OFFICIAL REPORT
AITHISG OIFIGEIL

Finance and Public Administration Committee

Tuesday 16 January 2024

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

Tuesday 16 January 2024

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FINANCE AND PUBLIC ADMINISTRATION COMMITTEE
2nd Meeting 2024, Session 6

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*Michael Marra (North East Scotland) (Lab)

COMMITTEE MEMBERS

*Ross Greer (West Scotland) (Green)
*Jamie Halcro Johnston (Highlands and Islands) (Con)
*John Mason (Glasgow Shettleston) (SNP)
*Liz Smith (Mid Scotland and Fife) (Con)
*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jackson Carlaw MSP (Scottish Parliamentary Corporate Body)
Dr Alison Cumming (Scottish Government)
Sara Glass (Scottish Parliament)
Ellen Leaver (Scottish Government)
David McGill (Scottish Parliament)
Shona Robison (Deputy First Minister and Cabinet Secretary for Finance)
Dr Andrew Scott (Scottish Government)

CLERK TO THE COMMITTEE

Joanne McNaughton

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Tuesday 16 January 2024

[The Convener opened the meeting at 09:15]

Budget Scrutiny 2024-25

The Convener (Kenneth Gibson): Good morning, and welcome to the second meeting in 2024 of the Finance and Public Administration Committee.

The first item on today's agenda is evidence taking from two panels of witnesses on the Scottish budget 2024-25. First, we will hear from the Scottish Parliamentary Corporate Body on its own budget bid, before taking evidence from the Deputy First Minister and Cabinet Secretary for Finance.

On our first panel of witnesses, Jackson Carlaw, MSP and member of the Scottish Parliamentary Corporate Body, is joined by the following Scottish Parliament officials: David McGill, clerk and chief executive, and Sara Glass, group head of financial governance. I welcome you all to this morning's meeting, and I intend to allow an hour for this evidence session.

I invite Mr Carlaw to make a short opening statement.

Jackson Carlaw MSP (Scottish Parliamentary Corporate Body): Thank you very much, convener. It is a pleasure to be with you again. I want to take this brief opportunity to set the context for the Scottish Parliamentary Corporate Body's 2024-25 budget bid and to set out some key points.

This is the third of our medium-term financial plans for session 6 and it is aligned with the commitments made in the 2022-23 submission, which focused on setting up Scottish parliamentary services for the challenges of session 6. As with the 2023-24 bid, the key challenges that we face in the 2024-25 bid centre on inflationary pressures and establishing a budget that is fair and affordable and that takes account of continued high inflation.

In summary, the total proposed budget for 2024-25 is £126.5 million, which represents a £8.9 million—or 7.6 per cent—increase on the current financial year's budget. It is also a £6 million—or 5 per cent—increase on the indicative 2024-25 budget that was advised to the Finance and Public Administration Committee last year.

That overall increase of 7.6 per cent is primarily driven by inflation, electricity prices at rates well above inflation, and increases in office-holder costs due to anticipated inflationary staff costs. Unlike the 2023-24 budget, where we were able to partly offset the inflationary impacts with just a 4.5 per cent increase at a time of double-digit price inflation, with more than 70 per cent of our cost base being made up of staffing—Scottish parliamentary services, MSPs, MSP staff and, indeed, office-holders, who, as you will recall, have been subject to recent reviews—there really are no additional material efficiency opportunities available for the 2024-25 budget that would not compromise our operational abilities, particularly the ability of MSPs to hold the Government to account. However, we are about to consider whether we need to adopt any services contracts at Holyrood in the light of changes in footfall and usage post the pandemic to ensure that we are operating efficiently. That will be considered at a high level by the SPCB during the course of this year.

With regard to MSP and ministerial salaries, I confirm that, since breaking the pay link with Westminster in 2015, we have consistently used the annual survey of hours and earnings—ASHE—as our index, as set out in the scheme. Last year, that resulted in an increase of 1.5 per cent, which was substantially lower than general inflation and all other wage inflation indices applied here in the Parliament and elsewhere. The scheme allows the corporate body to use the ASHE index or such other indices as the SPCB may from time to time consider or deem appropriate. This year, we intend to apply the average weekly earnings index at 6.7 per cent, as it would appear to us that the ASHE index has become misaligned with other wage inflation indices over the past few years, for reasons that we cannot properly understand and that we ourselves are investigating. We might well return to it.

It means, however, that an MSP salary will be £72,195 in 2024-25. Prior to breaking the link with MSP salaries at Westminster, MSP salaries equated to 87.5 per cent of an MP's salary; as of 2023-24, they equate to 78.1 per cent. It is also worth noting that the Independent Parliamentary Standards Authority, the independent body that recommends salary increases at Westminster, has recommended an increase of 7.1 per cent for MPs in 2024-25.

Moreover, following the last triennial review of the members' pension scheme, the Government Actuary's Department—the GAD—recommended an increase in the sponsor contributions to the scheme, and the corporate body has accepted that advice. That is reflected in the 2024-25 members' budget.

I turn to staff cost provision. For the 2023-24 budget, the corporate body chose to use the AWE index to uplift the staff cost provision in a move away from the basket approach of indexing staff cost provision annually using a mix of the AWE index and the ASHE index, to which I have referred and which appears to be slightly out of alignment. That had been adopted since 2021-22. General inflation was 10 per cent, the basket was 4.1 per cent, and the AWE index was 5.6 per cent at the time.

In selecting the 2024-25 uprating index, the corporate body has expressed a preference to continue with the AWE index for one further year and to avoid the greater volatility reflected by the ASHE index during this continued period of inflationary volatility. Applying the AWE index for staff cost provision is consistent with the index selected for members' pay, at a rate of 6.7 per cent. That would mean a rate of £156,900 per member. The budget submission includes that assumption.

The Scottish parliamentary service staff budget maintains the staffing baseline agreed in 2022-23, with the 2024-25 budget uprated to take account of anticipated inflationary wage pressures. We have also reflected revised increased My Civil Service Pension contribution rates within our costs for 2024-25.

Following a prioritisation exercise, the total amount incorporated in the 2024-25 budget for revenue and capital projects is £5.3 million. That is a marginal inflationary increase from 2023-24. In our submission, we highlighted a number of major projects in schedule 3 that are under way or are due to commence in 2024-25, such as the on-going building and energy management system, or BEMS, which is driven partly by green issues and obsolescence issues—I referred to that last year—and the corporate systems programme, which encompasses the business-critical applications for finance, people services and payroll. As well as being fundamental, those systems are organisation wide. The projects include the official report digital transformation project, which will replace the system that is used to produce *Official Reports* and aims to address technical obsolescence, improve editing, production and publishing processes, and deliver efficiencies in the operation and maintenance of the information technology system; *Business Bulletin* replacement, which aims to deliver a new streamlined *Business Bulletin* production process and supporting application; and Windows 10 replacement, with support for our current Windows 10 operating system ending in October next year.

The office-holders' 2024-25 budget submissions total £18.3 million, which is £1.7 million—or 10 per cent—higher than the current year budget. As the committee knows, the corporate body carefully scrutinises the office-holder budget bids and challenges if no clear justification for increase has been given. Above-inflation increases in 2024-25 are driven by anticipated staff costs across all the office-holders and additional functions added to the remit of the Scottish Public Services Ombudsman.

We continue to include a contingency provision, but we have reduced that back to the 2022-23 level of £1 million this year to reflect a widespread expectation of reduced inflationary volatility during the course of the budget year. That was the reason why we built the extra contingency in last year.

That concludes my remarks. Some of that is obviously quite technical and some it is for the record. I thank members for their patience.

The Convener: Thank you very much. I will try to keep my questions fairly short, given that we have only about an hour and other members will no doubt wish to come in.

You talked about a submission that is "fair and affordable"—that is also mentioned in your submission. Do you think that it is fair and affordable for the Scottish Parliament's budget to go up by 7.6 per cent when the Scottish Government's budget for everything that it is responsible for is going up by only 2.6 per cent in terms of resource over the next financial year?

Jackson Carlaw: As we have identified, a significant part of our budget—80 per cent—is driven by the staff costs in the Parliament. In the previous parliamentary session, we took critical decisions, which were driven by this committee's requests and by MSPs, to increase the resource made available to MSPs to run their offices and to the overall structure of the Parliament. We and committees felt that it was important that the resource existed to allow the committees to hold the Government to account. Obviously, we apply as rigid a discipline as we can.

We have operated from the principle that it is the responsibility of the Parliament and the corporate body to ensure that the Parliament can operate to maximum capacity in its ability to support members in holding the Scottish Government to account. It would be open to us to do anything differently only by compromising that ability, and the corporate body is not prepared to submit a budget that would do that.

The Convener: We are going to have an evidence session with the Deputy First Minister, which will probably last more than two hours, in which we will discuss how those in lots of areas of Scottish Government responsibility will have to deal with just that issue. The corporate body seems somewhat out of kilter with that.

The staff pay budget is to increase by 7.7 per cent. What is the differential between basic pay going up and what might be called grade inflation? We have the same number of staff—I understand that there have not been many additions and that last year's increase in staff numbers has been consolidated. Where are we on that?

David McGill (Scottish Parliament): I am happy to take that question. We have looked across the staff profile and there is no evidence of any grade inflation at all. We looked at the job evaluation factors, which decide what grades sit where in the organisation. That has been independently assessed in the past few years and we have been given a clean bill of health on that.

The profile has barely changed from 2018—if anything, there has been a minor reduction in the proportion of jobs that are at the very senior level—so we have no evidence of grade inflation. That reflects the corporate body's approach, which has always been to ensure fairness and equity and that salaries are proportionate for the jobs that we have. That is evidenced by the fact that more than 90 per cent of our jobs are filled at any one time and we have low turnover rates; we have managed to eliminate the gender pay gap this year, too. All the evidence is that the pay structure that the corporate body has, as a strategy, means that the pressures that can lead to grade inflation in other organisations do not exist under Scottish Parliament pay scales.

The Convener: The allocation that MSPs are given to employ staff is to go up to £156,900 per member. What is the utilisation of that? On average, how much do list and constituency members use that budget?

Sara Glass (Scottish Parliament): On utilisation, you will remember that we increased the expected vacancy gap when setting the budget last year. We previously expected uptake of 95 per cent, which we reduced to 93 per cent. We have kept the same utilisation rate for next year's budget. In the current year, which is the first time of being at the lower rate, we are close to maximising that across the total. We do not expect to have much underspend at the end of this financial year for staff cost provision.

The Convener: Is that for MSP staff cost provision?

Sara Glass: Yes.

The Convener: I suppose that that is fair enough.

Your letter talks about considering whether you

“need to adapt any services/contracts at Holyrood in light of changes to footfall and usage post pandemic to ensure”

operating efficiency. Why is that process taking so long? I would have thought that such changes would have been implemented long before now.

Jackson Carlaw: I do not think that there is ever a year zero in examining such issues. The process is on-going, but changes that we make often lead to consequential opportunities.

David McGill: That is very much the case. This is the next phase. In the previous couple of years, since we started to come back into the Parliament building, we have looked at ways of using the building and responding to the demands for increased flexibility from members, members' staff and parliamentary staff. Around the organisation, we have created touchdown desk spaces, bookable desk spaces and collaboration areas. Pre-pandemic, we had something like four offices that could be used for hybrid working, which we have increased to 60 over the past two years. We have also created quiet spaces for people to work in—the principal one is the hub area, which is just off the garden lobby.

We have spent the past two years focusing on that. We are now looking at the information that we have gathered about footfall in the building and at what can then be done. Some of that might require changes to contracts, so we would need to wait until those contracts expire. It is not the case that we have not been doing anything; we have been building the evidence base that we would need in order to make changes to contracts when those come up for renewal.

09:30

The Convener: I notice that property costs have gone up by 13 per cent to just over £9.8 million. What is the reason for that?

Jackson Carlaw: I am sorry—which costs?

The Convener: Property costs.

Sara Glass: There are several key categories within the property costs, the most material being rates, maintenance, utilities and cleaning. Of those, the costs of rates, utilities and cleaning are all increasing faster than inflation and there are a number of drivers for that.

The biggest increase in property costs comes from utilities, particularly electricity, and that cost comes from electricity pricing, not usage. Our electricity is purchased through Scottish Government contracts, which endeavour to pre-buy a significant amount of electricity ahead of the year. When we put the budget together this time last year, we understood, as is normally the case, that about 80 per cent of our electricity would be pre-bought, but that turned out not to be the case: only 60 per cent was pre-bought. Also, because the whole of the prior year had been fully bought at prices set before the Ukraine war, we saw the price go from 12p per kilowatt hour to 23p per kilowatt hour on 1 April last year. It almost doubled, and we had that full pricing exposure for the element that was not pre-bought.

Although we are showing that impact in next year's budget, a significant amount has been realised in the current financial year, which has been covered by contingencies. The assumed rate increase for next year is quite minimal, but the bulk of the issue has been in the current financial year, so that is a big part of the increase.

There is a similar issue with cleaning. The current year costs are ahead of what we had assumed in the budget, leading to a big increase from budget to budget. Essentially, we missed the inflationary increase in the current year's budget, so we have that catch-up for next year.

We also have a material increase in rates, which crystallised during the year. The district valuer reassessed the rateable value of the Holyrood campus during the year, but we could not have anticipated what that would turn out to be. That has driven an extra £170,000 of cost into the current year, which will roll forward. We have assumed a relatively modest increase, below the rate of inflation, in the rates for the coming year. The issue crystallised in the current year.

Those are the three key factors in our property costs, with electricity pricing as the really big headline in that area.

The Convener: I will touch on two further points, the first of which is IT. When I look at IT, alarm bells ring, given the £3 million that was, in my view, squandered on a not-particularly-great alleged improvement to our website and which we have discussed at some length in previous years.

I see that improving the *Business Bulletin* is going to cost some £300,000 to £500,000, which seems to me a rather large and excessive amount of money. [*Interruption*.] I am sorry—it is the *Official Report* project that is going to cost £300,000 to £500,000, while the *Business Bulletin* will cost £245,000 to £370,000. I am struggling to understand the demand for those changes and why they are going to cost so much. The Windows 10 replacement in 1,600 devices seems to be costing £143,000 to £396,000, which looks almost modest when you think about the work involved. I am trying to get my head around why the changes to the *Official Report* and the *Business Bulletin* are so expensive.

