burden that I am willing to impose in this budget.

Willie Rennie (Mid Scotland and Fife) (LD):

On the other side of the coin, we are seeing massive cuts to local authority budgets because of the financial straitjacket that Mr Swinney has imposed on local authorities. A senior Scottish National Party councillor spoke out today to warn about cuts to music tuition, school transport and services for vulnerable children. Is Mr Swinney listening to anyone on the cuts to local authority budgets?

John Swinney: It is for individual local authorities to take the decisions that they want to take about their budget choices—[*Interruption.*]

The Deputy Presiding Officer: Order.

John Swinney: The examples that Mr Rennie cited are the sort of options that are often circulated before council meetings, but when councils take their decisions they reject the options that have been put in front of them. That is exactly what has happened in countless local authorities around the country.

Patrick Harvie (Glasgow) (Green): If it is for councils to make their own decisions about how to manage the cuts, why is it not also for local councils to make their own decisions about the tax rates that should be set locally?

John Swinney: Because the Government has a commitment to freeze the council tax for the duration of this parliamentary session, and we are determined to ensure that we deliver to the people of Scotland the commitment that we gave in the 2011 election. Governments that keep their promises are respected by the public.

Instead of increasing the tax burden, this budget protects household incomes. It also provides leadership to employers across the country by ensuring that more than 50,000 of Scotland's lowest-paid workers receive a pay rise and earn at least the living wage.

Alex Rowley (Cowdenbeath) (Lab): Given that tens of thousands of public sector jobs are going to be lost as a result of the budget, regardless of whose fault that is, will the Deputy First Minister consider setting up an emergency task force to help those people to get other jobs?

John Swinney: The claims that are being made about public sector employment are utterly exaggerated. I will cite the evidence for that. *[Interruption.]*

The Deputy Presiding Officer: Order.

John Swinney: In the past 12 months, the number of jobs that have been lost in the devolved public sector in Scotland is 500—that is 0.1 per cent of public sector employment. *[John Swinney has corrected this contribution. See end of report.]* In addition, employment in Scotland has risen by more than 20,000 jobs. That is the context in which I would put Mr Rowley's comments.

The budget ensures that our older citizens are able to access free personal care in an integrated health and social care system. The tax on ill health that prescription charges represent will be abolished, saving those with long-term illnesses around £104 per year. Families across the country will benefit from free school meals and 600 hours of early learning and childcare, saving £707 per child per year. Households will have their council tax frozen for a ninth consecutive year, saving the average band D household around £1,550 over the course of this session of Parliament. In addition, the Scottish Government continues to mitigate the most damaging effects of the UK Government's welfare cuts. That is what this Government is doing to protect household incomes in Scotland, and that is what is implicit in the budget that is before Parliament today.

Dr Richard Simpson (Mid Scotland and Fife) (Lab): What does the Deputy First Minister feel about the budget for SNP-controlled Clackmannanshire Council that was passed last week, which imposed a 7.1 per cent cut on every third sector organisation—primarily those supporting self-management of health conditions, but also those supporting children? If the increase in the retail prices index of 1.3 per cent is taken into account, that is a real-terms cut of 8.4 per cent. Is that the sort of budget cut that he approves of?

John Swinney: Individual local authorities must make their choices within the resources that are available to them. I am also entitled to insist on the need to freeze the council tax and the need to invest in health and social care and their integration, with £250 million of new investment having been announced. Is Dr Simpson against that investment that the Government has made? I am also committed to ensuring that the Government takes steps to protect the delivery of education at the local authority level, to which I now turn.

Education lies at the heart of the Government's inclusive growth agenda and is central to our efforts to tackle inequality and improve educational

outcomes. Under this Government, 607 schools have been replaced or refurbished—that is nearly a quarter of the whole school estate. We have introduced free school meals for all children in primary 1 to 3, benefiting almost 130,000 pupils and saving families important resources.

Our young people achieved a record number of higher and advanced higher passes in 2015, and the number leaving school for a positive destination in education, employment or training is now at a record high of 93 per cent. Almost 11,000 more students in 2014-15 than in 2008-09 successfully completed full-time college courses leading to recognised qualifications—an increase of 24 per cent. This year, record numbers of Scots have applied to go to university here and 18-year-olds from our most deprived communities are now 65 per cent more likely to apply than they were in 2006. The percentage of newly qualified teachers in employment after their probation period has also increased. That is the effect of the Government's investment in education.

We have not scrapped the education maintenance allowance; we have expanded it, enabling more young people from low-income families to stay on at school or in college. We have not scrapped maintenance grants for the poorest students; we have increased the level of the bursary. We have not scrapped disabled students allowance; we are continuing to provide that vital support. We have not made and will never make education dependent on the ability to pay. There will be no front-door tuition fees or back-door taxes. We will keep tuition free, saving 120,000 students in Scotland up to £27,000 over the course of their degree.

Murdo Fraser (Mid Scotland and Fife) (Con): Will the member give way?

John Swinney: I must make more progress.

We know that there is much more that we need to do. We want to create a world-class education system that delivers success for all our children. Our overall aim is to raise standards everywhere but to raise them most in the areas that need it most.

As the First Minister has indicated on several occasions, action on education is an absolute priority for the Government. We have previously announced the four-year £100 million attainment Scotland fund to support schools in our poorest neighbourhoods to raise attainment. The fund is about to enter its second year of operation, and over the next three years we still have £80 million of the fund to spend. I have looked at that carefully, considered the resources that I have available, including my latest assessment of forecast receipts from the devolved taxes, and decided that we are in a position to do more than I

had planned. I confirm to Parliament that I intend to double the amount of funding that we had planned to allocate to the attainment Scotland fund over the next three years from £80 million to £160 million. Ministerial colleagues will announce further details in due course, but I hope that all members in the chamber will welcome that substantial additional investment in measures to help ensure that every child has the opportunity to realise their potential.

Jenny Marra (North East Scotland) (Lab): Will the cabinet secretary confirm that every local authority that is allocated a certain amount of money from the attainment fund will receive all that money and that there will be no technical ambiguity about whether it must be drawn down?

John Swinney: I can give Jenny Marra the assurance that authorities that are allocated the money will get the money that they are allocated. I thought that Jenny Marra might have been intervening to welcome the fact that the Government is increasing investment in the children who need it the most, but I suppose that that would be a little too much to hope for on a Wednesday afternoon in Parliament.

The budget does not just lay the foundations for our children's future, because this Government will continue to invest heavily in Scotland's infrastructure, using all the levers at our disposal to maximise investment and to support economic growth. At the same time, we will continue to offer a competitive advantage within the United Kingdom for the majority of our business ratepayers.

I have reflected on feedback from a number of businesses and can confirm to Parliament that I have moderated the adjustment to the level of relief available for empty industrial properties proposed in the draft budget: 100 per cent relief will now be available for six rather than three months as originally proposed. I will also extend the fresh start and new start reliefs for the duration of 2016-17.

I look forward to the forthcoming review of business rates, which will be detailed shortly, and the opportunity that that provides to test our business rates policies to continue to support investment and growth.

The Government is committed to protecting our public services and pursuing ambitious reform to help ensure that public services meet the needs of the people of Scotland. The budget contains a series of measures to demonstrate our further commitment to extending digital applications in public services. In addition, we will invest £250 million to deliver the most significant reform to health and social care since the creation of the national health service in 1948 and invest a further

£200 million over the next five years in six new elective treatment centres.

As well as maintaining 1,000 additional police officers, the front-line police resource budget will be protected in real terms, and we have allocated further funding to support continuing reform. We will continue to prioritise preventative interventions across our services, including by building on the success to date of the early years collaborative.

Those are the measures that the Government will take to support the sustainability of the public services.

I also welcome local authorities' agreement to the financial settlement that we are providing which, when taken together as a package of funding, will enable them to increase the pace of reform and improve essential public services to communities all over the country.

As we debate the priorities in the budget, the financial landscape is changing. In the years to come, the Scottish Parliament will acquire even greater responsibilities to exercise fiscal flexibility. The Scottish Government will set out its priorities in that respect before Parliament rises for the election campaign, but the budget that is before Parliament today establishes very strong foundations for the delivery of public services and the achievement of sustainable economic growth, and for ensuring that the priorities of the people of Scotland are delivered by the Government of Scotland.

I move,

That the Parliament agrees that the Budget (Scotland) (No.5) Bill be passed.

14:55

Kezia Dugdale (Lothian) (Lab): Yesterday was an historic day for this Parliament. [*Interruption.*]

The Deputy Presiding Officer: Order.

Kezia Dugdale: The deal on the fiscal framework has ushered in a new and exciting era of devolution, and I congratulate the First Minister and the Deputy First Minister on their efforts in that regard.

The new powers that we have bring in an age of responsibility—the responsibility not just to govern well, but to use the powers to do things differently and to offer real change. After a day of congratulation and consensus comes a day of decision. This is the big choice that will define Scottish politics: we are faced with a choice between using our powers or continuing with failed Tory policies, and the Labour Party will choose to use our powers.

Today, we oppose this austerity budget. We do so not in a spirit of oppositionalism—[*Interruption.*]

The Deputy Presiding Officer: Order.

Kezia Dugdale: We do so in the spirit of a new and powerful Parliament with a positive alternative: to set the Scottish rate of income tax 1p higher than the rate that has been set by George Osborne.

John Mason (Glasgow Shettleston) (SNP): Will Kezia Dugdale give way?

Kezia Dugdale: No, thank you. I would like to make a bit more progress.

This is a Parliament that has often heard arguments from all sides about what we cannot do and what we should not do. Today, I will again set out what we can do and what we should do. More than that, I will argue for what we must do.

Since I put forward the alternative to austerity 22 days ago, some things have become clearer.

Kevin Stewart (Aberdeen Central) (SNP): Will Ms Dugdale give way?

Kezia Dugdale: Let me make a bit more progress.

First, it is beyond any reasonable doubt that the policy is a fair one. Let us look at the facts. It is simply a fact that low earners will be protected.

Kevin Stewart: Will Ms Dugdale give way on that point?

The Deputy Presiding Officer: It appears that Ms Dugdale is not giving way at the moment, so allow her to make some progress.

Kezia Dugdale: Mr Stewart should listen to the facts before he ignores them anyway.

Analysis from the Scottish Parliament information centre shows that out of every £1 that would be raised by the measure, 92p would come from the top half of earners, with two thirds coming from the top 20 per cent. The Scottish National Party MSPs who told us that an entirely new state could be established in 18 months now tell us that a simple flat-rate rebate payment of £100 could not be paid until the new powers come in.

Kevin Stewart: Will Ms Dugdale give way on that point?

Kezia Dugdale: Oh, go on.

Kevin Stewart: Despite having made many requests, we have yet to be told by the Labour Party how that rebate scheme would work. Maybe Ms Dugdale can outline exactly how it would work, or is she willing to take the gamble of making the poorest people in our society pay for Labour's mistake of being unable to deliver that rebate scheme?

The Deputy Presiding Officer: Thank you, Mr Stewart—you have made your point.

Ms Dugdale, please continue; I would like order from the rest of members.

Kezia Dugdale: There we go, Presiding Officer. The SNP tells us that the rebate is all too difficult and that it cannot be done. [*Interruption.*]

The Deputy Presiding Officer: Order.

Kezia Dugdale: Council leader after council leader has told us that what we propose can be done, and union leader after union leader has said that it is fair.

I say to SNP members that expert analysis shows that because of the changes to the personal allowance, even before our £100 payment—even if we accept that such a simple thing, for a single year, is all too difficult—no one who earns less than £19,000 a year would pay a penny more in tax next year than they did this year.

John Swinney: Oh! That's all right then.

The Deputy Presiding Officer: Mr Swinney!

Kezia Dugdale: The Institute for Public Policy Research, the University of Stirling, the Resolution Foundation and the House of Commons library have all confirmed that the richest would pay a higher amount in both percentage terms and cash terms. It is a progressive policy.

The First Minister (Nicola Sturgeon): I will, for a moment, assume that Kezia Dugdale manages to get the £100 to low-income households. Can she confirm today whether any of that £100 will be clawed back in tax or tax credits? It is a simple question, so can we get a simple answer?

Kezia Dugdale: It is quite clear that the rebate would be protected from tax. [*Interruption.*] Look at the experts. [*Interruption.*]

The Deputy Presiding Officer: Order!