Jackson Carlaw: As someone who is IT-blind, I share your astonishment at those matters. The corporate body, which I might uncharitably say is much like me on those matters, expects to be given some comprehensive understanding and briefing.

Sara Glass: On the *Official Report* project, those figures are estimates at the moment. The business case at a strategic level has been approved, and the team is going out to tender, so the figures could be different—the range that you have in the figures is the current estimate. A proportion of that—more than £100,000—is the backfill for staffing, so that we can release staff to work on it. We do not resource staffing levels to a level that would support that.

The Convener: I do not understand why it will cost £100,000 in staff time to upgrade the *Official Report* or the *Business Bulletin*. Frankly, I do not understand why the tasks are necessary but, to me, you are talking about £100,000 as if it is nothing when it is a lot of money to work on something like upgrading the *Business Bulletin*.

Sara Glass: That figure is for the *Official Report* project. Essentially, it is for the time that the staff need in the design and early preparation stages, and then in the testing and implementation. I guess that, in the past, when projects have perhaps not been as successful in delivering the change and benefits that we expected, that has been because we have not fully resourced them. We assumed that people could do it on top of their—

The Convener: So the £3 million that was spent on the website wisnae enough tae actually deliver a quality website. Is that what you are trying to say?

Sara Glass: I did not specifically reference the website. Any strategic change in the past could fall into that category.

When the current *Official Report* system, editOR, was implemented in 2010, it cost £475,000, which in today's money would be more than £700,000. The estimate for the piece of work that we are discussing is lower than that. Clearly, business cases come to the strategic resources board, and projects and programmes are shared with the corporate body, so they are heavily scrutinised in the process of being approved.

To give some assurance, we challenge the figures and ensure that the assumptions are robust. Equally, on an on-going basis, the budgets that are allocated are closely monitored and challenged.

The Convener: I am still not sure why those things are obsolete. What is it that they do not deliver that they need to deliver? With the bulletin, for example—I mean, it is just a *Business Bulletin*.

Sara Glass: I am not an expert but, as I understand it, the bulletin is extremely complex to produce and involves lots of data and information from lots of different parts of the organisation. The system is cumbersome and possibly not as user friendly as it could be.

Jackson Carlaw: I assure you, convener, that we had a presentation on that, which was extremely persuasive. I am sure that we can facilitate your engagement with that presentation, if that would be helpful.

As we are a couple of old-school stalwarts, I will add that the *Official Report* is now sent to all members at the start of each day. That was at my request, which I made because of an underlying prejudice of mine. When there was a physically produced *Official Report* in hard copy on paper, members would regularly be seen in the chamber picking up a copy and perusing the wider discourse of parliamentary debate. Now that the *Official Report* is available only digitally, I wonder about the extent to which members spend any time looking at it to see what has been discussed in Parliament beyond their involvement in a particular debate.

To come back to the original point, on whether the *Official Report* is an important document, I think that it is, but the corporate body continues to think of ways in which we can ensure that there is wider engagement with the *Official Report* by members, because it is a valuable way of updating members on the wider portfolio of issues that are being discussed in Parliament.

The Convener: I absolutely agree. I remember that, when Jim Eadie was in the office next to me, he had a mountain made up of every *Official Report* that had been published since he had been elected. It is an invaluable resource, and I commend you for ensuring that members get it every day. I know that, when the new website was introduced, we were still able to access the *Official Report* on the old website. It is very important, and it is also important to cross-check what people have said in previous debates. I am just not sure why it needs to be updated. However, we will move on.

Inevitably, the last thing that I want to talk about is the issue of office-holders. You have talked about a 10 per cent increase, which is very significant given that other areas of the Scottish budget are under severe pressure. When you look at the eight office-holders in some detail, the 10 per cent increase hides a multitude of sins. For example, if we look at staffing costs, we see that the salary of the Scottish Public Sector Ombudsman is up 12.8 per cent; that of the Scottish Information Commissioner is up 9.8 per cent; that of the Commissioner for Children and Young People in Scotland is up 17.5 per cent; that of the Scottish Human Rights Commissioner is up 11 per cent; and that of the Commissioner for Ethical Standards in Public Life in Scotland—who I remember had a big jump last year, too—is up 14.2 per cent. The budget of the Standards Commissioner for Scotland is up 13.2 per cent and that of the Biometrics Commissioner is up 16.3 per cent, while the Electoral Commission is up only 4 per cent.

Jackson Carlaw has already talked about the SPCB's careful scrutiny of that and has mentioned, for example, the increasing functions of the ombudsman. However, the ombudsman's staff budget is now more than £6 million, which is the equivalent of the staff budget of 40 MSPs. I am not convinced that the office of the Scottish Public Sector Ombudsman does the work of 40 MSP offices. In fact, I would be shocked if it did, given the amount of work that comes into my office and, I am sure, the offices of many other MSPs. How can those colossal increases in salary for all but the Electoral Commission be justified at this difficult time?

Jackson Carlaw: Thank you for that trenchantly-put sequence of observations. I will come to David McGill in a moment, but the first thing to say is that percentage increases can look quite sensational in relation to some relatively small budgets.

As you know, the corporate body has discussed with the committee the overall expansion and principal understanding of what office-holders are doing, and we are grateful for the inquiry that you now have under way. However, the corporate body's responsibility is not to editorialise, but to enact the will of Parliament; that is why, Parliament having decided that the office-holders shall exist, our responsibility is to ensure that they are able to undertake and dispose of their functions effectively. Some of them have had additional responsibilities applied to them and some have made budget submissions that Huw Williams and Janice Crerar, who operate with the office-holders on a daily basis, have interrogated, and which the corporate body has declined to accept.

It is therefore not the case that the budget before you has not been scrutinised, analysed, interrogated and, in some cases, declined. However, some of the office-holders still have relatively low overall costs such that, when you apply a percentage, it can look quite significant, although it could, in fact, be the case that just one additional employee or partial employee has been added to it.

I will allow David to expand on that.

David McGill: This is an area of concern. The corporate body is concerned about the growing proportion of its overall budget that is being consumed by office-holders and is very engaged with the work that the committee has announced that it will undertake.

On staffing costs, I would point out that, across the piece—and Jackson Carlaw mentioned this in his opening remarks—70 per cent of the Parliament's budget is staffing. That goes up to 80 per cent when you look at the office-holders, so their flexibility in relation to non-staffing costs is much reduced.

The Convener: That is because you keep increasing the number of staff. If every other cost is fixed and you increase the staff budget—as the Scottish Public Sector Ombudsman has done by £700,000—that will increase the percentage of the budget that goes on staffing.

David McGill: This year, when you look across the piece, you will see a proposal for only one extra member of staff across all the office-holders, and that is being funded almost entirely from within existing budgets. The cost pressures this year have come from the inflationary increases that we have talked about. A recent change in pensions legislation has also added another £100,000 to the staffing budget.

We talked last year about the Ethical Standards Commissioner employing more staff. Those staff are moving through progressions, and commissioners are entitled to pay progressions, too. That adds costs over and above just salary increases, which I think has been a feature of those budgets.

The Convener: Last year—and this is from memory—the Ethical Standards Commissioner got an additional 7.4 members of staff. They are on an average salary of £57,700, which is going up by 14.2 per cent. Are all those folk who started last year getting promoted?

09:45

David McGill: Those staff would have started at the bottom of the scale. Those costs would not all be salary costs, but would include pension and employer national insurance costs, too. Those figures do not all relate to salary.

On the point that you made about the ombudsman, the office-holders who are responsible for investigations and complaints are required to go through a statutory process, so it is perhaps not possible to make the comparison with MSP offices. We know that MSPs signpost constituents to the office-holders in some cases. The ombudsman fulfils a variety of functions that go beyond just the investigation of complaints; as well as acting as the ombudsman, she is the national whistleblower officer for the national health service, and she also oversees the welfare fund.

The Convener: The figure sticks out when we are looking at all the other areas that the Scottish budget has to fund with a 2.6 per cent increase in resource. As I am sure that you see, that figure looks way out of kilter.

You said earlier that there are some people to whom you have said "Nyet". To whom have you said, "No, hold on—we do not actually think that that salary or budget increase is justified"?

David McGill: We mentioned last year that we had done that with the Scottish Human Rights Commission, which had bid for a significant increase in staff.

The Convener: Sorry—I meant this year.

David McGill: This year, we have not rejected any staff bids or proposals for an increase in the staff base.

Jackson Carlaw: However, we have interrogated requests for additional moneys to fund particular projects, some of which we have asked to be deferred or to be looked at again.

The Convener: I will not continue, as colleagues are keen to come in.

Liz Smith (Mid Scotland and Fife) (Con): Mr Carlaw, you made an interesting remark in response to the convener when you said that, as the SPCB sets its budget, one of the underlying principles is that the budget has to ensure that the Parliament is holding the Government to account and is providing proper scrutiny. Do you think that that is the appropriate principle by which we should judge whether we have the correct number of office-holders and commissioners, or do you think that there are other underlying principles that we should be considering?

Jackson Carlaw: I am tempted to answer that question on a personal basis as well as on behalf of the corporate body. I return to the point that the corporate body's responsibility is to enact the will of Parliament. It is a matter of public record that the Presiding Officer has raised the issue of office-holders with the Scottish Government. Last year, I made a particular point of raising the matter with the committee.

As a long-standing member of the Scottish Parliament who, in my first session in 2007 to 2011, was on a committee that had been charged by Parliament to rationalise the number of office-holders that we had at that time, for which there was an unabated enthusiasm among members in the Parliament, in this session of Parliament, I am struck—as are my colleagues in the corporate body—by the attraction to colleagues of embracing campaigns that will lead to the creation of additional commissioners. That has almost become the de facto or go-to response. The reason that we raised the issue last year in particular was because although we respect the will of the Parliament, we can see that the areas in which we are beginning to generate commissioners, if accepted by Parliament, could make it harder for Parliament to justify not creating commissioners in other areas where one could say that there was a similarity, either in their responsibility or function, and that could lead to an exponential growth of commissioners.

There is a question of democratic accountability in my view as to why we as a Parliament were set up in the first place and whether we are devolving from ourselves to others responsibility for matters.

My working knowledge in whatever walk of life I have been in is that when institutions of that character are created, they invariably grow in remit and in size, and that appears to be the case. Part of that is that as the public becomes more aware of such institutions, more inquiries are made and, therefore, the responsibility grows. As is also the case with initiatives that are being progressed by MSPs, perhaps in relation to matters such as freedom of information, we could, as a Parliament, take decisions that will significantly grow the responsibility of the commissioner to whom that responsibility has been devolved.

There is a big question for MSPs in all this as we look to the future. You will see, with the addition of the patient safety commissioner, which role was approved by Parliament in the past couple of months or so, that the increase in the office-holder provision in the indicative budget for next year is significantly ahead of the inflationary increase that we expect to apply to the rest of the Parliament. The overall cost of office-holders as part of our parliamentary budget is incrementally increasing, so there is a financial aspect and an accountability aspect.

I am sorry—that was a long answer, but I hope that it was helpful.

Liz Smith: It is a very helpful answer, and I think that it ties in largely with the feelings of a lot of members of this committee.

It is obvious that the SPCB has a limited role, as you rightly say, to enact the will of Parliament, and it is not for you to make decisions about what should happen. However, when we have taken evidence from civil servants and Scottish Government officials, there seems to be a lack of clarity about who should make the decision over how many commissioners we have and in what respect they would be held accountable to the SPCB. There is a bit of a lack of clarity, but that is not the SPCB's fault.

There are two things that we should pick up as we look at the issue. First, we have to ensure that whatever structure we come out with enhances the scrutiny of this Parliament, but secondly, we must be very clear about the decision-making process on how many commissioners we have. I seek your agreement that those are the two main issues that the SPCB will consider, as you obviously have to put another budget in train this time next year.

Jackson Carlaw: You identify the two key issues. The latter is the one that I wrestle with, because it is not clear to me that any overarching body is looking holistically at the office-holder landscape. The corporate body's responsibility is to enact the will of Parliament. The Scottish Government can propose the establishment of commissioners. Members of the Scottish Parliament can propose the establishment of commissioners through members' bills.

In my experience, every one of those proposals has been considered in isolation in relation to the actual proposal before Parliament, but never in terms of the overall landscape. In the most recent debate, I, on behalf of the corporate body, tried to introduce that point into the discussion on the patient safety commissioner. It becomes very difficult in a debate about progressing legislation in respect of a particular commissioner, when everything in that debate is about the merits of the position in question, to have a wider discussion about what Parliament is doing in the round, seeking to do or prioritising. Even if you were to argue in favour of commissioners, we are considering those issues not in any structured way but on the basis of who is proposing what at any given moment in time.

Liz Smith: Do you think that it is the unanimous view of the SPCB that we need more clarity on the whole issue and, therefore, greater accountability?

Jackson Carlaw: Yes, it would be fair to say that that is the view of the corporate body. Further, it would be fair to say that we are of the view that this is something that members should try to wrestle with and resolve in this session of Parliament, because the difficulty could be that a new cohort of MSPs might accept the landscape as they find it and simply seek to expand it further without those considerations and longer-term perspectives being reflected.

Liz Smith: And the increasing costs that go along with that.

Jackson Carlaw: Indeed.

John Mason (Glasgow Shettleston) (SNP): I will leave the subject of commissioners, as it has had a good airing, and we are looking forward to the inquiry on that.

I wish to follow up on some of the points that the convener has raised. I think that using the AWE index is a reasonable way forward, both for MSPs and for MSPs' staff. I have worked out that the average for the MSP increase over the past four years is 2.9 per cent, which I think is pretty easy to sell, or reasonable, as some of the public, at least, do not want us to have any increase.

I think that you said that you are going to do more work on the ASHE figures and their volatility—which is the word that has been used. Do you have any clarity as to why those figures are volatile or more volatile than other measures?

Jackson Carlaw: No—although I think that we are looking into that. For as long as we were in a sustained period of very low inflation, which was the case until the most recent issues became prevalent, this point did not seem to be one that mattered. We may well return to the ASHE index; we did not move away from it lightly. When I came to you last year and discussed the ASHE index, with a recommended increase of 1.5 per cent, I said that we were not trying to be virtue signalling. We believed that there was a lagging factor in the ASHE index, which would be reflected this year. We were surprised to find that that did not happen; we do not know why it did not happen. That is obviously a matter that we want to investigate. It has an impact on the salary increase of MSPs and on staff cost provision. We think that the average weekly earnings index is a more reliable index for us to use, while we investigate the issue.

You are right: over a period of time, the situation is as you suggest. There was a year when we did not take the ASHE increase of 5.1 per cent but took nothing, because we were reflecting the stresses and strains of the pandemic in that particular year.

John Mason: I will turn to some of the projects that are coming up. You have already mentioned the increased use of hybrid working, which means that there are more spaces where people can work. How successful has the hub been? We all pass it regularly, and it does not appear to be very busy, but perhaps it is well used.

The submission contains the line:

> "Office space planning and moves - £200k".

What is that for?

Jackson Carlaw: I will let David McGill start on that.

David McGill: The information that I have is that the hub has been very successful. Indeed, it has been surprisingly successful in relation to MSP staff. I understand that, whereas accommodation can be quite constrained in the MSP block, lots of MSP staff have chosen to use the hub. I stress that it is available to all pass holders—not just parliamentary staff.

I will pass over to Sara Glass on your other question, as she might be able to answer it better than I can.

Sara Glass: I have a breakdown of the £200,000 and how it is allocated. First, a review of the upper basement is planned. There is work in the MSP block to provide phone booths for private calls and Teams meetings for members of staff. There is to be new signage in the MSP block and the ministerial tower to simplify the changing of text. Room UB.24 is going to be converted into an additional rest area for security staff—I understand that they do not have anywhere at the moment. There is some office reconfiguration and consolidation in one area, and there is consolidation of office space to create capacity in another area. There is an unallocated balance at the moment.

John Mason: That is fine—that gives me a feel for it.

So, there appears to be a problem with the open-plan aspect for MSP staff, in that they can all hear one another when they are having discussions. That is a downside of the open-plan system.

Sara Glass: Yes. I guess that the hub is sometimes used for that purpose—providing spaces that are a little bit more private. It is in the plan to do more in the MSP block, using that £200,000.

10:00

John Mason: Okay—I will not go into that in any more detail.

Another issue is the £415,000 for net zero scrutiny. I thought that we were doing net zero anyway, but I note a reference to

> "other projects, including ... embedding Sustainable Development thinking and support to members/committees on Net Zero".

Is that work aimed more at committees?

Sara Glass: The net zero funding in the current year includes the spend on the building and energy management system. As for the number that you have highlighted, we are doing work to improve scrutiny from a sustainable development perspective, but I would be surprised if the value were as significant as that.

Jackson Carlaw: I think that we are slightly at sea here. We can take this away, look at it and come back to you, if that would be helpful.

John Mason: I did not pull that comment directly off your papers. It is from page 17 of our own paper; I do not know where it comes in yours, but in ours, it comes in a list of

> "Projects to be funded in 2024-25".

The final one in that list is "other projects", with a figure of £415,000.

Sara Glass: Ah yes, sorry—

John Mason: Part of that, probably, is the embedding of sustainable development.

Sara Glass: Yes. There are several projects in there; embedding sustainable development is one of them, but there are at least five or six others.

John Mason: I take your point that MSPs take up about 93 per cent of their staffing allocation. Is this just wishful thinking, or is there any way of encouraging MSPs to keep their spending down voluntarily, even if they are allowed to spend up to that limit? A problem that we have in the public sector is that, because you have a budget of X, you feel that you have to spend X. We see that in many areas; indeed, I have heard colleagues discussing this and saying, "I've got this budget, and I must spend all of it." Is there any space for encouraging MSPs to save money? After all, if they save money, that will help someone else.

Jackson Carlaw: We certainly do not have a window sticker that says, "You must spend your budget". It is open to members to determine that.

Very often, the uptake happens because of in-year changes. Staff leave, and it then takes quite a period of time for them to be replaced. For example, in my own office, a highly paid member of staff left unexpectedly, and there was a period of time in which I reassessed whether I wanted to replace that individual in quite the same way. It has meant that, in this particular year, my own utilisation of the staff provision will be less than it has been in other years. That kind of reality will apply across most parliamentary offices, making it unlikely that we would ever have a year in which there would be a 100 per cent utilisation of the overall budget.

We have worked out that 93 per cent figure by looking at experience over the years, particularly the mid-years of a parliamentary session. Obviously, in the first year of a session, the figure will usually be less than that, because there will be a lot of new members who will not have any staff at all and will be in the business of recruiting them. It therefore seems relatively reasonable to look at the mid-years of the Parliament if we are looking to pitch things at the required level.

John Mason: I will not pursue that issue.

I assume that you are always looking at ways of saving money, doing things more efficiently and that kind of thing; indeed, efficiency has already been mentioned. I do not know how often the MSPs' offices are cleaned, but I get the impression that someone goes into all the offices every night. I do not think that that is necessary. My office is fairly tidy, I think—indeed, people do not tidy it; they just clean it—but it appears that my desk gets rearranged every night. I wonder whether something like that could be reduced to, say, once a week.

Jackson Carlaw: Let me take that away and see what the arrangement is. As it happens, whoever is in charge of cleaning swung by my office this morning to ask whether I was completely satisfied with the cleaning, to which I said that I was. However, I take your point that it is not a case of tidying offices. I think that it would be beyond anyone's ability to do that, having visited some colleagues' offices.

John Mason: My final question is about the Parliament shop, which has not been mentioned so far. It occurred to me that there is a bit of a challenge in that respect, given that members of the public who might want to buy something from the shop have to come through the whole security system in order to get to it. Have you thought about making some of the products available in another shop on, for example, the Royal Mile, perhaps on a franchise basis, so that we could boost sales and maybe make a bit more profit from the shop?

Jackson Carlaw: Can you illustrate that with a product that you have in mind?

John Mason: Lots of items on sale in the shop are attractive, such as the Parliament-branded chocolate, scarves and ties, which are presumably not available anywhere else, except online.

Jackson Carlaw: Where there were six sales.

John Mason: Is that right?

Jackson Carlaw: Literally six.

It is an interesting concept. The question is: how attractive are such things to the wider public? It was something of a surprise to me when looking at sales to see how little Scottish Parliament-branded material is purchased online.

We have not looked at what you have suggested. As with all suggestions, I will go back and allow officials to give it consideration. However, I am slightly mystified as to whether there is the sort of wider appeal for these products that one might hope.

John Mason: I will just finish off by saying that some of the products are very attractive. I buy scarves regularly for raffle prizes and things like that, and people are generally very positive about them. The slate place mats are very good as well.

The Convener: They are not as positive as they would be if you had bought a bottle of whisky for the raffle, John.

I call Michelle Thomson, to be followed by Michael Marra.

Michelle Thomson (Falkirk East) (SNP): I will be very quick, as most of the topics that I wanted to cover have come up already.

If the panel can bear it, I have one more little question about commissioners and office-holders. You have mentioned that your figures are heavily caveated, given the continued uncertainties around and the associated costs of new commissioners. Assuming that all the proposed commissioners are put in place, have you estimated what impact that will have on the budget? I appreciate that that information is not the budget bid, but have you done that work?

David McGill: We have not looked at that across the piece, but we try to be proportionate with regard to the point at which we start to do that sort of thing. We have input into the creation of financial memoranda. For example, the Parliament has passed the legislation to establish the patient safety commissioner for Scotland, and we know that the projected running costs for that will be £644,000 a year. The legislation establishing a victims and witnesses commissioner is now at stage 1, and the cost for that is, I think, about £615,000 a year.

In relation to other proposed commissioners, the related legislation is at the draft stage at this point. As for the human rights bill that the Government will introduce, we understand that there is provision in the draft financial memorandum for more legal support of about £150,000.

We try to work with the Government as it develops its proposals, and similarly with the non-Government bills unit when it develops proposals on behalf of members. We input into that work and gather information to determine what the cumulative impact would be.

Michelle Thomson: Okay. Obviously, there will be set-up costs, but there is also the need to build in on-going annual funding.

I suppose that my other question alludes to the convener's opening question. Given some of the constraints on the Scottish Government, have you ever thought of volunteering the Scottish Parliament to place itself on a fixed budget, similar to the Scottish Government's position?

Jackson Carlaw: Can you explain a little further what you imagine that might involve?

Michelle Thomson: Politically, I am as capable as anyone of complaining about the nature of a fixed budget for the Scottish Government, but, from a financial perspective, it brings discipline, because it requires hard choices to be made. To pick up on the convener's opening comments, I suppose that I want to explore with you whether you have ever considered advising that your budget be made on a fixed basis.

Jackson Carlaw: As someone who has sat on the Scottish Parliamentary Corporate Body through more than one parliamentary session and who also sat on the corporate body when we went through very difficult financial times as a country, I know that we applied very rigorous controls to our budget, leading, at one point, to significant reductions in the overall cost of staff provision at that given moment.

I will turn to David McGill in a moment, but I come back to the fact that, particularly in this parliamentary session, we have been consolidating views expressed in the previous session that we were underresourced with regard to support for committees as well as very strong representations from parliamentarians, who felt that their offices were underresourced, too. In comparison with other Parliaments elsewhere in the United Kingdom, there was a reasonable case to be made in that respect, but embracing those changes meant a significant financial increase.

At this point, I should correct the record. I think that I might have said that 80 per cent of our costs as a Parliament are for staffing; however, I was thinking of office-holders at that point. The figure is 70 per cent. Even when that is the case, it is difficult to see anything other than a negative consequential impact on our ability to operate as a Parliament if we were simply to unilaterally adopt the principle that you have suggested.

David McGill: It is an interesting concept. I have to say that it is not one that I have considered before, so I might give it a bit of further thought.

The loss of flexibility that Jackson Carlaw has talked about would be a major challenge. I am thinking of the additional powers that the Parliament got in recent years through the Scotland Act 2016 and the seismic change with the European Union. How would we respond to that? Sara Glass has alluded to the fact that, last year, when inflation was running at 11 per cent, we brought forward a budget with a 4.5 per cent increase. We have the ability to flex in different circumstances, and to give that up for the perceived benefits of a fixed budget would be a particular challenge.

Michelle Thomson: You have made a very compelling argument against fixed budgets.

My final question concerns the cleaning budget. You have noted the increase, but the budget submission says:

> "The contract price increase for the 2023-24 budget was omitted."

I was not clear about that, but having read it out, I think that I understand what it means. We did not have the base price—that is now clear.

I am just checking my notes, but I do not think that I have anything else to ask. Everything else has been covered.

Michael Marra (North East Scotland) (Lab): I will briefly return to the office-holders. We have had some conversations ahead of an inquiry that we are about to undertake about the capacity of the corporate body to scrutinise them. You have said that significant challenge has been made to the office-holders in the budget process and the bids that they have put in, but does it stretch the capacity of the corporate body to do that work?

Jackson Carlaw: As we have come to appreciate the concerns around the growth in the number of office-holders, we have, among ourselves, questioned the ability of the corporate body to look at and properly scrutinise those matters. We did a piece of work on whether other structures were open to us, and we looked carefully at the legislative framework in which we operate. The corporate body cannot devolve its responsibility for scrutiny of office-bearers; it is a requirement under the legislation that the corporate body is responsible for those matters. We have therefore, within the time that we meet and in our agendas, sought to expand the scope that we have for proper scrutiny of office-holders.

We have been going through a sustained period of having each one of the office-holders attend a corporate body meeting to explain and justify their budget and to talk more generally about the work that we are doing, so we are increasing the interest and scrutiny that we bring to the task. However, I do not diminish the reality that this is a corporate body that, at one time, had to scrutinise two office-holders, is now having to scrutinise eight—if the patient safety commissioner is the eighth—and might be invited to scrutinise even more. Moreover, it has to scrutinise office-holders whose responsibilities, in some instances, are increasing, too. That becomes a challenge.

However, this is our responsibility from a governance point of view. The actual performance of office-holders is the responsibility of parliamentary committees. In some cases, one or two committees have responsibility for several office-holders. Accommodating that into their ability to do the work that they might wish to do, to scrutinise legislation and to hold the Government to account is an equally significant challenge.

10:15

David McGill: On the staffing side, the pressures are immense, too. We have one full-time member of staff who oversees the office-holder landscape for us. She has the ability to call on other people on an ad hoc basis, but I really do not think that that is sustainable, either.

As well as the additional office-holders that we talked about, there are other sources of increased pressure. For example, the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Bill, which the Parliament passed just before the Christmas recess, gives two of the office-holders the ability to raise legal action on behalf of the people whom they represent. We are not clear about what costs that might add.

I talked earlier about the human rights bill that is coming forward. That will not create a new office-holder, but it is likely to significantly increase the Scottish Human Rights Commission’s remit. We also have a member’s bill that is looking to make radical changes to the freedom of information regime, and that is bound to bring with it additional costs for the Information Commissioner.

All those expansions put incredible pressure on that member of staff. I will look to existing budgets to see what can be done there, but it is not outwith the realms of possibility that I might be sitting in front of this committee next year, looking for an increase in parliamentary capacity in order to continue to oversee the governance of the growing office-holder landscape.

Jackson Carlaw: I would very much like to pay tribute to Huw Williams and Janice Crerar, who are hugely experienced staff and on whose experience we fundamentally rely as the commissioner landscape grows. They have done a first-class job on behalf of the Parliament, liaising with the various commissioners and assisting in informing the corporate body.

Michael Marra: I am reasonably satisfied with those answers and the detail that you have all given today regarding the commissioners and office-holders. It feels to me that adding a further four commissioners to that workload has made it untenable, but I know that we will hear much more on that in our inquiry.

Jackson Carlaw: I will say something about a comment that I made earlier. In my own group, there is a general acceptance of the principle that we have a growing office-holder landscape. However, when it comes to saying, “Don’t stand in the way of the commissioner that I want to create,” individual conflict arises. That is one of the things that we have to wrestle with.

Jamie Halcro Johnston (Highlands and Islands) (Con): I have noticed that the contingency budget has decreased by 33 per cent. Can you explain that? Has it been higher than it needed to be in previous years, or is it just because of circumstances?