Kezia Dugdale: I say to the First Minister that come 2017 she will have the power to do this. Is she still opposed to it? Is it the detail, or is it the principle? [*Interruption.*]

The Deputy Presiding Officer: Order! Ms Dugdale, please sit down for one second.

Mr Swinney was heard in almost perfect silence. Can we please extend the same courtesy to Ms Dugdale? Please proceed.

Kezia Dugdale: Such is the weight of evidence that the people who are searching for reasons to oppose our plans now scabble in the dirt for excuses not to do the right thing. Each time the subject has been raised in Parliament, the First Minister and the Deputy First Minister have told low-paid workers that the lowest-paid people will pay more than higher earners. For them to do that when they know that the richest will pay more than

100 times more than lower-paid people is beneath the offices that they hold, and it betrays the truth behind any claim that they make to support progressive taxes. It is just plain wrong.

The second thing that is now beyond doubt is that the budget is going to inflict unnecessary pain on every community in Scotland. Almost unbelievably, the Deputy First Minister told Parliament that the cuts in this budget will have “minimal impact”, but he need only read the front pages of any local newspaper or talk to any teacher—or, indeed, have been bothered to go out and speak to the hundreds of trade unionists who assembled outside Parliament at lunchtime today—to understand how utterly divorced from reality that position has become.

The terrible toll of the cuts is there in black and white in the budgets that are being passed with heavy, heavy hearts by local councillors of all political colours. Here are some of the choices that are being made. In Angus Council, 170 jobs have been lost this week. Clackmannanshire Council is considering cutting 350 posts this week and Highland Council will lose 282 posts on Thursday. Thousands of workers across Scotland—cleaners, supply teachers and early-years staff—are losing their jobs, libraries are closing in Fife and Aberdeen, school librarians are being sacked in Argyll and Bute and their numbers are being halved in Clackmannanshire. English and maths teachers are being cut, classroom assistants are being lost in Falkirk and support assistants are being lost in Edinburgh. In the Deputy First Minister’s own backyard, there have already been cuts to the number of educational psychologists for vulnerable children and families with additional support needs, and there have been more cuts around the country. The First Minister and Deputy First Minister can put whatever spin they want on those cuts—they can rename them, they can rebadge them and they can even “reprofile” them—but they cannot deny that the cuts are real and painful.

The final thing that has been clear since the start of the budget process is that our proposal is the only alternative to the cuts. Why? It is because we cannot escape the responsibility of the choice with which we are faced. Will we use our powers—the powers that we came together to demand—or will we accept cuts? Scottish Labour cannot in good conscience do anything other than argue for the powers to be used. It is now for others to search their own consciences.

Every single MSP on the SNP benches promised their electorate that they would oppose austerity and offer an alternative to George Osborne, but today, for the third and final time in this budget process, they will unite with the Tories not to end but to enforce George Osborne’s cuts.

The party that was elected on the basis of one very simple argument, with which Nicola Sturgeon made her name—that having more powers means decisions that are different from the Tories’ decisions—now finds itself being applauded by the Tories for delivering those cuts. I ask every SNP MSP whether that is the basis on which they were elected, when, under our policy, low-income workers would be not a penny worse off, but would be better off; when every single expert agrees that our policy is progressive; when thousands of workers to whom they made a promise are losing their jobs; and when staff are being sacked in schools in their constituencies. Why is there not even one free-thinker in the SNP who will support us as we bring forward the policy that they have always claimed to support?

Today, together, we can do something that no one else in the UK has the opportunity to do: we can vote to end austerity. Today, by simply pressing a button, SNP MSPs can join Labour MSPs to end austerity this year. I say this to them: What you told voters you wanted is here in front of you—we have handed it to you. Take it. Use our new powers. Do not leave them on the shelf. Stop the cuts, save those jobs and invest in Scotland’s future.

15:05

Murdo Fraser (Mid Scotland and Fife) (Con): I start by welcoming two announcements that the Deputy First Minister made this afternoon. First, we welcome the additional funding for the attainment fund for education, although—once again—we question why the Scottish Government persists in using the Scottish index of multiple deprivation rather than measures that identify all children who are in need of support, wherever they live. Surely the money should follow the child, rather than a postcode.

Secondly, we welcome the movement on empty property relief for industrial properties. The cabinet secretary knows that that is an issue that I raised with him during budget discussions, and it is an issue about which there is widespread concern in the business community.

The background to this year’s budget has been somewhat different to what we have been used to in the past. First, the fiscal framework discussions were happening at the same time—I am delighted that those discussions have been successfully concluded. Secondly, as we have heard, the debate on the budget has been dominated by the setting—for the first time—of the Scottish rate of income tax. The debate around tax rates is both welcome and refreshing; it is a taste of things to come, as Parliament acquires more powers and responsibility in the future.

In the stage 1 debate, three weeks ago, I set out the Scottish Conservatives' view on tax: that view has not changed. We do not believe that people in Scotland should be taxed more highly than people in the rest of the United Kingdom are. I am delighted that that principle is one that seems to be shared not only among this party but by members of the Government party, who are happy to join the Scottish Conservatives in a new taxpayers' alliance, working hand in glove to protect hard-pressed Scottish families against the tax grabbers in Labour and the Liberal Democrats.

I wish that SNP members who oppose plans for a hike in income tax would have the courage of their convictions, rather than hiding behind the detail of Labour's proposals. It has been part of the SNP narrative that Labour's plans are not progressive. To be fair, I point out that that is contradicted by most independent commentaries—from the likes of the Institute for Public Policy Research and the Resolution Foundation. I encourage SNP members to oppose Labour's tax grab not on the detail, but on the principle, because in doing so they will have the public on their side.

An Ipsos MORI opinion poll that was conducted this month showed that the percentage of Scots who believe that taxes in Scotland should be set at the same rate or at a lower rate than the rate in the rest of the UK is 64 per cent, against a mere 30 per cent who feel that taxes should be higher. By a factor of more than two to one, Scots oppose higher taxes here. The SNP should therefore stand firm with us and be confident in its argument. We are on the people's side. When it comes to tax, the Scottish Conservatives speak for Scotland.

We welcome the Scottish Government's approach to tax, but it is only one aspect of the budget. As I set out in the stage 1 debate, we believe that other elements in the budget will be profoundly damaging. Our overall approach has been to promote measures that we believe would benefit the Scottish economy—not just because a strong economy and provision of jobs are important, but because of the growing link between our economic performance and future tax income to the Scottish Government.

In the stage 1 debate, I set out a number of our concerns about the proposed budget. The increases in non-domestic rates, with doubling of the large business supplement—which will hit many relatively modest businesses—seems to fly in the face of everything that we have heard from the First Minister, and everything that we heard this afternoon from the Deputy First Minister, about making Scotland the most competitive part of the UK in which to do business.

We have previously expressed concern about the changes to empty property relief to end the exemption of industrial property. The cabinet secretary has moved on that, but there will still be concerns about its impact.

We continue to have concerns about the LBTT because the evidence shows that collection rates for domestic properties are well below the Scottish Government's projections, so we believe that the cabinet secretary needs to revisit his figures to ensure that the tax take from that proposal is more in line with the original projections.

We have concerns about the cut of £50 million from the help-to-buy funding, given the value of the scheme in extending the benefits of home ownership and helping to stimulate the construction sector.

We have persistently, over the years, been opposed to cuts in college funding, which will now see a fall of 152,000 college places. We have asked for an additional £60 million in funding to reverse the cuts. Although the SNP will argue that it is mostly part-time courses that have been affected, we should not forget that for many working people who are looking to upskill—often, returners to work including women who have taken time out to have children—those part-time courses are essential. We should regret the impact on our economy of cutting them.

We have proposed other changes that would have limited financial implications, including the school attainment fund being funded differently, doubling of the funding for community broadband Scotland, restoration of the annual grant to the Scottish Association of Young Farmers Clubs and a review of local government funding allocations. That last point is particularly important, given the unfairness that is facing councils in the north-east, which is all the more acute because of the decline in the oil and gas sector and the additional pressures that that is putting on council services in that part of the country.

I had the opportunity to meet the cabinet secretary two weeks ago to present our proposals, and I thank him for his time. I am disappointed, however, that there has not been more movement on the key issues that we have outlined. We should be putting the growth of the Scottish economy at the forefront of Government policy. Accordingly, although we support the setting of the Scottish rate of income tax at 10 per cent, we cannot support the budget as it stands. We fear that the cabinet secretary's proposals will be damaging to the Scottish economy and will, in the long run, actually cost us tax revenue.

A Conservative budget would seek to grow the economy, to reduce barriers to business growth, to invest in further education and, by expanding our

economy, to widen the tax base and increase the tax-take. That is not the budget that we have before us today so, accordingly, we will vote against the budget at decision time.

The Deputy Presiding Officer: We now move to open debate. I call Mark McDonald, to be followed by Ken Macintosh. We are tight for time this afternoon, so you have up to six minutes, please, Mr McDonald.

15:12

Mark McDonald (Aberdeen Donside) (SNP): It was very interesting to watch some of the colour drain from faces on the Labour benches as they realised that their pre-prepared line about the SNP budget being backed by the Tories had just been torpedoed by Murdo Fraser. In fact, it will be the Labour Party once again joining forces to vote with the Conservative Party in this chamber.

Lewis Macdonald (North East Scotland) (Lab): Will the member take an intervention?

Mark McDonald: Not just now. I want to move on. Mr Macdonald might want to listen a bit further.

I would have thought that Kezia Dugdale might have learned her lesson about using Aberdeen City Council as an example in this chamber, but she has not. She stood up and said that libraries are closing in Aberdeen, which will come as news to people in Aberdeen, because the council budget does not get set until tomorrow. Furthermore, it will come as news to the administration in Aberdeen, because when I read in the *Evening Express* of officers proposing that libraries could close, I read very clearly in that article that the finance convener of Aberdeen City Council, Willie Young, had said that he would fight against that proposal when it came into the council chamber. Either Willie Young will lose the fight within his own group and the administration will press ahead with the proposal, or Kezia Dugdale has come to the chamber to put forward a proposal that officers have suggested to councillors, but that the administration will not accept, and has used it as a means to imply yet again something that is not going to happen. *[Interruption.]*

The Deputy Presiding Officer: Order. A little bit of calm, please.

Mark McDonald: It is little wonder that on television yesterday Kezia Dugdale gave up on winning the election and said that she was going to settle for second place in May.

During the recent recess, I visited Stoneywood school in my constituency. In 2008, I campaigned as a local councillor alongside the parent council and the local community to keep the school open. I argued at the time that the school roll would

increase as housing development took place and that there would be a need for a new school building. The reason for my recent visit was that instead of the school being closed, plans are now in place for a new school building. That has been facilitated by the use of Scottish Government money from the building schools for the future programme.

That is welcome investment in my constituency and a welcome investment for the people and community of Stoneywood. The school stands alongside others in my constituency that have benefited significantly from new buildings being put in place.

There is a reason why that is important beyond simply the fabric of the building. A new school that is built through capital has a revenue impact, as it is more cost effective to heat, light and maintain, and that frees up revenue spending. Often, money is spent on lighting, heating and maintaining buildings that are no longer fit for purpose. The revenue saved with a new school can instead be put towards front-line services. That is another reason why the schools for the future programme is important, beyond the fact that it is creating fit-for-purpose, first-class accommodation for our education system.

The money that the Scottish Government is putting towards the integration of health and social care is also important. Over the past few weeks, I have spoken to a number of healthcare and social care workers in my constituency, and they said that they believe that bringing the two services closer together and removing some of the gaps that have existed in the system is fundamental if we are to improve the care that is provided to our vulnerable citizens.

That is exceptionally important in relation to bed blocking or delayed discharge. Many members are dealing with constituents who are unable to exit hospital because of an inability to get appropriate care packages put in place. Increasing the integration of health and social care, removing some of the silo mentality that exists, paying care workers a living wage and making it a more attractive opportunity for individuals to go into that line of work are all key steps in removing some of those barriers.

The delayed discharge rate in Aberdeen was zero when I was a member of the council administration, but it has crept upwards since then. I believe that some policy changes that have taken place at a local level have stymied some of the progress that was made, but I believe that the approach that is now being taken will assist in reversing that unwelcome trend.

Patrick Harvie: I am sure that we could all identify specific elements of any budget that are

welcome, but surely the member is not asking the Parliament to believe that everything in the garden is rosy and that there will be no cuts to local services as a result of the budget.