Jackson Carlaw: It is back to where it had been. We had a higher budget last year, which, I seem to remember, I might have been responsible for advocating, because we were in a year in which we were uncertain about inflation. It is worth remembering that, when we presented last year's budget, the forecast of the external bodies was that we would be in negative inflation by April this year, but that has proved to have been somewhat ambitious. At that point, the corporate body was slightly cautious about accepting that view, and it therefore chose to have a higher contingency to meet what looked to be a much more volatile position than was necessarily being presented. This year, we felt that it would be wrong simply to maintain that higher level of contingency, so we have brought it back to a figure that is more typical and similar to the one that we had previously.

The Convener: I will finish with the issue of cleaning, which has been brought up by both John Mason and Michelle Thomson. The cleaning budget will increase by 23.7 per cent to £804,000. That is not in itself a huge figure, but I wonder why there is such a large percentage increase in one year.

Sara Glass: It is simply because, when we set last year's budget, we missed the contract inflationary increase, and we have been paying that amount in the current year. Essentially, what you have from budget to budget is two years' worth of contractual increases rather than just the one.

The Convener: Thank you for that clarification.

I thank our witnesses for their evidence today. We will be continuing with our budget scrutiny, but first we will have a five-minute break until 10.25.

10:20

Meeting suspended.

10:25

On resuming—

The Convener: For our second evidence session on the 2024-25 Scottish budget, I welcome to the meeting the Deputy First Minister and Cabinet Secretary for Finance, Shona Robison, who is joined by Scottish Government officials. Dr Alison Cumming is director of budget and public spending; Ellen Leaver is deputy director, local government and analytical services; and Dr Andrew Scott is director of tax and revenues.

We have just over two hours for this session. Before I open up the discussion, I invite Ms Robison to make a short opening statement.

The Deputy First Minister and Cabinet Secretary for Finance (Shona Robison): Thank you very much, convener.

I thank the committee for its work in the pre-budget scrutiny phase, and I look forward to working with it on the Budget (Scotland) (No 3) Bill.

The challenges that Scotland's public finances face are well known to the committee. When we met on 3 October last year, I said:

> "The budget will be a budget of difficult decisions."—[*Official Report, Finance and Public Administration Committee*, 3 October 2023; c 1.]

The pressures on the 2024-25 Scottish budget cannot be overstated. In my view, they represent the greatest challenge to any Scottish Government since devolution.

We continue to manage a wide range of pressures due to volatility from global factors such as Ukrainian resettlement, the impact of inflation, the cost of living crisis and, of course, the on-going legacy of Covid-19. I say again that the United Kingdom Government's autumn statement delivered the worst-case scenario for Scotland. It contained a fiscal settlement that undermines the viability of public services across the whole of the UK. Our block grant funding for the budget, which is derived from UK Government spending decisions, has fallen by 1.2 per cent in real terms since 2022-23, and our capital spending power is due to contract by 10 per cent in real terms over five years.

As I said in December, we cannot mitigate every cut that the UK Government makes, and we are at the upper limit of the mitigation that can be provided within our devolved settlement and competence. The UK Government has chosen to prioritise tax cuts at the expense of the national health service and other public services, but our values and, therefore, our choices are very different. Our missions and values of equality, opportunity and community were the guiding principles of the budget, which is a budget to protect people as best we can, to sustain public services, to support a growing and sustainable economy, and to address the climate and nature emergencies.

At the heart of the budget is our social contract with the people of Scotland, whereby those who earn more are asked to contribute a bit more, everyone can access universal services and entitlements, and those who need an extra helping hand will receive targeted additional support. We have chosen to do everything in our power to protect Scotland's public services and deliver for the people of Scotland. That includes a £6.3 billion investment in social security and more than £19.5 billion for health and social care, alongside record funding for local authorities and front-line police and fire services.

I welcome the opportunity to meet the committee to discuss the 2024-25 Scottish budget in more detail and to assist with the scrutiny process.

The Convener: Thank you very much for that very helpful opening statement.

You have said again that there will be a 10 per cent reduction in capital over the next five years, but the Scottish Fiscal Commission has said that it will be a 20 per cent reduction. In chapter 1 of the budget document, "Scottish Budget: 2024-25", it is stated on page 5:

> "SFC analysis shows that by 2028-29 our total capital funding is set to fall by 20 per cent in real terms in comparison to 2023-24."

Do you accept that it is a 20 per cent rather than a 10 per cent reduction?

Shona Robison: Let me address that directly. The analyses from the SFC and the Scottish Government forecast a significant reduction in our available capital funding over the medium term. The figures cover different time periods and include different assumptions. The SFC analysis forecasts up to 2028-29 and the Scottish Government analysis forecasts up to 2027-28, and the SFC analysis includes assumptions about our capital borrowing policy and financial transactions that are not included in the Scottish Government analysis. The difference between the figures comes from what is included. I would be happy to provide more information if that would be helpful.

10:30

Using the same assumptions as the Scottish Government, the SFC analysis shows an 11 per cent real-terms reduction in our capital block grant over six years, as opposed to a reduction of almost 10 per cent over five years. If you take into account the capital borrowing policy and the FTs, that is the difference. It will depend on future decisions about capital borrowing that have not yet been made. The SFC has made assumptions that may well change when we get to that position.

The Convener: If the situation is not as bad as we thought, why has the housing budget been cut by a third, to £375.8 million, in the forthcoming year?

Shona Robison: The housing budget is very challenging and we face a large cut in the capital budget. I take your point about whether the cut is 20 per cent rather than 10 or 11 per cent, but the sustained cut in capital budgets is extremely challenging for the housing budget. If you take into account all the other challenges, including inflation in construction costs, the outlook for housing is very difficult.

Having said that, we believe that the investment that we will make in our housing budget will help to lever in private sector investment. The Minister for Housing is working with partners, investors and the private sector to look at how we can lever in additional private investment.

The figure for public capital investment is a decrease of about 13 per cent. One of the main drivers has been the reduction in financial transactions, which have gone down to £176 million. The housing budget has traditionally been the recipient of financial transactions, but those have dramatically reduced. We have had to deploy the £176 million of financial transactions that we do have to the Scottish National Investment Bank, in order to maintain its capability.

Such decisions are not easy. It would probably be fair to say that that was one of the most difficult decisions. If the availability of capital funding changes in the coming weeks and months, housing would be the key priority for that additional capital.

The Convener: The housing budget has had a particularly serious reduction. You have mentioned one set of figures, but we must work with what we have in front of us. Page 53 of the budget document shows that the more homes budget has decreased from £740.1 million in 2022-23 to £564.6 million in 2023-24 and £375.8 million in 2024-25. That is almost a halving of that budget over two years at a time of a housing emergency.

We know that, at the same time, the Scottish Government has made very significant capital investments in other areas. For example, there has been a 12.4 per cent increase for Police Scotland and a 49 per cent increase for digital connectivity; I will mention one or two other increases in a moment when we move on to discuss other areas.

Why has that choice been made? The Scottish Government has quite rightly said that it is a matter of choices. I find it wearisome that no one other than the Scottish Government really makes choices. Everyone says that there should be more money for everything and no reductions in anything. We are in a situation in which capital is decreasing—that is just a fact of life—but why has housing in particular had such a dunt, relative to other areas of the Scottish budget?

Shona Robison: It is partly due to the fall in financial transactions. If you look at CDEL—capital departmental expenditure limit—alone, you will see that there is a 13 per cent reduction, which is not great, but given the reduction in the capital budget of 10 per cent, the fall in financial transactions, which have traditionally bolstered the housing budget, is one of the major challenges and has been an additional difficulty. Of course, there are very few areas in which we can deploy financial transactions. Housing has traditionally been one of them, but we cannot use FTs in other areas of capital investment in the same way. Because they have gone off a cliff, in many ways, the housing budget has been disproportionately impacted.

We had to make a decision on the Scottish National Investment Bank, which is the other recipient of financial transactions. To keep SNIB sustained, we made the difficult decision to deploy the £176 million in FTs to SNIB. As I said, should we find ourselves in a better position on capital budgets going forward, or if we get a better position through the spring budget, the housing budget would of course be the number 1 priority.

Some of the other investments that you have referred to have been particular to projects that have been required in policing and in the area of digital connectivity. We all understand the importance to a number of areas of government and public life of investing in digital capability. Given that the budgets that are available to us are reduced on the resource and the capital side, the easy part is to find areas of budget impact; the more difficult part is to put forward a different set of propositions and choices. We have tried to prioritise on the basis of the budgets that are available, and we have had to make difficult choices to do that. However, part of the budget scrutiny process is to hear alternative propositions.

The Convener: I am not sure that we have heard many alternatives, to be honest.

You talked about levering in private resources to housing. Are we on track to deliver the 110,000 houses that the Scottish Government has pledged to deliver? Is private finance keeping up with the demand and filling the gap that has been left by the reduction in public finance?

Shona Robison: I should say, for context, that we have a good track record of delivering on affordable housing. We have delivered more than 126,000 affordable homes so far, which is 40 per cent more per head of population than in England and 70 per cent more than in Wales. The context is that good track record.

On the target of 110,000 homes by 2032, we have delivered more than 14 per cent of that so far. The most recent figures, which are to the end of September last year, show that almost 16,000 affordable homes have been delivered towards the 110,000 target. Clearly, there is further to go. Because of the really challenging financial position on capital, not just this year but for the foreseeable future, we have had to turn our attention to innovative finance solutions.

The Minister for Housing will provide further detail on that, but he has been engaged with investors and the private sector, where there is clearly an appetite to invest, particularly in mid-market rent, for example. We need to lever in more of that to help us to deliver that target.

The Convener: Sticking with capital, some interesting figures have been bandied around. I am looking at page 62 of the Scottish budget, and there are a couple of issues that I want to raise with regard to the level 3 figures on the trunk road network.

An article in *The Sunday Times* said:

“The collapse in infrastructure spending”

to appease the Greens

“is a national disgrace”,

and it alleges that there has been a 4,000 per cent decrease in spend. I am not really sure how you can have a 4,000 per cent decrease—I thought that 100 per cent was the maximum decrease that you could have—so the article is somewhat innumerate. It claims that only £12.4 million is being invested in A-road trunk routes. However, when I look at the figures on page 62 of the budget document, I see that critical safety, maintenance and infrastructure spend is increasing to £524.7 million, which is a 41 per cent increase. Can you tell us a wee bit about those figures and why there is a 41 per cent increase over one year in that particular budget?

Shona Robison: That relates to critical infrastructure. We continue to support Scotland’s trunk road network by providing more than £1 billion for critical safety, adaptation, maintenance and improvement priorities. That will come in waves, depending on where investments are required. Because of the commitments that we have made on the A9 dualling programme, including Tomatin to Moy, the A83 at the Rest and Be Thankful and the operation of the M8 Woodside viaduct, a number of projects require that investment. That will ebb and flow, depending on what the critical—

The Convener: Do you recognise the figure of £12.4 million?

Shona Robison: No. I cannot account for journalists picking up on particular figures, and I cannot reconcile that with the budget figures. I am not clear where that figure has come from, to be honest.

The Convener: One thing about the level 3 figures on the roads budget that I found interesting is a transparency issue. It says that trunk road network public private partnership payments will rise by 3 per cent to £133.9 million. We know that there is PPP expenditure all over the place, such as for schools in my area and in Edinburgh for hospitals. I do not see PPP payments anywhere else in the budget document, unless I have not read it properly. I wonder why it is on this page but does not seem to be anywhere else. I know that the Scottish Government had to compile the document in a rush, because of the autumn statement, the Scottish Fiscal Commission forecast and negotiations between parties. I wonder why that figure appears here but PPP repayments do not seem to appear anywhere else.

Shona Robison: That is a fair question and we will certainly reflect on it. I guess that there could well have been a PPP cost associated with the NHS budget line, if it was disaggregated. Alison Cumming might have something to add about why the presentation is different.

Dr Alison Cumming (Scottish Government): We are aware that there are long-standing inconsistencies and differences in presentation between portfolios. It is difficult for us to make a lot of changes to level 3 budget presentation from one year to the next in a way that would maintain the line of sight. It would be legitimate for us to consider ahead of the next spending review whether we have the balance right in the presentation of what constitutes a level 3 budget. We just have to look down the tables to see that the values vary significantly. It will always be a question of judgment, but we would be happy to work with the committee on whether we have the right level of disaggregation at levels 3 and 4, and what changes to that disaggregation would enhance Parliament's scrutiny of the budget.

The Convener: Transparency is fundamental. We cannot be comparing apples with pears. We need to have confidence in what we are looking at when we are making comparisons.

One of the issues raised by a number of people who have given evidence to the committee, particularly on our pre-budget report, was the need to grow the tax base. It is fair to say that there is a level of disappointment with some of the decisions that have been made. I will ask about some of those decisions. In the wellbeing economy and fair work budget, there is a 15 per cent reduction to £348.7 million in the enterprise, trade and investment budget. You have already touched on the Scottish National Investment Bank; its budget is down 28 per cent. At a time when we need to grow the tax base, improve productivity and create economic growth and when we need to provide the tax revenues to pay for so much else, why have decisions been made to reduce the enterprise budgets?

10:45

Shona Robison: Again, those were difficult decisions but, with falling budgets, difficult decisions have to be made. To be blunt, we have had to prioritise front-line services—particularly our investment in the NHS—and that has meant some very difficult decisions elsewhere.

It is also against a backdrop of average earnings in Scotland now growing faster than in the UK. We have seen record income tax receipts, with Scottish income tax alone forecast to raise about £18.8 billion in 2024-25 to help fund services. There are a number of indicators that show, on productivity as well, that the Scottish economy is improving in its performance.

On where we are supporting investment specifically, it will not surprise you that we are looking at our investment in net zero, particularly. We are working with business investors to launch a new green industrial strategy. We have tried to ensure that our enterprise agencies will be focused on the key priorities. They will not be able to do everything, and they will need to do fewer things than before, but they will prioritise where they deliver their support services.

In an ideal world, with budgets not reducing, we would not have had to make any of those decisions, but we have had to. The prioritisation for all our public bodies will mean that they will not be able to do the range of things that we have previously asked them to do but will have to focus on key priorities.

The Convener: Okay, but if you look at page 88, you see that the budget for enterprise—Highlands and Islands Enterprise, innovation, industries, trade and investment, South of Scotland Enterprise and so on—is £348.7 million, which is about 0.6 per cent of the entire Scottish budget. The reason why I am quite confused about the prioritisation that has been involved is that, looking at some of the other figures that the Scottish Government has in its budget, we see that the amount for student support has increased from £925.1 million to £1,484.6 million, which is a 60.4 per cent increase in a single year. That cannae be right, surely, yet that is the amount sitting in the level 3 figures on page 72. The increase in student support alone is almost twice the entire enterprise budget, which is there to help grow the economy.

Shona Robison: That also includes the UK-funded annually managed expenditure—student debt—so we do not have control over that. That is included in that figure. Alison, do you want to say something?

Dr Cumming: Yes. There is a very significant increase in the UK-funded AME, which is mainly based on actuarial valuations on the student loan book and changes in assumptions year on year. We tend to see quite significant variability in that, which is why that spend is classed as AME, so we are not allowed to use that budget for other purposes. That is the increase from £420.8 million to £804.1 million that is shown in the bottom row of table A5.06.

Shona Robison: It is not us putting additional money into student support, albeit that that would not be a bad thing to do. It is because of that AME.

The Convener: I go back to the point that it is about transparency when you are putting together these budgets. It looks as if that is a decision that has been made by the Scottish Government. We can look at UK AME, but there are all these other figures on top of it. It looks almost as if that is a figure that you have to play with. Should that not be separated out from the Scottish budget to give a much more rational and reasonable view of it, and so that we can make appropriate comparisons?

Shona Robison: That is not an unreasonable suggestion. It might not be a bad idea to have some kind of note to explain why that amount is not part of the purchasing power of the budget that is being given to higher education student support but is really an accounting issue.

The Convener: We want to look at these figures three-dimensionally rather than two-dimensionally wherever possible.

I will go back to the issue of choices. You talked about protecting the NHS, and its resource is up 4.3 per cent. The resource for police is up by 5.6 per cent and support for ferry services is—I am pleased to say—up by 23.3 per cent. The figure has gone up in a number of areas, but how did you decide on those percentages? Why did you decide on, for example, 4.3 per cent for the NHS but 5.6 per cent for policing? What was the decision making behind that?

Shona Robison: Some of it will relate to particular areas of delivery that are required at a particular time. I will turn to Alison Cumming for the detail, but I think that part of it will be around the requirement for us to support police pensions, which is reflected in the budget for the police. Some of it will relate to particular cycles of requirement and investment, and the police budget is reflective of that.

Dr Cumming: As the Deputy First Minister said, those are matters of judgment for ministers and the Cabinet, recognising that public services are often starting at very different places in terms of their reform journey and the pressures that face them in the years ahead.

There has been an increase in the resource budget for the Scottish Police Authority to support its front-line service delivery, recognising that policing has made a number of reductions in recent years. We have seen a reduction in police officer numbers through previous budgets, for example. This was therefore about allowing a positive budget decision to support the sustainability of policing in Scotland and to allow investment in new technologies such as body-worn video cameras, which will bring further reform and efficiency opportunities in the future.

The UK autumn statement heightened the trade-offs between some of those decisions as to what exact percentage uplift different services have received. It is clear that there will be reform challenges across all public services, but we do not apply a single formula to that or decide on a number that should be applied to all public services. It is about considering the evidence and analysis. The evidence that comes from the sectors themselves through pre-budget scrutiny all comes to bear when the final decisions are being taken on those allocative choices.

The Convener: As you know, one of the things that we discussed with Tom Arthur when he came to discuss the autumn revisions was the budget moving in year. We talked about reductions in the Forestry and Land Scotland budget, and also about Creative Scotland having reductions in its budget in year. Of course, it turned out that, in fact, Creative Scotland was not getting reductions in its spending power in year, because it had £17 million in reserves. I am not sure how much Forestry and Land Scotland had, but it was able to find £6 million in its reserves. I asked Mr Arthur at the time whether the Scottish Government would look across the piece to see how much money all those bodies have in reserve. That is about £131 million in reserves for just two bodies, so there must be hundreds of millions of pounds stashed in all those organisations. Has that work begun? Is there any likelihood that additional resources will be found?

Local authorities and the Scottish Government do not have huge amounts of cash reserves—one or two local authorities might, but most of them are down to their bare bones. Is it appropriate for all those bodies to have the equivalent of up to three months' revenue held in reserve while, at the same time, front-line services are being squeezed?

Shona Robison: That is a good point. When we are looking at the financial position of an organisation, we cannot ignore it reserves. For example, Strathclyde Passenger Transport's very significant reserves were a point that was taken into account when it came to looking at its budget settlement. Money is money. If organisations are sitting on large reserves, that should be seen as part of the public purse.

We would be sympathetic to an organisation that has built up reserves for a purpose. An organisation might be taking forward a considerable piece of work or undergoing reform and is going to use reserves for that purpose, or it might have an investment plan that is going to spike and it has reserves that will be part of its investment plan for that particular period. All those things will be taken into consideration when it comes to a decision on whether the organisation should be required to use reserves.

If the point of reserves is that they are there to be deployed in times of budgetary constraint, this is such a time when they need to be brought into the picture. The short answer to your question is that, yes, reserves are being considered. The individual discussions with public bodies around their size and shape, their function and their investment plans will include the level of their reserve.

The Convener: One issue that has come to the fore in evidence and in submissions is the impact of the income tax changes. I have in front of me the Scottish Retail Consortium's submission, which says that the tax changes, which have a marginal rate of some 69.5 per cent—Professor Bell said last week that that is the highest marginal rate in Europe—for people who will be paying the new tax rate at £75,000—make

"it potentially more expensive and challenging for employers in Scotland to attract and retain the specialist and senior talent they need."

The Scottish Fiscal Commission has said that, on paper, it expects about £144 million to be collected from that £75,000 to £125,140 tax band. However, of that £144 million, it expects about £70 million—nearly half—to be lost to behavioural change. However, in the rate above £125,140, it says that, in reality, only £8 million will be collected out of the £56 million because of behavioural change.

Is there more focus on raising tax from the best-paid people in our society than on broadening the tax base? What message does that send to people outside Scotland about coming to Scotland and about Scotland being a place in which to live, work and invest?

11:00

Shona Robison: These decisions are carefully considered. I point out that it is estimated that the new advanced rate will impact only the highest-earning 5 per cent of taxpayers but, nevertheless, the decision was not taken lightly. We have, of course, looked very carefully at the assessment from the Scottish Fiscal Commission on any behavioural change, and that is factored into the net gain or benefit from the tax changes. The SFC estimates that £82 million will be raised from the advanced rate, which is not an insignificant amount. We also have the analysis that is being worked on by HM Revenue and Customs, which will be made publicly available later this year. That builds on the evaluation of the 2018-19 income tax reforms, which found very limited evidence of Scottish taxpayers lowering their declared income, for example, in response to increasing tax rates.

It is important to note that we still see net migration of working-age people from the rest of the UK to Scotland with a net gain that averages about 7,000 people per year. Over time, that adds significantly to Scotland's workforce and it is important in growing the economy.

However, we should not be complacent about these matters and we keep them very much under review. Taken as a whole, the SFC estimates that the tax changes that we have made over a period of time compared with the rest of the UK are worth about £1.5 billion, which represents a significant contribution to public services.

You started by talking about the marginal rate, and we have to be cognisant of that. The marginal rate for earnings between £100,000 and £125,140 is mainly due to the personal allowance taper rate, which is entirely reserved. The marginal rate for taxpayers in the rest of the UK is also significant.

We are not complacent and we do not take such decisions lightly. However, in the most challenging of budgetary circumstances, if we had not made the decision, even less money would have been available for public services at a time of constraint.

The Convener: The Scottish tax system is clearly progressive, but it is layered on top of the UK system, with all the anomalies that you have touched on. For example, national insurance is to go down by 2 percentage points to 10 per cent, we have the impact of child benefit withdrawals and the tax-free element of the first £14,800 that is earned is being taken away from some people.

It almost seems as though the Scottish Government is saying, "This is a progressive system and we're not going to take the UK system into account at all." It seems as though the Scottish system is just added on top. The Scottish Government does not say, "People in Scotland who earn £X should pay Y per cent in tax." Are there going to be any attempts to smooth that out? For example, at the moment, people in Scotland who earn £44,000 a year will pay a marginal tax rate of 52 per cent, with the higher rate of national insurance, but if they earn £54,000, they will have a marginal rate of 44 per cent.

Shona Robison: Part of the challenge of having a hybrid system and incomplete devolution of tax powers is that anomalies will exist. The Fraser of Allander Institute said that addressing the specific point that you have made would require significant changes to the basic and intermediate rates. The process around that, let alone the impact, will be brought into sharp focus if further tax changes are made in the spring budget, for example. Changes at that very advanced point in our budget process inevitably impact on the tax and spend decisions of the Scottish Parliament.

To say that it is not an ideal system is probably the understatement of the year. It is far from ideal. Among all that complexity, we have tried to carve out a more progressive system, but there are areas that rub up against the UK system in a way that is not ideal. There is no getting away from that.

The Convener: There are still many areas to cover, and I know that colleagues will want to dip their toes into them, so I open up the session.

Michael Marra: There were some reports at the weekend from the Deputy First Minister about the funding that was allocated to the Clyde Gateway regeneration project, which appears to have been a typographical error in the budget. Are there any more errors in the budget that you would like to bring to the committee's and Parliament's attention at the moment, or is that an isolated error?

Shona Robison: Some errors always occur, which is regrettable. Discussions have taken place with Clyde Gateway over the Christmas and new year period to ensure that it understands the budgetary position. The volume of information and the changes that are inevitably made can sometimes lead to errors such as that.

Michael Marra: Do you want to bring any more to our attention?

Shona Robison: There are not widespread errors. That error has been picked up and we are not aware of any others.

Michael Marra: We had evidence from the Scottish Fiscal Commission on the lack of a public pay policy being provided to it under the protocol to which the Government and the SFC are signatories. You and I have exchanged letters on that issue. Perhaps you could set out to the committee why the Government failed, despite extensions to deadlines, to provide that public pay policy to the SFC, as has been set out in the evidence that we received.

Shona Robison: That is not dissimilar to what happened in the previous budget, when pay policy was set out in March last year. There is difficulty in being able to predict the outlook in the light of the forthcoming spring budget, which could make significant changes to our fiscal outlook. It is important to understand what that will look like as part of the issuing of pay metrics. With the level of uncertainty, it would not be right to do so now.

That is why the timeframes are what they are. I accept that, in an ideal world, we would want to align that with the budget, but because of all the difficulties in forecasts, that has proved to be very difficult. We will set out our plans for public sector pay following the spring budget, which will provide an update on the fiscal outlook and, most importantly, on the UK Government's public spending policy, which could impact on our budgets. Given that pay is such a large part of our budget, as I set out in my letter to you, it is prudent that we do that.

Michael Marra: Those are key figures for the SFC in order for it to be able to put in place the forecasts on which your budget is based. It was clear from the Fiscal Commission's evidence to us that it wants to see that policy. It is in the concordat protocol that you have laid out. The Government has not provided that information to the Fiscal Commission for two years in a row. Does it intend to provide it in the future? Is that a decision that will last?

Shona Robison: The protocol sets out the information sharing that is expected in the lead up to the budget. We provided the SFC with the latest position on public sector pay costs for 2022-23 and 2023-24, and we commented on the pay award assumptions that are being made for future years. On the specific metrics, we are in an unusual position in which an upcoming spring budget could have a major impact on the available spending, even though our assumptions have been made based on the autumn budget.

Michael Marra: Is it unusual for a UK budget to change the amount of money that we would have?

Shona Robison: I think that it is pretty unusual. There is an unusual set of circumstances, in that the extent of the changes that might be made in the spring budget—given that it is an election year and given some of the noises that are being made in the media about what could happen vis-à-vis income tax changes—could have a profound impact on our budget.

Michael Marra: I will move on to education and universities. This morning, there has been press coverage regarding the £28.5 million funding cut to universities. Your stated aim is that

> "additional savings are to be made in the HE sector, including from reducing first year university places".

How many university places for Scottish students are you looking for universities to cut?

Shona Robison: First, the investment in higher education and further education is £2 billion, which is still a substantial investment. The media discussion has centred on the position of 1,200 places. If we go back to the origin of the issue, we see that, during Covid, the processes that were put in place for assessing highers meant that there was a different process of continual assessment. Therefore, there was a big spike in the number of students who were gaining university entrance. We used Covid moneys to fund an additional 1,200 places for universities so that they could address that spike. We have maintained those places for two years without the Covid funding being available, because that funding from the UK Government ended. We have managed to keep those places going for two years, but the position is not sustainable. The spike that resulted from changes that were made during the pandemic means that we have to return to the pre-Covid number of university places.

Michael Marra: Does that account for between £4 million and £5 million of the £28.5 million—roughly 1,200 to 1,300 students—as that bubble in student placements runs through the system? Using the same metrics, I reckon that the £28.5 million equates to about 3,800 student places. Is that the number of places that you are asking universities to cut?

Shona Robison: That is not a number with which I am familiar. There is no number, as such, because the Scottish Funding Council is still to have discussions with the university sector about the places that will be available. The point that I am making is that 1,200 is the figure that has been referred to: I am explaining to you why there is a bubble and what its legacy is. The Funding Council is discussing with the universities the number of places, in order to settle on a number that is affordable and sustainable.

Michael Marra: That comes at the same time as a collapse in the west African market, with Nigerian students, in particular, not coming to the UK. As a result, this is a difficult and challenging time for all universities in Scotland, and there has been a double hit to the budget.

Your budget equality statement states that there is a significant risk to learners from poorer backgrounds as a result of the measure that you have taken. Would you care to explain what that significant risk is?

11:15

Shona Robison: First, there is a risk because the UK Government is counting international students in trying to reduce the number of people who are coming to the UK. I do not think that that is the right thing to do, and it will put pressure on our university sector.

As regards the position of students from more deprived backgrounds, increasing numbers of those students have been able to access university places. We want that trend to continue, and we want the attainment gap and opportunity gap to continue to be addressed. We will continue to pursue that as a clear policy objective.

Michael Marra: That is in your equality statement, which was published with the budget. You have said—under your name—that there is a significant risk to learners from poorer backgrounds as a result of the cut that you have made. What is that significant risk, as you understand it?