Mark McDonald: I am not entirely sure from where in my speech Patrick Harvie drew that inference. As I said, the leader of my local authority has said that the savings that Aberdeen City Council is expected to make could be absorbed without an impact on front-line services and jobs. If the council can make those savings, I can only quote what the leader of the council is saying publicly on the issue.

Lesley Brennan (North East Scotland) (Lab): Will the member take an intervention?

Mark McDonald: I have taken an intervention and I have only 40 seconds left.

In North East Scotland, we also see a drive towards improved infrastructure, with the Aberdeen western peripheral route and rail improvements being pushed forward and the new schools being delivered.

Something that is fundamental is the doubling of funding for the attainment fund, which will benefit schools in my constituency and across Scotland by reducing the gap that too often exists between deprived communities and better-off ones. That funding is exceptionally welcome and it is why I will be happy to support the budget this evening.

The Deputy Presiding Officer: Many thanks, and thanks for your brevity. I call on Ken Macintosh, to be followed by Willie Rennie. You have up to six minutes.

15:18

Ken Macintosh (Eastwood) (Lab): At 5 o'clock today, John Swinney will ask this Parliament to vote to cut public services right across Scotland. The finance secretary has decided that what the Scottish people need right now is for the SNP to take £500 million from local authority budgets in every part of this country. Mr Swinney can be in no doubt what that means. He knows what it means because every single Labour councillor has told him that directly, and I suspect that quite a few SNP councillors have done so, too—those with some backbone, that is.

This SNP budget will mean cuts to our kids' education, cuts to old people's services and cuts to disability support. The Convention of Scottish Local Authorities has told him that the budget will cost 15,000 jobs, which is equivalent to closing the Tata steel mill 50 times over. I was surprised to hear the cabinet secretary say that the job losses have been exaggerated. Has he made an assessment of the effect on jobs of his budget

cuts? If so, can he tell me exactly how many job losses he predicts his cuts will cause?

Not only has the cabinet secretary decided to ignore the voice of local elected councillors, he has deliberately decided to leave them with no choice. They have no ability to raise finance locally and no freedom to vary spending on most areas that are nominally under local control. Mr Swinney has ordered them to sign on the dotted line or lose hundreds of millions of pounds more in centrally imposed, SNP Government penalties.

John Swinney has given our public authorities no choice but to cut services, but he has a choice. He has a choice because Scottish Labour has given him one. The SNP has a choice: to ask those who can afford it to pay a little more, or to tell those who need it to make do with a lot less.

That is the choice facing the SNP at decision time today. Does it use the powers of this Parliament to shape a different future for this country, or does it side with the Tories and vote for austerity across Scotland? Yes, the taxpayers alliance. That is right—the taxpayers alliance yet again. [*Interruption.*]

The Deputy Presiding Officer: Order.

Ken Macintosh: We often talk in this Parliament about our supposed progressive majority. Many MSPs seem to share a common agenda built round the pursuit of a fairer, more caring society. We express our beliefs in terms of support for our publicly run national health service, good schools for all, our progressive and broadly redistributive tax system and, of course, in supposedly vocal opposition to Conservative welfare reforms and austerity cuts.

Kevin Stewart: Will the member take an intervention?

Ken Macintosh: Many MSPs may talk like progressives, and here is one right now, but when it comes to action the SNP has been found wanting.

Kevin Stewart: I thank Mr Macintosh for giving way. He has normally been a pretty honest bloke when I have come across him before. Could he give us a very simple understanding of how the Labour rebate scheme would work to ensure that those poorer folk who are paying tax would benefit from that rebate?

Ken Macintosh: As usual, Mr Stewart steps right up when I need him most. The SNP has fallen back on weasel words and excuses. As usual—[*Interruption.*]

The Deputy Presiding Officer: Mr Stewart, that is enough.

Ken Macintosh: As usual, the back benchers have been issued with their crib sheets. Mr Stewart just read from his, as usual.

What is the first excuse, which we have just heard from Mr Stewart? It is to avoid talking about tax at all and to pretend that if only the SNP was to be given more detail about Labour's rebate for low earners, it might actually vote for it.

It is a pretence. It is the "We cannot do it. We do not even have the powers" excuse. If I may say so, we have heard that one many times before.

Do you remember the bedroom tax? For a year and more, Labour and campaigners across Scotland argued that the SNP should use its powers and use its budget to mitigate that, and all that we heard was "We cannot do it." Until, that is, Mr Swinney himself gave the game away, pointing out that he could allocate the budget but that he did not want to let the UK Government off the hook. Then it all began to unravel.

What is the second excuse and weasel word that we are hearing? This one is more worrying, because frankly it is more deceitful. It is to try to scare people on low to middle incomes that the tax proposal is going to clobber them.

Just to be clear, Labour is proposing a 1p rise in income tax and only for those earning more than £20,000 a year—that is 1p in the pound from 20p to 21p. I think that in anyone's language that is a 1 per cent rise.

Kevin Stewart: Will the member give way?

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

Ken Macintosh: The SNP is deliberately trying to mislead people by calling it a 5 per cent rise. That is utterly shameful.

To give you an example, Clare Adamson—in she here today?—in her contribution to the debate on the Scottish rate of income tax on 11 February said:

"What are the lowest-paid people in society ... to do in the months that it would take for the Labour Party to implement a 5 per cent slash in their income?"—[*Official Report*, 11 February 2016; c 129.]

Can I ask Ms Adamson to apologise? If she has not got the time, perhaps Mr Swinney could apologise on her behalf—

Clare Adamson (Central Scotland) (SNP): Will the member take an intervention?

Ken Macintosh: Ms Adamson, please apologise for that misleading statement.

Clare Adamson: You talked about weasel words. Here is a dictionary definition:

"A rebate is an amount paid by way of reduction, return or refund on what has already been paid or contributed."

Tell the Scottish people, Mr Macintosh, how long they will have to wait from when that money is removed from their pay packets to when Labour pays it back in, because you certainly do not know.

The Deputy Presiding Officer: Please finish, Mr Macintosh. You have 20 seconds left.

Ken Macintosh: Ms Adamson either is ignorant of her own remarks or is clearly trying to deceive the Scottish public by talking about a 5 per cent cut in income.

This is about austerity. Do we choose austerity or do we follow Labour's choice to use the powers for a better future for Scotland?

15:25

Willie Rennie (Mid Scotland and Fife) (LD): It is interesting to observe the members on the SNP benches. They are utterly desperate—

John Swinney: Utterly desperate—from the Liberal Democrats!

The Deputy Presiding Officer: Order. Please allow Mr Rennie to speak.

Willie Rennie: They are utterly desperate to find an excuse not to act to save public services. The laughing, the clapping and the enthusiasm from the SNP benches when they have somehow found a way not to increase taxation is interesting. We have spent years in this Parliament arguing for more powers. We have had the Calman commission. We have had our commissions: the Steel commission and the Campbell commission. Before that, we set up the Parliament, with all its powers. Today, however, we get the big chance to use those powers to do something to address the urgent needs of public authorities that provide services.

John Mason: Will the member give way?

Willie Rennie: Not just now. We have seen SNP councillors speaking out, desperate to find ways of stopping the cuts to local authorities, and SNP members in the chamber laugh and clap because they have found a way of answering that question. If they were serious about dealing with the question of cuts to local authorities, they would not laugh and they would not clap, because they would be desperately hunting for a way to save public services, but they are not doing that. They are desperate to talk as if they are left, but they walk right, every single day. They use the language of tax grabbers—it is almost the language of "tax is theft".

We have heard from the Conservatives. They are absolutely delighted that the SNP now agrees with them. In reality, we are facing massive cuts to local authorities.

I welcome John Swinney's decision on the attainment fund. It is welcome, but I think that it is window dressing on a budget that is slashing public services to the core. Education budgets—half of what local authorities do—will be slashed. There is no way of avoiding it and we will see the harsh reality of John Swinney's cuts over the next few weeks. He has put a £408 million straitjacket around local authorities. That is his responsibility. Every cut to local authorities could have been avoided if John Swinney had made the decision and given them the flexibility to make a different decision.

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

Willie Rennie: No. My priority, for now, is to propose a penny on income tax for education. It is a costed proposal that we have put forward in every single budget of the Scottish Parliament. It will deliver £475 million-worth of investment.

The reasons are quite simple. Scottish education is slipping down the international performance league tables. We used to have one of the best education systems in the world, but we are now slipping. Some 152,000 college places have been lost and £500 million-worth of cuts are coming to local authorities. The situation is urgent. That is why we need to invest a penny for education. What we will get is investment in colleges, investment in schools—for the pupil premium, but also to stop the cuts that are coming—and investment in nursery education, which is the best education investment that we can make. Further, the proposal is progressive, thanks to the fact that, when the Liberal Democrats were in Government, we raised the tax threshold to £11,000. That means that someone would have to earn more than £19,000 to pay more tax next year than they paid this year, while somebody on £100,000 would pay 30 times as much as someone on the median wage. I think that that is reasonable, fair and progressive.

SNP members ignore the social and economic benefits that we will get from stopping the cuts. The people who will lose their jobs as a result of the cuts will see no benefit from John Swinney proclaiming his protection of low-income taxpayers—they will see no benefit because they will be on the dole and not paying any tax at all. That is the consequence of John Swinney's budget.

These are our priorities: a penny on income tax for education, to invest in schools, nurseries and colleges. In my letter to John Swinney I raised a number of issues to do with general practitioner recruitment, the Royal College of Nursing and the keep well campaign, superfast broadband—Murdo Fraser referred to that—and the housebuilding rate.

However, there is one particular issue that I want John Swinney to try to resolve, which costs a small amount of money, but would have a great social benefit, and that is his budget cut to alcohol and drug partnerships. The budget for the partnerships is only £70 million and he proposes to take away £15 million. It is a small amount of money, but the investment that we make in drug rehabilitation pays dividends in communities. Anyone who lives in a community that is blighted by drugs is aware of the consequences.

We are going in the wrong direction on drug rehabilitation. I urge John Swinney to reconsider; it is a small amount of money, but will deliver a big benefit for those people and communities affected by drugs.

A penny for education is my priority, but I also urge John Swinney to look at the drug rehabilitation budget.

15:31

Joan McA Alpine (South Scotland) (SNP): I seem to recall that the Liberal Democrats were propping up the Tories in 2011 when they raised VAT from 17.5 to 20 per cent. We should consider Willie Rennie's comments in that context, given that VAT is the least progressive tax of all.

I begin by welcoming the commitment to inflation-busting rises to NHS funding in the budget. A record investment of £13 billion cannot have been easy to achieve given the £3.9 billion cuts in Scotland's overall budget from 2010 to 2020, made by the UK Government.

I wish to concentrate particularly on the £250 million allocation to speed the integration of health and social care. That is a historic move that should change the way in which we deliver care to frail people who neither want nor need to be in hospital. Sometimes those are young people with a life-changing illness or with a learning disability, sometimes they are people who are terminally ill, and often they are frail elderly people with multiple conditions, who nevertheless wish to enjoy life at home or at the very least in a supportive residential setting that feels like home.

The £250 million is for those people. It will deliver the care that they need and, crucially, it will mean that that care is delivered by workers who are properly rewarded with the living wage. Happy workers who are fairly recompensed tend to remain in post for longer, and that results in a continuity of care for patients. That is so important to vulnerable people who require assistance with very personal tasks, and that is why I welcome the Deputy First Minister's clear instruction that the £250 million should be used to pay the living wage to home care workers.

That money is timely. The Economy, Energy and Tourism Committee, of which I am a member, recently finished an inquiry into fair work, and we took evidence from the care sector. The Coalition of Care and Support Providers in Scotland told us that recruitment costs in the care sector amount to £3,500 for each new worker and that staff turnover is high. Duncan White of the UK Homecare Association estimated staff turnover at 38 per cent.

Lesley Brennan: Can we have your views on the situation in Dundee? The SNP council administration has proposed cutting home care services by reprofiling or reconfiguring them. That is a £250,000 cut from home care. At a public meeting—

The Deputy Presiding Officer (Elaine Smith): You need to hurry along.

Lesley Brennan: At the public meeting with the SNP finance convener, they were saying about the bullying of the home care—*[Interruption.]*

The Deputy Presiding Officer: Joan McAlpine, please continue.

Joan McAlpine: I do not think that that was a question.