Shona Robison: I guess that that is recognition that, if there are fewer places for university students, that could pose a risk to those from less well-off backgrounds. It is therefore important that we maintain opportunities for access to university and the non-traditional routes that support students from less well-off backgrounds, in order to ensure that, through our policies, the risks that have been identified do not necessarily come to fruition.

Michael Marra: Non-research-intensive universities are more reliant on the teaching grant than research-intensive universities are, so the modern universities are more reliant on the money that you are cutting. You cannot tell us today, however, how the cut will be distributed across those universities.

Shona Robison: No—because the Scottish Funding Council has not completed its discussions with the sector.

I take the point that universities that rely more on the teaching grant, particularly the smaller universities, are in a different financial position from larger universities that are sitting with large reserves, which we were talking about earlier. Their differing positions will be taken into account in future discussions.

As I said to the convener earlier, the easy thing is to point to areas of the budget where there are challenges with falling resources; the more difficult thing is to put forward a proposition on what different decisions would be made. I would be happy to hear them.

Michael Marra: Can you tell the committee what the budget for further education will be?

Shona Robison: Give me a second.

Essentially, the SFC will be discussing the matter with the sector. It is fair to say that it is expected that the funds that will be available to colleges at the start of 2024-25 will be very similar to the funds that were invested by colleges in 2023-24. A number of in-year savings were made in demand-led areas of spend, where the figures were lower than had been anticipated. We anticipate that the allocations will be very similar to the core funding that colleges received—and have been investing—for 2023-24. The college sector is already working on and delivering careful management of demand-led spend, including a continuation of savings that have been delivered in this financial year. That is what the SFC would support the sector to do.

Michael Marra: One month on, Deputy First Minister, that does not feel very clear. I will quote a very senior member of the college sector, to whom I spoke this week, who said:

> "I think we've had four or five different figures—flat cash, 8.4 per cent reduction, 4.7 per cent reduction and 1.5 per cent reduction. We have even been told by some Scottish Government officials that it is slightly up on this year. Honestly, pick a number—any number."

That is the level of confusion in the college sector, which is getting applications now for next year. When will it know what its budget is for the coming year?

Shona Robison: As I said, it is expected that the funds that will be available to colleges will be very similar to the funds that were invested by colleges in the 2023-24 financial year. We need to make sure that the in-year savings that were made because of demand-led budgets are factored into what colleges will require to spend. Those discussions with the SFC will continue in order to make sure that the college sector has the resources to deliver what is required, particularly when it comes to demand-led expenditure. I do not know whether Alison Cumming has anything to add.

Dr Cumming: I will add that that is the normal process that is undertaken between the Scottish Funding Council and institutions—colleges and universities—on how budgets are deployed and how that comes through into the numbers.

On the position on colleges, some of the evidence that you received last week referred to the in-year budgetary changes. I think that they would be the reason for the different numbers that Michael Marra quoted against the opening budget position for 2023-24, as opposed to the taking into account of in-year funding changes. Those, as the Deputy First Minister set out, were driven in large part by changes in demand-led programmes within the overall envelope and decisions that were taken.

From an overall budget perspective, the normal process is being followed. Although we may be four weeks on, the education sector has had the Christmas period. The discussions are, therefore, progressing in the normal way.

Michael Marra: The position has been described to me not as "normal" or "usual", Dr Cumming, but as "a shambles". Far less information is available to the college sector this year than in previous years. As you will understand, budgets are set, courses are advertised and people apply. Those applications are coming in, but colleges do not know whether they can run the courses, because they do not know what their budget is.

College leaders have also said to me that the current situation is "soul-destroying" and that they are "staring into the abyss"—that there is no direction, no leadership, no clarity, no empathy, no solutions and no clue. Deputy First Minister, what would you say to college leaders who tell MSPs that that is the situation?

Shona Robison: As I have set out, the financial position across the board is challenging, and it is easy is to point to where it is challenging but harder to come up with solutions. Every part of the public sector is impacted—

Michael Marra: You are speaking to the issue of the quantum, but I am asking when colleges will know what their budget is.

Shona Robison: There is no difference in the process that is being deployed. The process between the Scottish Funding Council and the college sector will continue. The position will be clarified as quickly as possible. The final position will take into account some of the demand-led expenditure, to make sure that the landing position of colleges is what is required for them to deliver the services that they are required to deliver.

No part of the public sector will not be impacted when it comes to the quantum, but the process is no different this year from what it has been in other years. I accept that things are challenging when it comes to the quantum, but the process is no different.

Michael Marra: So you reject the term "shambles".

Shona Robison: I would not accept any of that. It is challenging for every part of the public sector. The easy bit is to find examples of that; the harder bit is to come up with alternatives. Of course, everybody round this table is able to do that.

Michael Marra: All those areas—regeneration funding, university funding and college funding—are vital for skills and regeneration, and for growth. The committee has heard an awful lot of evidence about how important it is that we get growth, and you have said that the budget is about growth. How do you react to the evidence that the committee heard from the Fraser of Allander Institute representative on 9 January, who said:

> "I would not say that the budget is particularly focused on growth"?

On the same day, David Bell said:

> "it does not look like the budget particularly favours economic growth."—[*Official Report, Finance and Public Administration Committee,* 9 January 2024; c 9, 10.]

Growth is meant to be one of the key missions. I have given a variety of examples where you are not meeting your own targets or what you intend to do, and people do not believe that you are meeting them.

Shona Robison: First of all, growth is a priority. Earlier, I set out some of the economic indicators in the Scottish economy that show an improving position. The strategic investments that we are making, particularly in net zero and green energy, are the right investments, and we have been encouraged by the investor panel to make them. However, there is no getting away from the fact that, with less money on the resource side and particularly on the capital side, we cannot make the investments that we would want to make. We cannot do that, because there is less money.

We have had to make some very difficult decisions on where we make the investments. For example, we need our enterprise agencies to focus on the key priorities, so there will be things that they are not able to do. Our capital investment is geared to try to use public capital in a strategic way that levers in private sector investment. All those things will be critical to continuing to see the improvements in economic performance that I laid out earlier.

I come back to the point that, with less money, we have had to make difficult decisions, and that has impacted on areas where we would rather not have had to make those decisions. However, there is no escaping the fact that decisions had to be made somewhere in the budget, and those are the decisions and priorities that we have made.

Michelle Thomson: Just to put something on the record, at last week's Education, Children and Young People Committee, Minister Graeme Dey pointed out that

"The starting point for colleges next year will be slightly better—only slightly better, I stress—than the finishing point for this year."—[*Official Report, Education, Children and Young People Committee,* 10 January 2024; c 30.]

My first question, which is a kind of rapid-fire one, picks up on a point that you have just made, cabinet secretary. Have the Opposition parties put forward budget proposals this year for what they would like to be cut in what is a very difficult budget, as you have set out?

Shona Robison: Not so far.

Michelle Thomson: I want to pick up on a theme that the convener raised, which is housing, where there is a really difficult and challenging operating environment. Obviously, we have seen the issue with Stewart Milne Homes, but also Merchant Homes Partnership has gone into liquidation, Harbour Homes is stopping the development of affordable housing, and Springfield Properties has already stopped the development of affordable housing and build to rent and is now selling some of its land bank. In the main, all those organisations cite challenging trading conditions, with inflation, a higher cost base, buyer uncertainty and so on.

That presents a challenge when it comes to the commitment to build 110,000 affordable homes by 2032. In the light of that, how confident are you about that commitment now and, being realistic, do you fully anticipate that it will need to slip?

11:30

Shona Robison: First, you are right to identify some of the very big challenges for the construction sector more widely and the housing construction sector more specifically. Interest rates are still high, there is inflation in the cost base, and all of that has led to some of the difficult decisions that have been made by the companies that you mentioned earlier.

That is the backdrop, so we have to think about what we can do with the £556 million investment that we are making and how that can deliver the biggest impact. I spoke earlier about the housing minister's discussions with the private sector about levering more investment into mid-market rent opportunities. There is an appetite in the investment sector to invest in housing and we must harness that in a way that can provide a business model for doing so. The housing minister is working on that.

It is fair to say that the profiling of the target will have to change. There is never a straight road to a target: there are always bumps, peaks and troughs in delivery. It is fair to say that we are looking for back-end peaks but that we have a very difficult outlook on capital at the moment. That might change, but that is the outlook at the moment for our capital budget reduction. We cannot rely on public capital and must look at alternatives, which makes delivering the target very challenging indeed. Having said that, we are already more than 14 per cent into the delivery of that specific target, but there is still a long way to go.

Michelle Thomson: Obviously, I note what you said about levering in additional private investment. That is the money, but we need to have companies that are trading effectively. I also take it that you are describing long-term investments, most likely from pension companies, where there is probably a high demand, so it will take a long time to structure those things.

The other area that has been noted with concern is the rent freeze. That is why some companies, such as Springfield Properties, have moved away from build to rent at present, but build to rent is the only way, or one of the critical ways, in which we can realistically get to the scale of building that we need. I think that businesses are accepting of rent caps, but rent freezes make for a perception of a less benign operating environment than is found elsewhere.

How do you juggle the need for businesses to come back into the market, particularly regarding build to rent, with what I fully understand has been the need to protect people through some very difficult times? That need is, in itself, a function of the chronic issue of supply: that is why rents were going up. It is a cyclical problem. Do you recognise that rent freezes have created a perception that has introduced a cooling in those wanting to proceed with the likes of build-to-rent?

Shona Robison: Given the current climate, it is challenging to disaggregate what the factors are.

Michelle Thomson: Some businesses have stated that that is a factor. Two companies that I have mentioned today have made that clear.

Shona Robison: I will come back to Springfield in a second, but Stewart Milne did very little building of affordable housing; that was not its main area of focus. Springfield accepts that it is one of its bigger areas of focus, but it also faces all the other very challenging pressures.

We have to keep a careful eye on all our Government policies, and monitor and evaluate any impact that they have. Our measures on the protection of tenants' rights and those to keep rents affordable were to ensure that some of the huge cost of living challenges were not impacting on in situ tenants' ability to afford their rents.

The reasons for our actions were well set out, but we must monitor our policies and be careful about any unintended consequences that they might have. We are listening to the sector on the issue and keeping a close eye on things.

Michelle Thomson: One of the other areas of interest, which might already have been brought to your attention, is the use of the ScotWind money to fund day-to-day revenue expenditure. Professor Bell said:

> "The ScotWind money can be thought of as equivalent to a sovereign wealth fund, and a sovereign wealth fund should be used to support future generations, because it is a sort of one-off payment."—[*Official Report*, *Finance and Public Administration Committee*, 9 January 2024; c 14.]

What thinking did the Scottish Government give to that use of that money and the breaching, if you like, of the sovereign wealth fund principle? I know that we have often commented on what appears to be the UK Government's arbitrary waste of money gained from oil that could have been used to the benefit of future generations. I would appreciate hearing more about the thinking that led you to consider, despite that, still spending it on day-to-day revenue.

Shona Robison: I take your point. In an ideal world, where there would be no need to plug gaps in day-to-day spend, I can see the appeal of building a sovereign wealth fund with money from ScotWind. The Scottish Government raised £756 million through the ScotWind auction, which is not an unsubstantial amount of money. However, in order to sustain public services, we had no option but to use all the tools at our disposal, including the deployment of funding that has been made available from ScotWind revenues.

Had our budgets been in a different position, perhaps different decisions could have been made. However, the resource spending review allocates £310 million for use in 2023-24 and £350 million for use in 2024-25. There are requirements to bring forward some of that funding into 2023-24 because of the budgetary position. Without that, some of the difficult decisions that we would have had to make, beyond the ones that we already have made, would have been even more profound.

That we are having to utilise those resources in that way shows the limitations of our devolved fiscal powers. We absolutely recognise the importance of offshore wind, which is why the budget kick-starts the commitment of up to £500 million to anchor a new offshore wind supply chain in Scotland. We recognise that there is a potential longevity of benefit from those investments, but, because of the position of public finances, we have had very little option other than to utilise that money.

Michelle Thomson: The outlook for public sector finances is not going to get any better. The Conservatives have guaranteed that, and there are certainly no further offerings from the Labour Party should the UK Government change. Will the cabinet secretary consider, in future years, setting fiscal rules to protect the money from ScotWind?

I am pretty confident that, had various UK Governments been challenged over not building any fund with the oil money, they would have cited public sector pressures in exactly the same way. Will the cabinet secretary consider developing and then sticking to fiscal rules? Otherwise, we will embed ourselves in a financially dependent situation, rather than the opposite. We can look at what Norway has managed to do.

Shona Robison: We will, of course, continue to consider such things. The difficulty is that, if I was sitting here with £350 million unallocated in a certain fund, I imagine that there would, understandably, be calls for that money to be deployed in order to avoid some difficult decisions. Given our constraints and lack of fiscal levers, we are in a tight fiscal position. Our preference would, of course, be for that position to change, so that we could build capacity in a reserve or fund for infrastructure investment or particular projects in future years. However, I cannot guarantee that that will be the case, given the outlook that you have described. Whether it is the current UK Government continuing with its fiscal priorities or an alternative Government sticking to similar spending plans, as looks likely, that does not bode well for the Scottish budget being anything other than fiscally tight for some time to come. However, in principle, I do not disagree with what you have said.

Michelle Thomson: I will move on to public sector reform. I have seen the phases that have been set out, but I am aware that the committee did not receive an accompanying financial strategy, which the former Deputy First Minister committed to in March 2023. Is the intention to provide an updated financial strategy at an appropriate point, once the early scoping phases are out of the way? If so, what timescales are you working to?

Shona Robison: Yes, that is the intention. The problem at the moment is the level of uncertainty, which makes it very challenging to set out a position, because it could be buffeted and changed by forthcoming fiscal events. I hope that the publication of the medium-term financial strategy in May will be an opportunity to look at the longer term. Just before Christmas, I provided an updated report on some parts of the reform programme, which is a critical part of the financial outlook. Even if we set aside the fiscal decisions that were made in the autumn statement, the outlook is likely to remain challenging, for all the reasons that I set out in the previous MTFS.

My intention is to give you regular updates every six months on the on-going work to get us to a more sustainable position in relation to the size and function of the public sector, with a particular focus on the reforms that we are taking forward.

Michelle Thomson: You have stated that you require all Scottish Government portfolios to set out savings and reform plans. If I were cynical, which, of course, I am, I would suggest that turkeys do not tend to vote for Christmas, so asking those bodies—I think that there are 129 rather than 131, convener—to consider tightening up reform themselves, or even suggesting that they do not need to exist, seems optimistic.

The problem is that, when you create a body, it takes on a life of its own and develops a vested interest. This is a question that I asked the former Deputy First Minister. It is my experience that turkeys do not vote for Christmas so, although public bodies might suggest some tinkering reforms, they will be unwilling—for very obvious reasons—to make the scope and scale of reforms that are really needed for you to achieve some savings. I would appreciate your thoughts on that. That is my final question, convener.

11:45

Shona Robison: I do not think that your cynicism is totally misplaced. As you say, every organisation takes on a life of its own. In terms of the growth of public bodies, we have been clear that the controls, assumptions and presumptions need to change. There should be a presumption against forming a new body as a solution to a problem, and the Cabinet will be required to give its approval to any suggestion or proposal for a new public body. In the past, it perhaps became the default that there had to be a new public body, whether due to a new piece of legislation or a new function. Of course, that is not necessarily required, given that there are already public bodies that could potentially take on the functions.

Therefore, the question is what we do with the existing landscape. There are a number of aspects to that. One is some rapid work around controls over the size and function of existing public bodies. Without a doubt, the workforce controls that we are putting in place will impact on all public bodies. They might not impact each public body to the same extent, but they will have an impact, because some public bodies are in a different position from others in the growth of their role and functions.

There are areas that are de minimis of what you would expect public bodies to be doing. Looking at shared services, for example, is a must. Does every public body need its own human resources or payroll department? That is one of the reasons why investment in digital capability is important, because it can potentially provide a one-door approach for all the support functions for public bodies instead of them having their own systems. That brings a huge benefit in terms of cost and sustainability. The investment by the Scottish Government in providing a digital system to support payroll and HR has many additional benefits. To avoid using up more time, I will not go into further detail, but I am happy to maintain a dialogue with the committee about the detail.

The more challenging question goes beyond the Government. A lot of the public bodies and roles that have emerged—commissioners and so on—are also in the parliamentary space. We have to take a step back and ask ourselves whether, with our population size, we have the landscape that is required for the sustainability and public sector efficiency that we need to be quite rigorous about.

Ross Greer (West Scotland) (Green): Deputy First Minister, after my questions, I will have to pop next door for about five minutes to substitute in the Health, Social Care and Sport Committee, before coming back here. I apologise if I finish my questions and then get up and leave.

Michelle Thomson asked about public sector reform and the disposal of public sector assets. In mentioning shared services between different public bodies, you have touched on some of the discussion in last week's debate on the estate. How much co-ordination is there when it comes to reducing the size of the public sector estate? I am thinking in particular of Glasgow city centre. I realise that most of the Scottish Government's office space in Glasgow is rented rather than owned, but there is a lot of owned property in the public sector there.

The city council has an objective to increase the city centre population significantly, and the city centre does not particularly need more office space. Is there active, on-going discussion with the city council on that? If we are disposing of what is currently office space, what potential is there to have it converted into housing to meet the city council's objectives? I am not asking about that specifically, but that is an example of co-ordination across the public sector. Sharing services is one thing, but when we are considering reducing the size of the public sector estate, is there on-going co-ordination at that level or is a siloed approach being taken such that the Government simply needs to get property out of its portfolio and, if anybody is willing to buy it, that is great—they can have it?

Shona Robison: Some of that will involve the Scottish Government making decisions about the requirements for its estate, and some aspects will be more rapid, as decisions need to be made on extensions to leases and so on. Without a doubt, there is now a sharp focus on the need for buildings in the light of people working in different ways and the need to meet net zero criteria. What buildings will be required over the next five to 10 years and beyond?

There is a further opportunity here. Where in particular are there opportunities for co-location or repurposing? Discussions are taking place in that regard, particularly in relation to our city environments. Local authorities have a key role in that, given their asset bases, their requirements to meet net zero targets and the changes to working patterns.

There is a prize here. There are measures that can save money, and a more appropriate and efficient set of buildings and assets can be provided that can deliver a better environment for the staff who work in them and a better service to the public.

Ross Greer: Looking at the spending side, I believe that there is total cross-party agreement that, wherever possible, we should focus on outcome-based budgeting rather than on inputs, but that is pretty hard. Ultimately, your primary obligation is to produce a balanced budget and then to try to do outcome-based budgeting within the confines of that.

Taking that as the approach, I note that £1 billion more is going into the social security budget, which is a really significant increase in cash terms and as a percentage of the overall budget. What will be the outcomes of that in meeting our statutory commitments around child poverty reduction, for example? Will that £1 billion of additional spending prevent poverty and inequality from getting worse in the light of the cost of living crisis? Will it take us further forward towards meeting the objectives that are in statute, such as the child poverty target, and those that fall under the Government's broader missions, particularly concerning equality?

Shona Robison: It is always the way with budgets that the focus, whether at committee evidence sessions or in plenary debates, will be on the areas that are more constrained and challenging, rather than on the areas where there is additional investment. The additional investment in social security is absolutely focused on reducing poverty and supporting the most vulnerable. There is £6.3 billion of investment in an area that has now become a key pillar of spend by the Scottish Government, and it will undoubtedly help to support the most vulnerable. We have been able to give an inflation uplift to supports, which has led to an increase in the Scottish child payment. I think that that will be welcomed by many families, particularly in these difficult times. I very much view that as an investment in people that has arisen from a conscious decision and political choice.

Ross Greer: I want to press you on that a wee bit. I agree that the uprating of social security payments in line with inflation will be widely welcomed, particularly by people who are in receipt of them and who really need them. However, uprating in line with inflation will not lift anybody out of poverty; it will just prevent people from falling further into it. That is not a bad thing in and of itself, but I am trying to understand whether the £1 billion of additional spending, which I welcome, will take us any further forward. Will we reduce poverty and inequality as a result of it, or is the £1 billion simply what we need to spend to mitigate the decisions of the UK Government and the context of the cost of living crisis?

Shona Robison: It is partly mitigation but, of course, our investment in social security has for a number of years gone beyond the block grant adjustment. That additional investment is beyond the consequentials that flow to social security, and I would argue that it is an additional investment in reducing poverty. You can see from the additional investment, whether it is in the Scottish child payment or the adult disability payment, the importance that we place on trying to support the most vulnerable people in our society.

So, it is a bit of both. It is partly mitigation. Some of the wider spend, whether it is on discretionary housing payments or the Scottish welfare fund, is clearly mitigation of UK Government welfare policies. Without that spend, people would not be able to sustain their tenancies or manage in the cost of living crisis. We have also decided to re-establish the independent living fund, which will support people to live independently in their homes. We hope that that will prevent people from losing their independence and support people who are in work and who have disabilities. It is a balance.

Ross Greer: I have a similar line of questioning on spending on climate and net zero. Specifically, it is on the offshore wind supply chain money that you mentioned, which is £69 million or thereabouts. Towards the end of last year, we had a positive report from the Fraser of Allander Institute that showed 50 per cent job growth in the sector in just one year. I cannot remember the exact number, but there were between 12,000 and 17,000 additional jobs. What do you expect to be the benefit of that £69 million? Has there been an attempt to quantify the jobs that are expected to be created, the return to the public purse in tax revenue and so on? How can we measure the value for money of that £69 million?

Shona Robison: There has been an analysis of the impact of the £500 million investment, of which the £69 million is the first tranche. I do not have that in front of me, but I can forward it to the committee. That investment was explicitly recommended by the investor panel, which said that investment in that sector is the one key investment that the Scottish Government can make that will have a substantial return for the Scottish economy. We have talked about the constrained capital resources. Given that there is less money to invest, we have to be pretty strategic about where we can invest, and we have identified that area as important.

The Fraser of Allander figures that you referred to show that Scotland is seen as a good place to invest because of that certainty of objective. It is very clear, with no ifs or buts, that that area of the economy will continue to see investment, and that speaks to international investors who are looking to make choices about where they invest.

Ross Greer: I can see that in the number of planning applications in my region for various elements of the renewable energy economy.

I will jump on to tax and behaviour change, to follow up on some of the convener’s questions. I would like to understand a bit better how much in-house analysis the Government does of potential behaviour change versus the work that the SFC does for the Government. For example, concerns have been raised—I think that a lot of instances are overegged, but there you go—around avoidance of the new income tax rate or people simply putting more money into their pension pots.

Does the Government conduct any analysis, even within the public sector, of how many higher-paid public servants have increased their pension contributions, given that we are now five years into income tax divergence? It would be good to get an understanding of how much of that analysis takes place within Government versus SFC work. Where it is SFC work, are there questions that you specifically pose to the SFC or data points that you would like to have?

12:00

Shona Robison: Part of that is SFC work, and it is important that it puts that through its analysis before giving us the figures for any tax take. It is already based on the potential for behaviour change, which is important. However, it is not just SFC work. HMRC’s work will also be important in that external analysis. It is looking at two separate pieces of analysis. The first is a data set that covers the incomes and locations of UK taxpayers over a 12-year period up to 2021-22. That looks at historic trends of intra-UK migration of taxpayers at different income levels and whether any obvious factors have impacted trends. The second expands on its 2021 empirical study on taxable income elasticities by considering responses in labour market participation and intra-UK migration to the 2018-19 income tax reform. Both pieces of work will make an important contribution to the debate.

There will always be an element of uncertainty about the impact that past policy changes have had. No evidence of substantial behavioural change has been presented to us, but that independent analysis is important work. As I mentioned, there is still a net in-migration of taxpayers to Scotland from elsewhere in the UK, which is positive. We need to drill down more to see whether there is any differential in the levels of earnings that people have and so on. We will keep that under review, and we look forward to HMRC publishing its work.

Ross Greer: As you said, that work is independent analysis by HMRC or the SFC, but does the Scottish Government ever pose questions to them? Knowing that HMRC is about to undertake exercise X, does the Government ever say, “We would particularly value having data point Y? Are you going to collect that data and analyse it?”

Dr Andrew Scott (Scottish Government): Yes. Both of the studies that the Deputy First Minister mentioned were initiated by the Scottish Government in consultation with others. They are overseen by HMRC, the Office for Budget Responsibility, the SFC, the Welsh Assembly and the Fraser of Allander Institute. That collective is ensuring technical rigour, but the work was paid for by the Scottish Government.

Ross Greer: That is useful. Thank you.

Liz Smith: Cabinet secretary, you said in your budget speech on 19 December—and you have reiterated—that this is a budget for growth. When it comes to growth in terms of improving skills and addressing economic activity, which your predecessor, John Swinney, said at one time was one of the biggest challenges, why have you made substantial cuts to every area of the budget that would help to improve skills and increase economic activity?

You have cut the Scottish Funding Council budget, the employability budget, the enterprise budget and the SNIB budget, and you have increased tax on those whose high-level skills we desperately need in Scotland. That led Sandy Begbie to say,

“It is likely to inhibit the ability of our sector to create jobs and retain and attract the talent that we need”,

and there have been similar comments from Tracy Black of the Confederation of British Industry, Sara Thiam from Prosper, David Ovens from Archangel Investors, Alexandra Docherty from Johnston Carmichael, and David Lonsdale. They are all saying the same thing—that the budget will not do anything to improve the situation with skills.

David Bell told us last week that the budget

“is not really a great budget as far as opportunity is concerned.”—[*Official Report, Finance and Public Administration Committee*, 9 January 2024; c 8.]

He is right, is he not?

Shona Robison: The budget is, in very difficult circumstances, trying to invest in as many areas as possible to deliver on the Government’s objectives, but there is less money to be invested. If we were to have increases in all the areas that you mention, it would mean reductions in budgets elsewhere. We have to make choices to deliver a balanced budget. Those choices are not easy, but we are in consultation with Neil Gray and other ministers on what we will do to ensure, for example, that our enterprise agencies are focused on the key things that matter.

The skills review that Withers delivered challenged us to ensure that our skills delivery landscape—which involves a huge, multi-billion pound investment—delivers better impact for the economy and that our apprenticeships deliver. Graeme Dey is taking forward some very important work to ensure that what our apprenticeship system and college offerings deliver is more aligned with what businesses say they need to fill the skills gaps in their sectors.

Taken with the strategic investments that we are making in green energy and renewables, we have tried to align a declining amount of resources, particularly on the capital side, to have the best impact that we can. Those decisions are not easy, and if you asked me whether I would prefer not to have had to make them, that would of course be my conclusion. However, in the light of falling budgets, we have to be clear—and we are being clear—with our agencies that the focus needs to be on delivery.

Liz Smith: Cabinet secretary, the response from the business community is damning; in fact, it is excoriating in some of its comments. The particular focus is the concern about skills and trying to address the economic inactivity issue. I cannot understand why, if that is the Government’s major priority, you would seek to put pressure on colleges, which do so much work to try to ensure that students have the right skills. They are also involved in retraining, which is just as important for employment and for the economy.

You are cutting things such as employability and enterprise, which are surely critical to the success of the economy. Neil Gray has been very up front in saying that there is a new deal between the Scottish Government and business and that there will be “no surprises” when it comes to that new deal. However, that is not the view of the business community, is it?

Shona Robison: Since 2018, devolved employability services have reached more than 100,000 people. They continue to do some very important work. There is a move towards a system that will be easier for users to navigate and that is more focused. Local employability partnerships are being given responsibility to deliver services in their areas that meet the needs of their users and local labour markets. That is where the focus of employability services will be.

There is no doubt, however, that where employability funding has been reduced, whether it is through the in-year savings this year or last year, that has been an unfortunate consequence of the pressure on Scottish Government budgets. Had we made decisions elsewhere and not in employability, I am sure that those issues would be raised with me today.

With regard to the position of business, I know that on non-domestic rates, for example, businesses in the relevant sectors would have preferred the Scottish Government to have passed on the NDR business tax cuts. Had we done that, however, there would have been substantially less funding for the NHS and for public services.

Ultimately, these matters come down to the choices that we have had to make. Those choices have been difficult, but I could not, in all conscience, cut business taxes at the expense of investment in the NHS.