To continue, the Scottish Social Services Council highlighted the impact that low-paying work can have on service users and patients. It said to the inquiry:

“Low pay can exacerbate staff turnover issues and ultimately affect the ability to provide continuity of care. A continuous caring relationship with an identified professional can be particularly important in many instances. For example ... when supporting an individual with dementia.”

To illustrate the importance of the £250 million, I want to tell a story about a constituent who called me a couple of years ago in a state of extreme distress. The constituent’s father was back at home having suffered a devastating stroke. The man desperately wanted to be home and his family desperately wanted him home, but the local authority claimed that he could not be provided with the care package that he had been assessed as requiring.

There was pressure on the family to put the man back into hospital, which would have resulted in him being extremely distressed and would have affected his rehabilitation.

Neil Findlay (Lothian) (Lab): Will Ms McAlpine take an intervention?

Joan McAlpine: I have already taken an intervention and I need to make progress. If it is anything like the last intervention, it would not be worth my while anyway.

The local authority was resistant to providing a care package because it did not want to foot the bill.

If the £250 million social care package ends distress such as the distress that was caused to my constituent and his family, it will be money well spent. It is exactly the sort of change that we all signed up to when we supported the 2020 vision for the NHS. It is an excellent example of preventative spend, which was recommended in the Christie commission report, the principles of which were supported by every party in this chamber.

We have a mass of expert evidence that the social care package is the kind of shift in resources that we require. The Scottish Government’s expert group report on the effects of delayed discharge notes that

“Unnecessary time spent in hospital can”

not only

“lead to a significant deterioration in a person’s physical and mental health”

but

“This in turn will lead to a greater use of institutional care, at a higher cost to local authorities.”

The BMA patient liaison group notes that

“Staying in hospital for unnecessary amounts of time increases the risk of infection, depression, loss of independence,”

and, of course, increases the

“inappropriate use of NHS resources.”

I want to turn back to what one social care worker in Glasgow told the inquiry:

“This is a wonderful job; it is a privilege to support those less fortunate try and attain fruitful lives. It is a vocational job with long, unsociable hours often fraught with the threat of violence. It seems you have to wear a uniform to have credibility such as nurses, doctors, police etc whilst it is often social care that fills the gap for these professions. Pay attention to the area, one day you will be using it.”

The Deputy Presiding Officer: You must close, please.

Joan McAlpine: Mr Swinney has paid attention to social care in this budget. As a result, many vulnerable people in this country will benefit.

The Deputy Presiding Officer: You must close, please.

Joan McAlpine: I, too, congratulate Mr Swinney and support this budget, which gets its priorities right.

The Deputy Presiding Officer: Thank you. There is no extra time in this debate; members must take interventions within their six minutes.

15:37

Drew Smith (Glasgow) (Lab): I think that other members have already made the point that this budget debate is probably the most important one that this Parliament has had since it was established some 17 years ago.

During the devolution referendum, the people of Scotland endorsed two principles: first, a Parliament; and secondly, a Parliament with the power to vary income tax. In 1999, John Swinney and his colleagues were elected on the promise that they would use the variable rate, as it was then, to raise “a penny for Scotland”. That was at a time of rising investment in public services by the then Labour Government. Three years later, John Swinney as leader of the SNP dropped that policy, saying that

“Gordon Brown has increased taxes and has put more money into the public purse”.

I am now not sure whether that was meant as a complaint.

Today, we find ourselves in a situation where two of the three largest parties, Labour and the SNP, are opposed to the UK Chancellor of the Exchequer’s ideological pursuit of austerity and the smaller state. The third party, the Scottish Conservatives, of course supports that economic approach, and it can put its case at the election.

Since the election of, first, the coalition and now the current UK Government, Labour and the SNP have been in broad agreement that the economic approach is wrong. Austerity means cuts to vital public services and a burden of pain that is borne not by those with the broadest shoulders but by those who are most reliant on public services and by those who work in public services. I say to the Deputy First Minister that public sector redundancies are certainly not being exaggerated.

Barely a question time goes by where Government back benchers do not invite the Scottish ministers to blame the cuts that are taking place in Scottish communities today on the United Kingdom Government. The Scottish ministers have, in all fairness, been consistent in calling for an alternative. They have also been consistent in demanding more powers for Scotland. They have asserted, again consistently, that any new powers would be used to combat austerity and to defend the most vulnerable against the cuts.

The SNP is calling for power and promising to use it, but there is little evidence of real shifts in spending to protect the services that are now most at risk. Many of those services are provided by

local government in Scotland, in Labour and SNP councils alike. COSLA says that the cuts are “wholly misguided” and that their implementation “threatens grievous injury” to communities, but John Swinney says that COSLA is exaggerating.

The deal from the UK that members in the chamber complain about is in fact made worse and passed on to Scottish communities by decisions that are taken here in Scotland’s Parliament. MSPs who are taking part in this debate are some of the first to criticise local government for the cuts that they are voting for here today. That is wrong, and something needs to give.

Across Scotland, charges are being introduced and increased on the most vulnerable service users. Those charges are not progressive: they fall on those who have little choice but to find the money or to give up using a service that they have relied on until now. The charges also fall on those without that choice: those who find the service that they rely on simply closed to them or closed altogether. There is nothing progressive about that. The fact that members in the chamber are voting for those cuts and then criticising them when their constituents complain is more than inconsistent.

The question for us today is: what will we do now? The First Minister has said that education is her number 1 priority. What good is education as a number 1 priority when we refuse to protect school budgets? What good is it when music education has to be cut, and when there are fewer classroom assistants and reduced library services? Education is delivered to our children by the same local councils that are bearing the brunt of austerity in Scotland because of decisions taken here in Scotland’s Parliament. That is no exaggeration, and it is wrong.

I cannot understand why a party that argued for a penny for Scotland in a time of rising public spending cannot even admit that progressive taxation may have a role to play in the circumstances that our communities now face. That policy is in direct contrast to the withdrawal of services and charging for services that is happening now.

I accept the Government’s argument that variability in taxation bands is needed, and my party remains committed to using that variability to further increase the progressivity of the tax system. However, I agree with John Swinney when he told the Finance Committee that he regards the Scottish rate of income tax as a progressive lever.

The question is not, as some have tried to argue, whether the Scottish rate is progressive. It is not even about whether John Swinney still

agrees with himself. The question is: do we accept that there is no alternative to austerity? Do we believe that we have the right to complain about our deal and refuse to contemplate raising further revenue, while at the same time enforcing a worse deal on councils, which we prevent from raising their own revenue?

Why is this Government so timid? Where is the progressive politics that this country has been promised time and again? Why is it that two parties that are opposed to austerity are going to vote differently on the budget tonight? Under successive budgets, we are not making our society fairer. We are simply making Scotland the best place in which to be born into privilege. I cannot support that, and for that reason I will not support the budget tonight.

15:43

Kenneth Gibson (Cunninghame North) (SNP): As in previous budget debates, today's debate shows once again that the SNP is the only party that is committed to and capable of delivering a fair and balanced budget to provide the best outcomes for the people of Scotland. For example, there is a £444 million real-terms increase in the NHS budget in the year from March.

John Swinney, with his resource departmental expenditure limit cut by Westminster by £371 million, has again had to ensure that our public services can continue to operate effectively, creating an environment that will stimulate growth and mitigating against the worst aspects of welfare reform.

Of course, Tory Government cuts mean that resource budgets will fall by £1.5 billion over the next four years, which amounts to a reduction of 5.7 per cent. Labour's response to this year's cut of £371 million is to demand an increase in tax by a penny in the pound. Given that UK cuts over the next four years will be four times that amount, will Labour's answer be to increase income tax by 4p in the pound over that period?

For weeks Jackie Baillie called on Mr Swinney to set out his proposals for not one year but four years. With an election in May, that always seemed to be somewhat bizarre. Either Ms Baillie expects the SNP to win or Labour, if it wins, wants the SNP to decide the budget for the next four years. How curious.

Of course, we have heard no long-term proposals from Labour; indeed, short-term ones seem conspicuous by their absence. Labour talks of education, but the Deputy First Minister's announcement of a doubling of attainment expenditure was met by stony silence and sour faces on the Labour benches.

Labour's intellectual bankruptcy on the issue of a supposed rebate for low-paid workers following its proposed tax rise can best be summed up by the exchange in the chamber on 11 February when my colleague Stuart McMillan intervened on Lewis Macdonald. Mr McMillan said:

"I have listened carefully to what Lewis Macdonald has had to say. Can he tell Parliament exactly what the details of his party's proposed rebate would be?"

Mr Macdonald replied:

"I would be delighted to do that once we have heard from the SNP whether it supports the principle of raising tax to address austerity."—[*Official Report*, 11 February 2016; c 134.]

So there we have it—"Promise to vote for me and I'll tell you what I stand for." It is no wonder that we on the SNP benches do not take Labour seriously. Is that going to be Labour's canvassing technique in the coming election? A Labour member chaps a door and says, "Hi, I'm Lewis Macdonald. Will you be voting Labour?" The voter says, "Tell me your policies." "Well," replies Mr Macdonald, "I'd be delighted to do so if you promise to vote for me first." Farcical or what?

Is there any possibility that we will now be given details of how Labour's rebate will be delivered? When will the scheme be in place? How much will it cost and who will pay for it? When can those to whom it applies expect to receive their £100? To whom should they apply and what happens if their income changes over the year?

Alex Rowley: We know that there is going to be a cut of around £500 million to public services in Scotland. Is Mr Gibson saying that there is no alternative to that?

Kenneth Gibson: I am saying that the budget that the SNP has put forward is by far the most balanced approach to the £371 million cut that has been imposed by the Tories.

We note that Labour's criticism is always about the Scottish Government and not about its former better together allies in the referendum campaign. Labour and the Lib Dems have a real brass neck to come to the chamber and publicly ask the people of Scotland to pay extra tax as the price for the austerity that both parties were happy to vote for and pass on to this Parliament. Let us not forget that, on 13 January last year, Labour MPs voted with the Tories to make public spending cuts of £30 billion, taking the UK back to spending cuts that have not been seen since the 1930s.

I also recall that, when Jackie Baillie was election agent for Wendy Alexander some years ago, she backed Wendy's call for year-on-year 3 per cent cuts to local government funding, which the Scottish Government opposed. On top of that, until Labour realised which way the wind was blowing, it was happy to side with the Tories in

calling on the Scottish Government to accept the Treasury's fiscal framework agreement, which would have seen our budget cut by £7 billion.

When held up to scrutiny, Labour tax plans have totally disintegrated and, apart from being unworkable, would hurt low earners. The fact that Labour had to be told that its policy would hit half a million pensioners shows how ill thought out it was. In evidence to the Finance Committee, the Scottish Trades Union Congress was clear that raising tax across the board, as Labour proposes, would be unfair on low earners. It stated:

"The STUC is concerned at the impact of a tax increase on lower wage workers—particularly those in precarious employment—when wages, which experienced a historically unprecedented collapse between 2009-14, have barely started to recover."

Maybe that is why, until 1 February, Labour backed the SNP Government's position on tax, until it opportunistically called for tax to increase.

Instead of punishing households in difficult economic times, the SNP Government continues to lend a hand and reduce the burden that is placed on those trying to manage their budgets. We have fully funded a freeze in council tax, saving people in band D properties £1,500 at a time of high energy costs and real-terms wage reductions.

I thought that Mr Fraser in his opening speech would have taken the opportunity to apologise on behalf of the Tory party for backing the initial block grant adjustment settlement that the Treasury proposed, which would have cost Scotland £7 billion over a decade, impacting on jobs, services, taxation and growth. Clearly, the Tories in Scotland will never stand up for Scotland and have been exposed as mere ciphers for the London Government.

How much would the impact on Scotland have had to have been before the Tories in the Scottish Parliament acted in Scotland's national interest—£10 billion or £15 billion? When the Tory stance on the issue sinks in, Ruth Davidson and her motley crew will have no chance of supplanting even a bumbling and inept Labour as the official Opposition in the Parliament.

The Deputy Presiding Officer: You need to close, please, Mr Gibson.

Kenneth Gibson: In the face of the financial incompetence of the Opposition and the absence of any vision from it, I support the budget.

15:49

Malcolm Chisholm (Edinburgh Northern and Leith) (Lab): Context is all when it comes to tax decisions, and the context today is an all-out assault on public services that we have the power

to prevent. That is why, throughout all the budget stages in February, Labour has been absolutely focused in saying that the priority for extra resources has to be local services in general and education in particular. We have also been absolutely clear in identifying precisely where the money has to come from.

Throughout February, the response of the SNP has been astonishing—ever changing, sometimes ridiculous and, most of all, completely out of proportion. I would sum it up by saying that the Scottish Government and the SNP in general have, on the one hand, minimised the effect of the cuts on local government—referring to the "minimal impact" on jobs and services will come to haunt John Swinney and the SNP in the next few weeks and months—and, on the other hand, maximised the consequences for low and below-average earners. To use the word "maximised" there is rather a euphemism, because really the SNP has been wildly exaggerating and misrepresenting the effect of our tax proposals.

As Kezia Dugdale said, quoting the Scottish Parliament information centre, 92 per cent of the money from the 1p tax rate increase will come from people with above-average incomes. She also pointed out that, because of the raising of the tax threshold in April—disregarding for a moment the rebate thing, which is all that the SNP is obsessing about this afternoon—nobody with an income of under £19,000 in April and May will pay a penny more than they are paying this year.

The other thing that the SNP has obsessed about throughout February is the percentage increase in tax paid, whereas what really matters is how much extra money people will pay. John Swinney notoriously said that a man or woman earning £200,000 would have a lower percentage tax increase than somebody on low pay. Of course, what he omitted to mention was that the person on £200,000 would pay 132 times more in extra tax than the person on low pay, once again disregarding the rebate.

Chic Brodie (South Scotland) (SNP): If we accept Malcolm Chisholm's line of £19,000, what is the impact of his party's tax proposal? What is the percentage change on the net disposable income of those on, say, £20,000 and those on £100,000?

Malcolm Chisholm: To take £20,000 as an example, someone with that income would pay £5 a month extra. That puts it in context, when one thinks of the massive sums of extra money that would come from people on £100,000 or £200,000.

That sudden attack on income tax from a party that is still considering a local income tax and which proposed a penny increase on income tax

when public expenditure was increasing is an astonishing about-turn, but I want to turn to the SNP minimising the effect on local government. We learn from the SPICe research that there is a 5.2 per cent cut. We recognise the £250,000 extra for social care that Joan McAlpine and others spoke about, and of course that is a good proposal, but although we welcome additionality for social care and the living wage it will not have any positive effect on other services, and particularly not on the decimation of education.

John Swinney was busy yesterday, so I do not suppose that he had time to look at the evidence to the Education and Culture Committee. However, he may have seen a newspaper headline today that reads:

“Schools face major cuts to services in Budget funding axe”.

I do not have time to read it all, but the article explains that representatives of local authorities including Glasgow and East Ayrshire were all talking about the effect on education. I welcome the extra money for closing the attainment gap, but it goes only to specific areas. Our policy on the attainment gap is much better, because the money would go to all young people who need it. COSLA warned yesterday that the funding constraints would affect councils’ ability to tackle such things as the attainment gap. For some areas, today’s announcement will help, although it is funding over three years, but for many areas it will be no help whatsoever.

COSLA has said that 15,000 jobs across Scotland could be cut. I know that full well, because 2,000 of those jobs are in Edinburgh. I do not have time to read for the third time this month the quotation from the SNP leader of the City of Edinburgh Council, but in summary he said that everyone will be hurt by the proposals.

The SNP’s “minimal impact” scenario is in glaring contradiction to what it generally says about the terrible cuts from London, but it claims that the worst part of the budget in terms of those cuts will have “minimal impact”. That makes no sense whatsoever.

It is not too late for the SNP to change its mind. There has never been a better time for it to change its policy on tax. The party is riding high in the opinion polls, which also say that more people support our proposal than oppose it. It has cover from two Opposition parties. Most of all, there is an all-out assault on local government from the budget as proposed today.

The SNP might say, “Oh, well, next year we’ll have more tax powers and we can change local government taxation”, but local government in general and education in particular cannot wait another year. We must act now to protect local

government and education, for the sake of our children and the future of Scotland.

15:55

Michael Russell (Argyll and Bute) (SNP): I will concentrate on two issues of particular importance to my constituents in Argyll and Bute: ferry services and local government services.

When this Scottish Government was first elected in 2007, it was on a manifesto commitment to start delivering a policy that had been much talked about since the 1970s: road equivalent tariff. After the Western Isles-Coll-Tiree pilot in the Government’s first term, the 2011 SNP manifesto promised to roll out RET across the whole Hebridean and Clyde publicly funded ferry network. That commitment has been honoured. Bute and Mull were the last two islands to be included, and they—and the route across Loch Fyne—experienced substantial fare reductions in October last year.

In addition, over the past nine years a new ferry route has been opened up—a summer route from Ardrossan to Campbeltown—and frequency has increased on almost all services.

John Finnie (Highlands and Islands) (Ind): Will the member take an intervention?

Michael Russell: No. I want to make progress.

New vessels have also been built, after almost a decade when there was virtually no investment in the fleet—an issue that has created legacy problems, such as those experienced by people on Islay and Colonsay last spring. Some of the new vessels are being built on the Clyde, which is a major step forward in procurement.

Where necessary changes have had to be made, such as on the Dunoon to Gourrock route, work continues to try to improve what is on offer, with the intention to go on doing so by providing passenger boats after the next tender. I declare an interest: I use that service regularly, as I do most ferry services in my constituency.

Ferries are the lifeline for many communities, so I am also pleased that the Scottish Government is engaged in reviewing freight charges, which underpin that lifeline and are crucial to the health and future of many communities. I hope that a way can be found of ameliorating such charges, because that would make an enormous difference, as would standardising vessels and shore infrastructure, whose future proofing in the context of worsening weather will be a big priority for the coming years.

By any measure, this Government has delivered for the islands of my constituency. The budget underlines that, because the deciding measure in

a budget is figures, which speak for themselves. In the final year of the Labour-Liberal Executive, the ferry budget was £85 million. If the budget had just kept pace with inflation it would now be £111 million. However, in the coming year, it will be almost £199 million. The ferry budget is up 132 per cent, even though in the past five years the Scottish Government budget has gone down in real terms.

Argyll and Bute faces many challenges: depopulation, poor digital infrastructure, distance, remoteness and a history of lack of central investment. Argyll and Bute Council has not reformed to meet those challenges. The issue is that it needs to change, as Audit Scotland has pointed out.

Those challenges led the Deputy First Minister to agree to meet me, the council chief executive and the council leader just two weeks ago to discuss how Argyll and Bute can be helped to change, given that it receives neither islands funding nor the city deal, although its depopulation problems are the worst in Scotland. I hope that those discussions will lead to some new thinking, because that is what is needed.

It is not just the Scottish Government that is saying that reform is vital if our local authorities are to deliver for their areas; my constituents are saying that loud and clear about their local authority. The council's recent consultation on the budget invited responses from communities—and it got them. I wish that I had time to quote from more than two of those responses, but two will suffice.

On the extreme west of the constituency, Tiree community council said:

“The Council must look at the way that it conducts its business and provide essential services to the population of Argyll & Bute in a much more thoughtful and innovative way ... where the Council genuinely, and proactively engages with communities”.

That is the view from Tiree. From the other end of the constituency, Glenorchy and Innishail community council observed:

“The Council's proposals show absolutely no imagination and severely affect the most vulnerable and isolated sections of the greater community of Argyll & Bute, whilst protecting the core funding to middle and upper management”.

Not many of those ill-thought-out proposals were actually voted on—an indication of wolf being cried again by the council management and administration—but several were voted on—*[Interruption.]* I know Argyll and Bute Council well, and I know how it behaves—it specialises in pulling rabbits out of hats. The trouble is that people suffer in that process. Several of the proposals were voted through, including the proposal to cut every school librarian. That

decision has provoked outrage across Argyll and further afield, but it was a decision of the council administration itself. The prize-winning children's author Debi Gliori has pointed to the obscenity of having Trident at one end of the area and no school librarians at the other.

Neil Findlay: Will the member take an intervention?

Michael Russell: No. I will not take an intervention from Mr Findlay until he learns to apologise properly in the chamber.

However, there is a better way. Today, I call on the council to take that better way and use the money it could save by not replacing the council's chief executive, who is leaving to become the chief executive of COSLA. It could use the £200,000 that has been set aside for that purpose to make up the £191,000 that it wants to save by cutting 10 part-time and full-time school librarians. Making that swap would show that the administration is listening and it would put bairns and books before senior salaries. Moreover, it would start the process of decentralisation that is much needed.

Our budgets will always be constrained until we decide to fend for ourselves. However, when we need to and want to—and when John Swinney, who is a financial wizard, needs to and wants to—we can work magic in making people reform. That is the issue: this budget drives the process of reform and is worth commending for that reason alone, but it also delivers for my constituents.

16:01

Patrick Harvie (Glasgow) (Green): Even before we consider questions of taxation, the Scottish Greens have reasons to be deeply concerned about the proposed budget. At a time when the world should be increasing its level of ambition on issues such as climate change, we see a dramatic reduction in effort under the current Government, not least on the energy efficiency and fuel poverty agenda. It is not enough simply to debate whether that is the result of a UK decision or a Scottish one; we need to reverse that decision by putting the investment in place. We would also seek to reverse the continued investment in unsustainable transport infrastructure.

Despite those serious concerns, I would be willing to work constructively with any Government if it was willing to address the urgent challenges that local services face by raising the revenue that is necessary to protect them. Indeed, the Scottish Greens have been making the case for that since the previous Scottish Parliament election campaign in 2011, when we argued that council tax as a diminishing share of local government revenue would be eclipsed by fees and charges—the least progressive way of funding services. I

think that the tipping point has been reached already, as council tax is no longer adequate to meet the needs of local councils. Mr Swinney says that the responsibility for managing cuts is devolved to the local level but that the decision about how much revenue should be raised will be held in the centre by the Scottish Government. I am afraid that we cannot accept that position.

I am glad that other parties now agree with the basic principle that we must raise revenue in order to protect those services, although we may disagree about the means of achieving that goal. I have exchanged views with Kezia Dugdale and have expressed the reservations that we have about Labour's proposal. It is reasonable to ask questions about the practical implementation of a rebate, and I am glad that the communication that we have had has been constructive in tone. Nevertheless, I regret the fact that Kezia Dugdale suggested today that Labour's proposal is the only alternative to administering cuts at the local government level, because we have clearly shown that it is not. We have set out three clear opportunities that the Scottish Government has to raise revenue in a locally accountable manner, which would fund local services directly and begin to reverse the squeeze from the centre on local economic flexibility.

Some of the issues are already on the Scottish Government's agenda but have just not been addressed yet. I believe that the First Minister has recently been talking about using the council tax multiplier in the future as an alternative to scrapping that unfair and much-loathed tax. If we can use that multiplier in the future, why can we not use it now? We have shown that, by using the council tax multiplier, we can address the undertaxation of high-value properties while benefiting people who live in low-value properties. If that can be done in the future, why can it not be done now?

The Scottish Government has also wisely taken measures to address non-domestic rates relief for disused and vacant buildings. Even though the Government seems to be rolling back a little from that position, it is still a positive move. However, the perverse incentive that exists for buildings to be demolished to bring property into the vacant and derelict land category will be increased. Let us bring vacant and derelict land on to the valuation roll and make it all eligible for non-domestic rates. We have shown how that could raise in excess of £250 million a year. If that money was added to the revenue that would come from our proposed changes to the council tax, we would have a package of local finance measures that would raise roughly the same amount as the proposed 1p on the Scottish rate of income tax would raise, but without the continued stranglehold from the centre over local flexibility.

The Greens regret that the Scottish Government is not open to discussions about a national or—this is our preference—a local approach to raising the revenue that is necessary to protect public services. We will vote against the budget today because of that, but we will continue to make that case into the longer term to ensure that local government in this country is worthy of the name and has the ability to make the economic choices that are necessary in the context of cuts to public services.

16:06

Chic Brodie (South Scotland) (SNP): I welcome the Deputy First Minister's announcements on the attainment fund and the increase in rates relief.

This debate takes place against the backdrop of the important agreement that was reached yesterday. All budgets are a building block for economic and financial arrangements, not just for now, but for the future. The 2016-17 budget, set as it is against Westminster's agenda, must balance the immediate impact of the austerity cuts while securing and providing the route to economic growth, and that is what it does.

My experience tells me that in tough financial conditions it is seductive to cut expenditure on areas that have a longer-term impact on an organisation's growth capability and to look only at the immediate cost base. In business, those areas tend to be training and marketing. However, those quick, short-term solutions have disastrous long-term consequences.

The budget strides the current and short-term challenges while maintaining a focus that will continue to build economic growth. That growth will underpin the objective of creating a fairer and more prosperous nation.

Following the impact of the 2008 recession, our economy has grown in each and every quarter in the past three years—the longest period of uninterrupted growth since 2001. That is no coincidence; we are on a continuum of this Government's economic strategy and financial policies, in the safe hands of the Cabinet Secretary for Finance, Constitution and Economy. That will be extended by this budget, as I am sure that it will be by future budgets.

The budget offers a challenge to public bodies and local authorities: they must seek to improve productivity through agreeing to share services across the public sector and to work with the private sector. To overcome austerity, it is paramount that, in their activities, public bodies and local authorities more assertively consider the sharing of services by, for example, consolidating the information and communication technology

delivery. Indeed, it makes no sense now or in the longer term to have, as we have in Ayrshire, three neighbouring councils running three different payroll systems. There are many other examples like that.

Activities that can be meaningfully outsourced to social enterprises and the third sector—as happens in care services—can also produce the increased productivity that will help to determine the public sector's major role in securing our economic growth.

We can argue all day about the details of each item of proposed expenditure—or, in some cases, the lack of detail, as we have just discussed in relation to Labour's infamous penny on tax, where there is still no advice on the overall implications of the proposed rebate. The details are, of course, very important. I will not rehearse them, as they have been addressed by many other members. I believe that the budget addresses the details.

An equally important question is whether the budget continues to address longer-term macroeconomic issues, such as those relating to a sustainable economic and environmental future, investment, innovation, internationalisation and inclusion. Yes, it does.

On investment in our digital infrastructure, £130 million is being provided to improve connectivity across communities, homes and businesses. Investment is being provided that will protect the small business scheme, which delivers rates reductions for more than 100,000 small businesses in Scotland. There is also investment in skills through education funding.

On innovation, the Scottish Further and Higher Education Funding Council is providing £120 million to eight innovation centres for world-class research in a series of technological sectors.

On internationalisation, there are new investment hubs in London, Brussels and Dublin, and there is a new trade and investment strategy.

Above all, on inclusive growth, the Government is working with employers, employees and trade unions to deliver the business pledge and the fair work convention's aim of securing a high-wage, high-productivity economy that will create a leading wealthy, healthy and green economy.

The budget delivers all those things and, as what happened yesterday shows, we are in safe hands.

16:11

James Kelly (Rutherglen) (Lab): This debate is one of the most important budget debates in the history of the Parliament. A choice is on the table: we can choose to support the Labour tax

proposals, which would support investment in public services, or we can go down the route that the SNP budget proposes, which will result in £500 million of public service cuts.

I welcome the debate, because it gives us the chance to have an honest discussion about the choices that we have in front of us. It is unfortunate that SNP MSPs have not been able to engage with—

Kevin Stewart: Will Mr Kelly give way?

James Kelly: No, I will not give way.

All through the debate, SNP members have chuckled away and indulged in the pretence that the budget is fine and that it will not result in £500 million of cuts. There was no better example of that than when John Swinney said that the claim that there would be thousands of council job losses was greatly exaggerated. That was patronising to those who face the prospect of getting a P45 in the months ahead.

I need only look at my constituency to see examples of options that the local council will have to face up to because of the allocation that has been passed down from the Scottish Government. Ministers have been delighted to visit and praise Healthy n Happy, which promotes good health initiatives in Rutherglen, but it faces the prospect of losing all its council funding. Burnhill sports centre, which is only a stone's throw away from some of the Commonwealth games venues—we all agreed on the importance of the legacy of the Commonwealth games—faces the prospect of closure. Those who want to use the other facilities face the prospect of leisure costs going up by 20 per cent. To be frank, my constituents deserve better.

There is another way, and that is the Labour option. During budget debates, SNP members consistently challenge Labour to make alternative proposals and to explain how we would fund the different options. We have done that, and what we have put forward is a fair option that would help the lowest paid and offset many of the cuts that members have spoken about.

Kevin Stewart: Will the member give way?

James Kelly: No, I will not.

The SNP has simply indulged in cut-and-paste austerity; it has taken the Osborne allocation and reallocated it throughout Scotland. That is sheer hypocrisy.

During last year's election campaign, Nicola Sturgeon appeared on many candidates' leaflets saying that a vote for the SNP was a vote for putting public services before austerity. However, the reality of the budget that we are facing tonight

is that austerity is being delivered and public services are being slashed.

Mark McDonald: The member will recognise that, in that election campaign, we proposed a 0.5 per cent increase in public spending at Westminster, which would have brought an end to austerity. However, we did not get the election result that we hoped for, and we now have a Conservative Government that is perpetuating austerity. That is the reality that the Scottish budget faces, which Mr Kelly should acknowledge.

James Kelly: What you are proposing in the budget, Mr McDonald, is a £500 million cut to council budgets.

The Presiding Officer refused to accept the Labour amendment for this debate, but I would like to propose an amendment to SNP leaflets that can be used in future election campaigns. They should say that a vote for the SNP is a vote for thousands of jobs to be lost throughout Scotland; that a vote for the SNP is a vote for hundreds of millions of pounds of council cuts; and that a vote for the SNP is a vote for vital services to be slashed.

The debate is about choices. If we as MSPs are really serious, we should be looking to make the choice that makes a difference. We should be looking to support investment in schools, to protect council jobs and to defend local services. If we want to make and promote those choices, we should not support the budget at 5 o'clock tonight.

The Deputy Presiding Officer: There have been a few instances of members failing to speak through the chair. I know that it is only a few weeks to dissolution, but I would like standards to be maintained and members to speak through the chair.

16:17

John Mason (Glasgow Shettleston) (SNP): Once again, we find ourselves debating the Scottish budget, although the debate is somewhat later than usual this year. As I understand it, the main reason for that is Westminster's continuing to go its own merry way, with little or no respect for the impact on the devolved Administrations. It had its autumn statement when it suited it, which delayed our budget process.

We have seen that lack of respect again in the discussions on the fiscal framework, with the cabinet secretary being required to valiantly fight off Westminster's attempts to cut the Scottish budget along the way. I find it disappointing and a bit depressing that, at the start of what is meant to be a new era in the relationship between Scotland and the UK, there is still a fairly open desire at Westminster to do Scotland down if at all possible.

It is no surprise that a rise in the Scottish rate of income tax has featured again today, although the decision on that was made last week. It has been Labour's big idea and, to be fair, it is good to see Labour having ideas again. In previous budget debates, Labour has repeatedly asked for more spending in multiple areas without saying how that would be funded. This year, it proposes a partial funding through the SRIT but, as usual, the spending desires outweigh the available cash.

The key factor in the budget is that, while Westminster controls the vast bulk of our powers, any cut that it makes to the Scottish budget must be reflected by the Scottish Government—of any political colour—cutting its budget, too. It is unrealistic to say that we can ignore Westminster austerity.

It is also worth remembering that Westminster austerity came about because Labour and Tory Governments at Westminster failed to create an oil fund for a rainy day. In fact, according to Gordon Brown, there were going to be no more rainy days, because he had abolished boom and bust. It was also Westminster that failed to regulate the financial sector and the banks sufficiently. Austerity is not some random thing that fell out the sky; it was caused by Westminster mismanagement, so a bit more humility from Westminster parties might be appreciated.

Mary Scanlon (Highlands and Islands) (Con): Will the member give way?

John Mason: Absolutely.

Mary Scanlon: I appreciate you giving way. You talk about mismanagement, and we have heard much about cuts in spending. What about the NHS 24 information technology budget, which was overspent by £50 million, and the common agricultural policy payments budget, which was overspent by more than £70 million? Do you think that your Government is wasting and mismanaging thousands of millions of pounds in Scotland?

The Deputy Presiding Officer: I remind members in the chamber to speak through the chair.

John Mason: As Mary Scanlon said, IT has been a challenge, and I think that Westminster has also found it to be a challenge. We should remember that the Scottish Government has kept control over major capital expenditure. For example, there is my favourite, the Airdrie to Bathgate rail line, as well as the M74 extension and the Borders rail line, and there are quite large savings on the Forth replacement crossing. That is a pretty good record, if people ask me.

We have to live with the results of Westminster mismanagement, and SNP Governments have

done their best—they have done very well—to protect ordinary people. Measures that have been introduced include those to mitigate the effect of the bedroom tax and other welfare cuts, to protect health expenditure and to freeze the council tax.

Let us remember that council tax is a regressive tax that takes no account of the ability to pay, so raising it would hit poorer folk relatively harder. I am convinced that it is right to freeze it again. However, in the longer term, the only answer is to replace it, and I for one would certainly support local government having more autonomy.

Patrick Harvie: Will the member give way?

John Mason: I will continue, if the member does not mind.

I would like some overcentralised councils, such as Glasgow City Council, to give more autonomy to wards or sectors of the city. This cannot be all about the transfer of powers from Westminster to Holyrood and then from Holyrood to local authorities. In cities such as Glasgow, there must be devolution to communities.

Having said that the council tax freeze should be supported, I think that we also need to consider other tax-raising options. The one that we have spent most time on in the Finance Committee, and again today, has been the SRIT. Let us remember that the Scotland Act 2012 gave us the power over that. When the then Scotland Bill was going through Parliament, I was on the Scotland Bill Committee. We had discussions with Conservative and Liberal Democrat ministers from Westminster about whether they would give us wider powers over income tax to allow us to be more progressive and redistribute income and so on. I think that Labour and SNP members wanted that, but Westminster refused point blank and said that anything that was to do with redistribution had to be reserved.

Now that we have the power, we have studied it at length and, lo and behold, it is not very progressive. Well, that is a shock. I do not think that I am the only SNP back bencher who is very open to a much more progressive income tax system but, sadly, that option is not on the table for 2016-17. Raising the SRIT by a penny or 2p might seem like an attractive way to offer more funding, but any advantage from that would be outweighed by the increased tax burden on ordinary people. Until yesterday, we were not even sure what powers we would have in 2017-18, but I suggest that, if we wait one more year, we will have the opportunity to do something that is much more targeted, much more progressive and much more helpful to ordinary people.

These are not easy times. The easier times were when Margaret Thatcher and Gordon Brown squandered the oil money and spent profligately.

We are where we are, and this is the time to do all that we can to protect ordinary people. It is not a time to raise tax for ordinary people. I support the budget.

16:23

George Adam (Paisley) (SNP): I am pleased to take part in the budget debate, and I want to contribute a number of points.

We must remain focused on what the Scottish Government continues to deliver. First and foremost, I want to talk about the £33 million investment in attainment, including the support for the Scottish attainment challenge to close the gap between our most and least deprived areas. I welcome the Deputy First Minister's announcement earlier today. It has been gratifying to me, as a member of the Education and Culture Committee, that attainment is a subject that many of us have agreed on throughout our debates on the matter, regardless of political party. For far too long, we have allowed where you live to be a potentially negative factor on educational outcomes.

Yesterday we had COSLA representatives, councillors and council officers at the committee to talk about the budget and the challenges ahead. There was much talk about the challenges and difficulties, but there was also a positive response to a question about how we find solutions and the way forward. The witnesses were extremely positive and came up with all the great ideas that are working throughout Scotland at local authority level. My argument, and the point that the Deputy First Minister keeps trying to put forward, is that we need to look at such ideas and innovations and share them more widely to ensure that we can deliver for young people in Scotland.

Interestingly, Ian Robertson, assistant director of education in Glasgow, admitted—I am paraphrasing what he said—that most of the authorities are not good at sharing their great programmes but keep them to themselves because they do not want to share them. That might be part of the problem that we are dealing with as we look at ways of delivering education throughout Scotland. I remember from my time in a local authority getting told that the panacea was shared services and working together. However, we have a situation in which a senior officer in one of Scotland's largest councils admits to a parliamentary committee that councils are not good at sharing anything. If we have good practice and the ability to share it—the witnesses were so passionate during that five-minute discussion at the committee—surely local authorities should be doing everything that they can to share it.

However, all the investment in attainment is not enough because we must ensure that pupils are learning in a positive environment. That is why I welcome the Scottish Government's continued substantial investment in school buildings through the building schools for the future programme. We have investment in closing the attainment gap and in new and refurbished schools, and the Scottish Government has invested £88 million in a funding package to maintain teacher numbers and ensure that teaching induction places are secured for all probationers requiring one.

We have all that in place at local government level and we have investment from the Scottish Government. Not only do we have the teachers, the buildings and the vision and commitment on attainment but, as the Deputy First Minister stated, the Scottish Government is still committed to free school meals for all pupils in primary 1 to 3. Again, that shows how we are still delivering during these difficult times.

There is also the investment of £1 billion in our highly successful higher education sector and the continuation of free education in Scotland. There is the continued investment in 600 hours of free high-quality early learning and childcare for all three and four-year-olds and vulnerable two-year-olds, which will move to 1,140 hours by the end of the next session of Parliament. That is helping families throughout our country and ensuring that they get the support that they need.

The position is therefore not as bleak and dark as the Opposition parties make out. The Scottish Government is continuing to invest from the early years through to higher education in the drive to close the educational attainment gap. This is a Scottish Government that is supporting Scotland's families and working towards creating a more positive outcome and better future for them all. All that work is going on during a time of devastating Westminster spending cuts.

As I said in the stage 1 debate, even during the on-going attacks from Westminster, the Scottish Government is still maintaining within this budget funding for free higher education, free prescriptions and eye checks, free concessionary travel for older, disabled and young people, and free personal nursing care as a vital part of the reformed, community-based health and social care services. That shows that, even in these difficult times, the Scottish Government is managing to maintain its investment in those areas and to deliver more for the future.

The Scottish Government budget has been slashed by Westminster, but the SNP Government has set out a clear alternative to the Tory austerity agenda. The Scottish Government is proving that, even in these difficult times, it can find a better, more positive way forward for our nation. I believe

in the vision and purpose that the Deputy First Minister has put forward for the budget. Who would members trust to stand up for Scotland's people during these difficult times: a proven Scottish Government that continues to deliver, or the Opposition parties, which are currently arguing over which one is going to get second place in the Scottish elections?

Unlike the Opposition parties, I have ambition for Scotland and I believe that the communities that we represent also have that ambition for the future and are supporting the Scottish Government and John Swinney in his budget.

16:29

Jean Urquhart (Highlands and Islands) (Ind):

As we discuss and debate the Scottish budget today, it is important that we set the political and economic framework at a UK level to provide the backdrop and context to our deliberations. The UK economy is weak and unbalanced, and it is inextricably tied to the Tory economic plan of austerity, privatisation and the concentration of economic activity into the financial services industry. Growth is predicated on increasing personal debt. The very problems that compounded the economic crisis of 2008 have not been removed but have been entrenched.

Steve Barwick of the respected New Policy Institute concluded in a report in early 2015 that another recession was inevitable. He said:

"If the UK economy can be likened to a four cylinder car, then actually not one of its four cylinders is firing as smoothly as it should. Productivity is in the doldrums. Employment is artificially high due to self-employment. Household income growth has been non-existent. Trade deficits are frighteningly high. Look beneath the bonnet and we find the UK economy both weak and unbalanced."

This year, 2016, has seen George Osborne preempt the next crisis by talking up what he refers to as a "cocktail" of threats to the UK economy—none of them is to do with him, of course.

The context for the Scottish budget—the political and economic failure of Westminster and the City—underlines the need for us to pursue independence and a different path away from austerity and casino finance. To be frank, the Smith commission is not going to alter that. At the same time, there are things that we can do without the full powers that we need to transform the economy, and we must agitate against austerity. I do not have an issue with the Labour Party's proposal of a 1p increase in tax, but I wish that it would see that, with full powers, we could have that without the need to have some complicated rebate system. However, it has to join the independence debate for that.

We therefore need both a long-term strategy and a short-term approach to immediate economic policy and, with that in mind, I will raise two aspects of the budget. First, it is good to see the high levels of investment in the health service. The Parliament holds the NHS as being central to the development of a decent society for all, and it is an institution that we must defend. However, analysis by the Royal College of General Practitioners shows that, under the current plans, the proportion of the budget that is directly devoted to general practice in Scotland will fall. In my region, there is investment in hospitals and so on, but general practice is very important in such scattered, remote and rural areas. The decline in that budget is wrong, but I approve of the general increase for the NHS.

Another area in which investment is needed more than ever is the sectors that mitigate the effects of catastrophic climate change. The director of WWF Scotland, Lang Banks, said:

“These new figures undermine the Scottish Government’s claim to have embedded climate change in its draft budget. With the Paris conference having demonstrated increased international commitment to tackling climate change, we should be stepping up our action not pulling back.”

Scotland can and should lead the way on investment in tackling climate change. I recognise that we need more powers in order to do more, but I raise the matter to put it at the centre of the agenda as we go forward.

Austerity is the central dynamic around which the budget is built. That austerity is being politically imposed by Westminster, but we have a choice.

The Presiding Officer (Tricia Marwick): You need to bring your remarks to a close.

Jean Urquhart: As well as being creative when it comes to managing a cut budget, we need to politically oppose the Tories root and branch. That means supporting anti-cuts movements; it means making sure that the SNP members of Parliament are agitational at Westminster; it means that we in Scotland need to look towards creating needs budgets; and, of course, it means that we must continue to campaign for independence.

The Presiding Officer: We move to the wind-up speeches.

16:33

Gavin Brown (Lothian) (Con): I guess that there were no huge surprises in today’s budget debate. There were two new measures, from what I could gather, both of which we in this part of the chamber welcome—the increase in the attainment fund and the extension of the period of empty property relief for industrial property. That

extension does not go far enough, but we welcome the change from three months to six months.

It is a pity, though, that this year the Scottish Government has been unable to convince a single other political party in the Parliament to support its budget. I know that it has a majority but, for the sake of our politics, that is a pity. It is impossible, or not easy, to get everyone on board, especially when they are coming from different places, but it is a matter of regret that the Scottish Government did not make it a priority to attempt to get at least one other political party to support what it wants to do. I hope that future Scottish Governments will take a slightly different approach.

Today we have seen some of the best examples of double standards from the SNP that I have seen in quite some time. Speaker after speaker on the SNP benches said today that the £371 million real-terms cut to the Scottish budget was slashing the budget, deeply flawed, disgraceful, devastating and a whole load of other invective all the way through. That real-terms cut is, of course, a cash-terms increase. The overall Scottish budget goes up in cash terms, but down in real terms by £371 million. However, speakers did not seem to note any irony in suggesting in the same breath that a £500 million cash-terms cut to local authorities would not have any impact. They claimed that there would be minimal impact and almost no job losses with a £500 million cash-terms cut, and yet a cash-terms increase to their budget as a whole was deeply flawed, devastating and disgraceful. It was interesting to see that in the same speeches they were able not to get that point.

Bruce Crawford (Stirling) (SNP): Does Gavin Brown agree with the Conservative finance convener of Stirling Council, who said,

“The council is not in a bad financial state ... we are able to move forward and in this budget there are items of growth and good capital allocations”?

Is that not the reality facing Stirling Council?

Gavin Brown: If that is correct, I simply ask Bruce Crawford on what basis he and all his colleagues say that a cash-terms increase to the Scottish Government as a whole is devastating and the wrong way to go. It is as simple as that.

We will not be supporting the budget today, and Murdo Fraser outlined why we do not think that the Government is genuinely prioritising the economy. Its big ideas in the past couple of years have been the business pledge, which has low investment and low take-up, and the Scottish business development bank, which is still nowhere near happening three years since it was first announced, and we have no idea whether it will happen.

We have heard about hits to colleges; tens of thousands of people in this country no longer have access to part-time courses in colleges. That is unfair, because people who have challenges and are often vulnerable relied on part-time courses in order to get back into the labour market. There is no point just talking about full-time places; part-time places are very important too.

We see cuts to the help-to-buy budget, despite the fact that minister after minister appeared on press releases with their hard hats on looking at people getting their new houses.

In addition, we have become less competitive on tax. At one point, when the Government took over as a majority, we probably were more competitive than the rest of the UK, but with successive budgets the Government has done its level best to erode that. We have LBTT residential rates that are stunningly high, we have a slightly higher commercial rate for LBTT, and we hear about the doubling of the large business supplement, which businesses had no idea was coming. There was no manifesto commitment to that, and some of the oil and gas businesses that the Scottish Government is determined to help will be hit hardest by that measure.

For all those reasons, we do not think that this is a budget that helps the economy.

Let me close on a more positive note towards the Scottish Government, because we do support its income tax proposal. However, we voted on that just before recess, so we are not voting specifically on that today. It is good that the Scottish Government held firm under political pressure. I genuinely thought that it would fold. It has quite often folded in the past when the gentlest of political pressure has been applied, so I pay tribute to it for deciding not to increase income tax and to keep it at the same rate as in the rest of the UK. It is quite right that people in Scotland should not pay a higher income tax than people in the rest of the UK. We stand shoulder to shoulder with the Scottish Government on that against the Labour Party and the Liberal Democrats.

Weeks ago, Murdo Fraser described that as the new better together. That was said slightly tongue in cheek, I think, but, actually, not only were we better together then, we have acted together over the past couple of weeks as two different parties, and I note that the Government is now using the language of better together. We in better together used to say “no thanks”; an SNP leaflet that came out just recently is stealing the language of better together by saying “no thanks”. On that I am happy to close.

16:39

Jackie Baillie (Dumbarton) (Lab): That was just fantastic.

Despite the heat and noise of today’s debate, one thing is clear: today, we have a choice between cutting hundreds of millions of pounds from essential services and investing in the future of our economy and our country.

We have been treated today to pantomime applause. We have even been treated to John Swinney being described as “a ... wizard”—a slightly older version of Harry Potter, maybe. We have also been treated to single transferable insults from around the chamber, and to speakers being shouted down by Government ministers and back benchers. To be frank, it has been an unedifying sight. However, the louder they shout, the better we know that they are losing the argument. [*Laughter.*] Louder! Louder!

Nicola Sturgeon’s body language in the stage 1 debate said it all. She can turn her back on me, but she must not turn her back on the opportunity to stop the cuts to jobs and services in Scotland today. If she does that, she will be guilty of utter hypocrisy—saying one thing in public but the complete opposite in private. I remember Nicola Sturgeon telling us that more powers will mean fewer cuts. I remember her traipsing down to London to tell an incoming UK Government how it could end austerity. However, now, in the Scottish Parliament, she has the opportunity to practice what she preaches. Why, therefore, is the SNP now so silent? Why does it prefer to copy George Osborne rather than protect the people of Scotland? I regret that we are witnessing SNP rhetoric triumphing over positive action. The SNP wants more powers but it is not going to use them. Instead, it is going to pass on to local government more than even George Osborne’s cuts to the Scottish Government.

In what was probably Mark McDonald’s most interesting intervention today, he gave it away: it is okay for the SNP to tell Westminster to be anti-austerity, but when it is given the choice to be anti-austerity in this Parliament, the SNP turns its back on it.

Believe me—the cuts to come are even worse. I take no comfort in that, but I am not surprised that John Swinney did not want to publish a budget for years 2 and 3. He wants to keep us in the dark; the cuts that are still to come will be John Swinney’s hidden cuts.

Like most members, I want a growing economy and I want young people to do better than the generation before them, and to be better skilled for the jobs of tomorrow in the industries of the future. However, we will not get that without investing in

our people and ensuring that jobs and the economy are at the heart of what we do.

The SNP's record on education and skills is woeful. There are now 4,000 fewer teachers and 150,000 fewer pupils in our colleges than there were previously. Class sizes are increasing, and worse is to come. Therefore, I invite John Swinney to take off his rose-tinted spectacles, because that is the story that he is not telling us.

SPICe tells us that investment in education will result in an increase in economic activity and gross domestic product of the order of £2 billion. That means jobs for people in my community and across Scotland. It means a growing economy. What is not to like about that? However, tonight, the SNP will set its face against that and will vote for cuts.

By its very nature, income tax is a progressive tax. Experts have told us that, including academics from the University of Stirling, the Resolution Foundation and the IPPR. Even John Swinney acknowledges that. In his own words:

"Clearly, people on higher incomes will pay comparatively more than people on lower incomes."—*[Official Report, Finance Committee, 13 January 2016; c 40.]*

As Kezia Dugdale pointed out, for every pound, 92p would come from the top half of earners and two thirds would come from the very top 20 per cent of earners.

I know that Mr Swinney likes to talk about percentages, but let me talk about cash. People talk about the money in their pockets, not the percentage of income.

Mark McDonald: Will Jackie Baillie take an intervention?

Jackie Baillie: No. I think that we have heard enough from Mark McDonald today.

On the radio, John Swinney said that the amount of tax that an individual who is on the national living wage, earning £13,000, would pay would increase by 5 per cent, but for someone earning £200,000 the increase would be 2.6 per cent. What he does not tell us are the cash figures. In the case of someone who earns £13,000, that would be £19, which is equivalent to 36p a week. Alternatively, someone on John Swinney's salary would be paying £48 a week, which is 132 times more than the amount that the low-income taxpayer would pay. Someone who has a six-figure salary telling low-paid workers that he is protecting their incomes, when he is really protecting people like himself, is simply wrong.

Neil Findlay: Will Jackie Baillie take an intervention? *[Interruption.]*

The Presiding Officer: Order.

Jackie Baillie: I am very clear that if we want to do something in this Parliament, we can. It takes political will and co-operation across the parties—something that is absent from the SNP approach to low-paid workers. We would make an up-front payment of £100 through local authorities to everyone who pays tax but earns less than £20,000. *[Interruption.]*

The Presiding Officer: Order.

Jackie Baillie: That would be help for the people who earn least—help that would be denied them by the SNP. I remind John Swinney about the bedroom tax. That took a year, because he wanted to keep people hanging on the hook. We care about low-paid people and we intend to put measures in place that will improve life for them—unlike the SNP.

At the end of the day, politics is all about choices. This is the last opportunity for the SNP to make the right choice. If the budget is passed tonight, the cuts will be Swinney's cuts and there will be no one to blame but the SNP—it will be down to each and every SNP MSP to defend. What SNP members are voting for tonight is the SNP's choice—the SNP's choice to cut hundreds of millions of pounds from the services that we all rely on, and to cut thousands of jobs.

John Swinney is entirely wrong to minimise the impact of job losses: 40,000 jobs have already gone from local government under the SNP and there are thousands more to go as a result of his budget. There will be 350 jobs cut in one small council—SNP-controlled Clackmannanshire Council. Is Mr Swinney going to tell each and every one of those workers that they are completely exaggerating? No—I do not think so.

The SNP choice is short-sighted. What we need is bold and radical action to invest in skills, grow our economy and secure the future of the nation. The SNP choice is to pass on Tory austerity to Scotland. If members are ever in any doubt about that, they should consider the evidence: the SNP being applauded by the Tories and praised by the Tories in their new taxpayers alliance. *[Interruption.]*

The Presiding Officer: Order.

Jackie Baillie: The Deputy First Minister is happy to sit down with the Tories but will not meet the workers outside Parliament who are about to lose their jobs.

Faced with a choice of continuing Tory austerity or using the powers that we have to invest in the future of our country, we would choose to use our powers.

16:48

John Swinney: Let me begin with the comments that Gavin Brown made about the fact that no other party is on board to support the Government's budget tonight.

It is regrettable that no other party has seen fit to support the Government in delivering to the health service the largest cash settlement that has ever been delivered in the history of Scotland. I would have thought that that might have attracted some support from someone in the chamber or that the Conservatives might think about the possibility of supporting the continuation of the small business bonus scheme. However, they are all going to vote against that when it comes to 5 o'clock, just as the Labour Party will vote against modern apprenticeships.

Dr Simpson: Will the minister give way?

John Swinney: Let me get into my stride, Dr Simpson. We will have a wee go later on.

Of course, the Labour Party has a habit of voting against modern apprenticeships. It has voted against such provisions despite asking for them in previous budgets that I have put to Parliament.

Mr Brown also said that he was pleased that the Government had not folded on the issue of the Scottish rate of income tax. Mr Brown is a seasoned contributor to parliamentary debates who makes substantial points in Parliament. He should have known that that comment lacked substance. After yesterday, it is obvious that this Government does not fold, not even to Her Majesty's Treasury. *[Applause.]*

The Presiding Officer: Order.

John Swinney: Not once. Not cuts of £7 billion or £3.5 billion—absolutely nothing. We do not fold to the Treasury on this side of the chamber. *[Applause.]*

I turn to Mr Rennie's dispassionate contribution to the debate. He lectured us about the importance of investing in public services in Scotland. After the collaboration between the Tories and the Liberal Democrats for five years that wrecked public finances in this country, what a cheek Mr Rennie has to say that to Parliament.

Willie Rennie: If Mr Swinney really feels strongly about it, now that he has the powers why is he not doing something about it?

John Swinney: I will come on to the explanation of that in a moment, when I deal with the issues around tax. However, Mr Rennie should think about how seriously he is taken in the country, complaining about austerity when he was the harbinger of austerity on behalf of the Conservative Party. It is beyond a joke.

There has been a lot of discussion—*[Interruption.]* I thought that we were getting a wee intervention there from Mr Tavish Scott, but it was just business as usual from Mr Scott. I was almost about to give way.

Moving on to the local government settlement, a lot of numbers have been bandied about in Parliament today. There is a cash reduction in the local government budget of £500 million. I have gone through this before with Parliament—£150 million of that reduction is in capital expenditure, which will be put into the local government settlement with more assurance for a longer-term capital programme than local authorities had before the settlement was put in place.

That leaves a resource reduction of £350 million. Anyone looking at the correspondence that I have exchanged with local authority leaders will see that that £350 million reduction is tempered by the investment of £250 million in the integration of health and social care. That is a vital service in which local authorities are partners. It is exactly the type of investment that the Labour Party called upon us to make. We have done it, so here we have the good old situation where the Labour Party calls for something, I deliver it and the Labour Party votes against it. It is just business as usual.

Ken Macintosh: Mr Swinney has asked us to look at his correspondence with local authorities. Can he cite one local authority leader who agrees with him on the matter?

John Swinney: The councils have all signed up, so 32 agree with me. I have 32 letters saying yes from the local authorities throughout Scotland, and I am grateful to them because they recognise—despite all the gloom and doom from the Labour Party—that we have put £250 million into health and social care to meet the needs of the people of our country. That is what this Government has done.

Alex Rowley: The Deputy First Minister is being dishonest—

Members: Oh!

The Presiding Officer: Order.

Alex Rowley: The fact is, as he knows, that Labour councils—indeed, council leaders across Scotland—had no choice, as most of those who wrote back to him pointed out.

With regard to health and social care, the additional moneys had to go in because those services were in crisis and absolutely falling apart. That does not solve the issue of £500 million of cuts.

The Presiding Officer: Mr Rowley, I am sure that you did not mean to use the word “dishonest”. Could you withdraw it? [*Interruption.*] Order.

Alex Rowley: Disingenuous, then. It has the same meaning.

John Swinney: Let us just get on with finishing the debate. Let us move to tax. [*Interruption.*]

The Presiding Officer: Order.

John Swinney: The argument has been made that the Labour Party’s proposed tax change would have no effect on people in low-income households. That is the pretence that the Labour Party is trying to put up.

Labour took exception to one of the points that I made in the stage 1 debate. I said that the party was casually disregarding the financial impact of its policy—the cash impact—on individuals on low incomes. John Mason has tenaciously pursued that point during the budget debates, and I completely agree with him that the Labour Party has lost touch with its roots.

Jackie Baillie said just a moment ago that it does not really matter if you increase somebody’s income tax if they are earning £13,000, because the difference is only £19. Does the Labour Party not realise how important such sums of money are to people on low incomes? That is how Labour has lost touch with its roots.

Kezia Dugdale: This is the contrast. It is £19 a year, or no classroom assistants, no English or maths teachers, libraries shut and community centres closed—cuts to the very fabric of our society that affect the most vulnerable and disadvantaged. That is the choice that John Swinney has made today, and it is one that he will regret.

John Swinney: The choice for which Kezia Dugdale has opted is to get the poor to pay for the Tories’ austerity, and I am having none of it.

Ken Macintosh said that we had resorted to using “weasel words” about the rebate. The phrase “weasel words” would be an exaggeration of what we have heard from Labour about the detail of how such a rebate could be paid to people on low incomes in our country. There is nothing credible about Labour’s proposal.

Drew Smith said that he could not understand why two progressive parties are going to vote differently at 5 o’clock tonight. The Labour Party and the SNP believe in progressive agendas and have done for many years. In 2008-09, the Labour Party courageously abstained on my budget and did not vote with us. In 2009-10, Labour voted against the budget bill, which fell. After the party had made a complete Horlicks of the budget, it

voted for an emergency budget bill. In 2010, 2011 and 2012, Labour voted against the budget.

Labour voted for the budget only in 2013, when I was able to put in place a workable solution to the bedroom tax problem after it had been unable to come up with a solution itself. In 2014-15, Labour voted against the budget. Drew Smith should therefore not be at all surprised that the SNP and the Labour Party are voting differently on budget day. The Labour Party is interested only in pursuing its narrow lines of grievance in the budget process, while this Government is determined to invest in the priorities of the people.

Drew Smith: The Deputy First Minister was asked a question during the debate. We know that tens of thousands of workers have already left local government, and COSLA has estimated that 15,000 would leave as a result of this budget. Does he have an estimate, and will he share it with Parliament?

John Swinney: What I will say to members today is that I believe that the estimates that local government has made are exaggerated and have been inflated by the Labour Party, into the bargain.

When we come to vote at 5 o’clock, members of Parliament will have a choice. It is a choice between investing in public services and simply posturing in a debate. The reason why no other party is voting for the budget is because we have an election coming up in a few weeks’ time, when people will have their choice.

At 5 o’clock, it will not be the SNP that votes the same way as the Tories, as the Labour Party would love to say. It will be the Labour Party and the Conservatives back together again, voting together against a budget that invests in the public services of our country. This is a budget to secure the future of the people of Scotland, to protect people in low-income households and to ensure that we invest for the future of our country.

Decision Time

17:01

The Presiding Officer (Tricia Marwick): There are three questions to be put as a result of today's business. The first question is, that motion S4M-15693, in the name of John Swinney, on the Budget (Scotland) (No 5) 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)
 Allard, Christian (North East Scotland) (SNP)
 Beattie, Colin (Midlothian North and Musselburgh) (SNP)
 Biagi, Marco (Edinburgh Central) (SNP)
 Brodie, Chic (South Scotland) (SNP)
 Brown, Keith (Clackmannanshire and Dunblane) (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)
 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 (Aberdeen Donside) (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)
 Yousaf, Humza (Glasgow) (SNP)

Against

Baillie, Jackie (Dumbarton) (Lab)
 Baker, Claire (Mid Scotland and Fife) (Lab)
 Baxter, Jayne (Mid Scotland and Fife) (Lab)
 Beamish, Claudia (South Scotland) (Lab)
 Bibby, Neil (West Scotland) (Lab)
 Boyack, Sarah (Lothian) (Lab)
 Brennan, Lesley (North East Scotland) (Lab)
 Brown, Gavin (Lothian) (Con)
 Buchanan, Cameron (Lothian) (Con)
 Carlaw, Jackson (West Scotland) (Con)
 Chisholm, Malcolm (Edinburgh Northern and Leith) (Lab)
 Davidson, Ruth (Glasgow) (Con)
 Dugdale, Kezia (Lothian) (Lab)
 Fee, Mary (West Scotland) (Lab)
 Ferguson, Patricia (Glasgow Maryhill and Springburn) (Lab)
 Fergusson, Alex (Galloway and West Dumfries) (Con)
 Findlay, Neil (Lothian) (Lab)
 Finnie, John (Highlands and Islands) (Ind)
 Fraser, Murdo (Mid Scotland and Fife) (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)
 Hilton, Cara (Dunfermline) (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)
 Macdonald, Lewis (North East Scotland) (Lab)
 Macintosh, Ken (Eastwood) (Lab)
 Marra, Jenny (North East Scotland) (Lab)
 Martin, Paul (Glasgow Provan) (Lab)
 McArthur, Liam (Orkney Islands) (LD)
 McCulloch, Margaret (Central Scotland) (Lab)
 McGrigor, Jamie (Highlands and Islands) (Con)
 McMahan, Michael (Uddingston and Bellshill) (Lab)
 McMahan, 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)
 Rowley, Alex (Cowdenbeath) (Lab)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, John (Ayr) (Con)
 Scott, Tavish (Shetland Islands) (LD)
 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)
Wilson, John (Central Scotland) (Ind)

The Presiding Officer: The result of the division is: For 64, Against 57, Abstentions 0.

Motion agreed to,

That the Parliament agrees that the Budget (Scotland) (No.5) Bill be passed.