When we sit with the choices in front of us and we have to balance a budget, and make decisions between business tax cuts or NHS funding, I have been clear that there is only ever going to be one answer to the question, and it has to be prioritising investment in the NHS over business tax cuts—at this time, anyway.

Liz Smith: Would one of the choices have been to scrap the proposed national care service, so that the money could be deployed elsewhere?

Shona Robison: The national care service is going to be an important reform that will lead to more consistency and improvement in the quality of care services. Having worked in the sector for many years, I can tell Liz Smith and others that consistency, and the requirement for consistent quality, is something that service users tell us is a priority. They are very keen that we make progress with the national care service.

The building blocks and infrastructure for the national care service are being put in place; we are working with local government to make the necessary progress. The service will take longer to establish, but it is a very important reform that will, in the longer term, deliver huge benefits for those who receive care services.

The investment in the team that is supporting the delivery of the service is a fraction of the cost of the delivery of social care. If we were not investing in a team to deliver it, questions would be asked around whether we were putting in place the necessary building blocks to ensure that the national care service will be delivered. We are doing that in order to ensure that the NCS is delivered successfully.

Liz Smith: Those questions are already being asked by nursing unions, local government and many people on the front line, but no doubt we will come to that as we move to stage 1 of the National Care Service (Scotland) Bill.

I go back to seek some clarity about the education situation. Again, the education budget is crucial in improving skills and addressing economic inactivity. Mr Marra quoted from your budget, which says:

> “additional savings are to be made in the HE sector, including from reducing first year university places”.

He asked you how many places would be removed, and he offered the view, using the Government’s own statistics—I think that I am correct in saying—that the figure might be 3,700. Can you clarify that that number is likely to be the result of the decision from the Government and the Scottish Funding Council?

Shona Robison: No—there is no number or figure that I am aware of that relates to that figure.

Liz Smith: Is there any number at all?

Shona Robison: The only number that I am aware of is the one that I spoke about earlier: the 1,200 Covid places. That is the bubble for which we have sustained funding for an additional two years out of Scottish Government resources, because the Covid money that had initially funded those places was stopped by the UK Government. We kept those places going with Scottish Government funding for two years, but we are no longer going to be able to sustain that. Beyond that, no figure has been agreed with the university sector, because discussions are on-going around what the university sector will deliver and they are not yet concluded.

12:15

Liz Smith: For clarity, have you asked the Scottish Funding Council to go back to providing the number of places that existed pre-Covid? Is that what you are trying to tell us?

Shona Robison: The figure of 1,200 is the Covid and pre-Covid number, yes. However, the 1,200 places can longer be sustained. We sustained them for two years to try to prevent that provision ending earlier than would have been the case. If we had followed the UK Government Covid funding, that provision would have ended two years ago, because that funding ended. What I am saying is that we kept those extra places going for another two years, but we are not going to be able to sustain that in the future.

Liz Smith: So there will be a reduction in the number of places for Scotland-domiciled students in the first year.

Shona Robison: Well, without the bubble of 1,200, it will return to the pre-bubble position.

Liz Smith: There will be a reduction.

What do you expect to happen with regard to universities offering places to foreign students? Will that number increase?

Shona Robison: The position with regard to international students is constrained by the UK Government’s position and the decisions that it has made, which makes it more difficult for international students to come to university in the UK, in particular regarding their ability to bring their families. I think that that is a very short-sighted policy from the UK Government. The universities are pretty clear that it will impact on the numbers of international students who come to the UK, not just to Scotland but elsewhere in these islands. That is unfortunate, and it is not a helpful policy for the university sector as it moves forward.

Liz Smith: Is it your understanding that, with the reduction in the number of places for Scotland-domiciled students that will happen, there will be financial pressure on universities to take more foreign students? Is that correct?

Shona Robison: The universities continue to develop modelling with regard to the balance between domestic and international students. The situation with the 1,200 Covid places and the pre-Covid places will not be a surprise to the universities, because the Covid places were never going to be sustained in the long term. Universities should be more than aware of that.

As I said, we have kept that provision going, with Scottish Government resources, beyond the time when that money was removed by the UK Government. The numbers will now return to the pre-Covid level, and the universities should have been anticipating that that would be the case.

Liz Smith: The Scottish Government has always made the case that Scotland-domiciled students are extremely important in university education, which I would agree with. One of the reasons for that concerns the likelihood that they will stay in Scotland to work beyond graduation; that is exceptionally important, as we desperately need well-qualified graduates to stay in Scotland. Will the policies that you are enacting just now undermine our ability to keep many of our best-qualified graduates in Scotland?

Shona Robison: It is very important that we try to encourage Scotland-domiciled students and those who come to study here to remain living and working in Scotland. We certainly try to do that.

If you are talking about the 1,200 places specifically, I would note that, had the money for those places continued to be invested—as we called for at the time; we said that the Covid money should not go off a cliff—we might have been able to make different decisions. However, that position was never going to be able to be sustained into the future, because that money was deployed as a mechanism to take account of the spike in university applicants as a result of the Covid period.

It was a short-term intervention, which we have delivered for two years beyond the period covered by the Covid moneys. In terms of support, the position with Scotland-domiciled students is that we want the universities to continue to provide and deliver opportunities for those students, but we cannot continue to fund the Covid-related 1,200 bubble that was funded previously. The resources are simply not there to do so.

Liz Smith: Has that made the Scottish Government think about reforming the funding process in higher education?

Shona Robison: We always keep the position under review. Free tuition is important so that tuition fees are not a barrier to those entering into higher education. We talked earlier about those from a more deprived background going to university and the gap has closed—there are more students from more deprived communities going to university. That is partly due to the fact that we have free tuition and that people will not be taking on the levels of debt that are seen elsewhere in these islands. If you are asking me whether we are reviewing the position of free tuition, I would say no, that is not something that we are reviewing.

Liz Smith: I was not asking about that. I was just asking whether you are going to review the whole process of higher education funding, because I think that the budget has clarified some of the difficulties that we will be facing in the future.

I will finish on another point of clarification. We have had various discussions about how the Government models behavioural change when it comes to tax, which is an issue that is bothering many people in the business community. We have discussed statistics that have come from the Fraser of Allander Institute and the Scottish Parliament information centre. The convener gave you some statistics earlier. For example, the economists are saying that, for those with incomes over £125,000, the behavioural change might involve as little as £8 million. For those with incomes between £75,000 and £125,000, the behavioural change might be about £74 million. Are those the numbers that the Scottish Government’s analysis arrived at?

Shona Robison: We base our figures on the Scottish Fiscal Commission’s analysis, which takes into account behavioural change. We recognise that we require more evidence, which is why I talked earlier about the work that HMRC is doing.

So far, the evidence that is in front of us is that there is no widespread concern about behavioural impact and that we still see net in-migration. However, the HMRC work is important in relation to being able to drill further into whether we can establish behavioural change in various income bands, which the HMRC research could show. Andrew Scott may wish to add something.

Dr Scott: I think that that is right. When the budget is presented next year, it will have the benefit of the two new studies that are being completed now. At that point, the Fiscal Commission will review its judgments about the likely extent of behavioural change. It might take those studies and decide to increase the adjustments that it makes for behaviours, or it might leave the adjustments alone.

The commission takes account of a wide range of international evidence as it forms a view, but we have always tended to follow its judgments about the extent of behavioural change when putting forward our estimates.

Liz Smith: Thank you.

John Mason: I will pick up on one or two points that have been touched on already. Concerning the housing budget and the number of affordable houses to be built, it has been suggested that there might be more private investment coming in. Would that include giving lower grants? Obviously, the Government money goes into housing association grants, mainly. Are you thinking of reducing the level of grants so that there is more borrowing?

Shona Robison: The Minister for Housing is looking at what the business model might be for levering in additional investment. The situation might look a bit different from the traditional delivery that housing associations, which raise private investment to deliver on their targets, will continue to provide.

We are looking at whether there is scope to lever in additional investment, underpinned by Scottish Government investment, for particular delivery models, such as those for mid-market rents. The Minister for Housing has been working on that for some time. Once that work has come to a conclusion, he will set out in more detail what that might look like.

John Mason: It seems to me that the key point relates to the difference between how much comes from grants and how much comes from other investment. Such money gets called private investment, but it is really a loan, or it might come from a pension fund or a bank. In a sense, that does not matter, because there is interest and so on, which has to be covered by the rent. I am seeking some reassurance that there will not be a big change between the grants and borrowing.

Shona Robison: I do not foresee there being much change in how the delivery and business models that are used by housing associations and local authorities work. We are talking about how, in addition to that, we might be able to lever in private investment by using an attractive enough business model that involves a guaranteed revenue stream, which will de-risk to some extent, and that adds value to what our social housing partners deliver. That is what is being looked at.

John Mason: Michael Marra mentioned pay policy. I want to press you a little bit on the figures. The Scottish Fiscal Commission has assumed that there will be a 4.5 per cent increase, but the SPCB, which we heard from this morning, is looking at a 6.7 per cent increase. Can you give us an indication of the kind of pay increases that we are talking about?

Shona Robison: I cannot give you a figure, because the metrics are being looked at at the moment. It is very difficult to do that work without knowing what the spring budget will bring, because that budget could have an impact on our spending assumptions. Given that pay accounts for a large part of our spending assumptions, the spring budget will be material to what can be delivered.

We also need to take inflation into account. It is predicted that inflation will go to 3 per cent or below, and we will take cognisance of such factors.

The fact that, with high inflation and the cost of living pressures, we have supported pay deals to a larger extent than has been the case anywhere else in these islands, by trying to settle and avoid costly industrial action, is, I hope, not disputed. However, that has come at a cost to the in-year budget compared with the published budgets for last year and the year before. We have gone £900 million beyond what was budgeted for. That is a huge cost. In a year of constrained finances, getting the pay metrics right will be critical to the affordability of our budget.

John Mason: Inflation could end up higher than we are hoping. For example, it could end up higher if all the shipping has to go around South Africa instead of through the Suez canal.

12:30

Shona Robison: All those external factors in relation to where inflation will end up are concerning. We can make assumptions based on the best estimates of the key organisations that are projecting where inflation will land, but those estimates are not guaranteed and inflation is material to where pay lands, given the pay metrics.

John Mason: My next question is on the council tax freeze and its mechanics and logic. What is the aim of the council tax freeze? Is it to help those people in most poverty? There has been a bit of debate over whether the £144 million for that is enough. Whether or not it is enough, it depletes the public purse as a whole, does it not?

Shona Robison: The council tax freeze was designed as a lever to try to help relieve the pressure that household budgets continue to be under. I said at the outset that it is important to try to deliver a balanced budget that recognises the needs of households, public services and business. We have the lowest poundage in the UK for the sixth year running. I contend that, in difficult circumstances, we have delivered a budget that is balanced and that is very different from that of the UK Government budget, which is almost exclusively in favour of tax cuts at the expense of public services.

The council tax freeze is one lever through which we can help to support household budgets. The figure is based on an increase of circa 5 per cent. By looking at what the projected increases were and taking an average, we landed in that space. It is not far off the analysis by the Fraser of Allander Institute, once we take out the multiplier effect—which we are not pursuing in the light of the lack of support for it among local government—which accounts for about £188 million in its analysis. Once that is taken out of the Fraser of Allander Institute figure, what we are left with is not far off the £144 million—I think it is £148 million.

Over the next few weeks, I will continue to discuss with the Convention of Scottish Local Authorities what the process will be for local government to access that £144 million.

John Mason: I will press you a little bit on that. Other people have argued that it would have been better to use that money to boost the Scottish child payment further because that would have targeted the poorest people. Am I not right in saying that the poorest people do not really pay council tax? A lot of ordinary people have had a 5, 6 or 7 per cent increase in their pension or their wages. They are paying that kind of increase for most things, albeit that they are paying more for energy. Yesterday, a constituent of mine came to my surgery and said that they were happy to pay a bit more council tax.

Shona Robison: First, the intention is for the council tax freeze to be a one-year intervention, so it is difficult to make comparisons with funding something that would have an on-going cost, such as increasing the Scottish child payment, which, of course, is increasing in line with inflation to £26.70. When we think back to where the Scottish child payment started, it is considerably higher than it was and it is estimated to have had a substantial impact, reducing child poverty levels by 5 percentage points. Our investment in the Scottish child payment is there for all to see.

Those on lower incomes pay a larger percentage of their income on council tax. You could argue that the benefit will be most keenly felt by those on lower-to-medium incomes, because they pay a higher proportion of their income on that tax. Of course, one of the reasons why the multiplier was mooted in the first place is the differential in the proportion of people's income that those in the lower and the higher council tax bands are required to pay. I think that our measure probably has a larger impact on those on lower-to-medium incomes.

John Mason: I have recently joined the Social Justice and Social Security Committee. It is absolutely delighted about the spending increase on social security. The jump from £5 billion to £6 billion is quite an increase compared with the position in other parts of the budget. Do you have any concern that spend in that area is getting a little bit out of control?

Shona Robison: We need to be cognisant of the need for sustainability. There has been continued growth in the social security budget since the inception of Social Security Scotland, the move of benefits and supports from the Department for Work and Pensions and the development of new supports in Scotland, and it is a growing part of the overall budget.

Our £1 billion increase in the social security budget to £6.3 billion is substantial. It is the right investment for the right reasons, but we are very aware of the need to ensure, as part of our requirement to achieve overall fiscal sustainability, that the investment in social security is also sustainable. I think that I set out in the medium-term financial strategy last year that the growing share of spend on and investment in Social Security Scotland are a considerable element of that financial sustainability. We are very cognisant of that.

John Mason: I will move on to another topic. I have had a fair bit of interaction with the hospitality sector recently, and it has been going on and on about how it wanted the kind of relief that was given in England. I think that England made a mistake in providing relief across the board, because it seems to me that some hospitality businesses are doing incredibly well.

I agree with your principle, as I understand it, of targeting some of the NDR relief at a specific sector. You have chosen to target the islands. Will you explain why that is your focus? Are there any other sectors that also need the relief?

Shona Robison: It is fair to say that, had money been available in a way that did not lead to our having to make hard choices in relation to providing NDR relief and funding the health service, I would have wanted to do more for hospitality, given that there are challenges for the sector in the post-Covid environment.

I am not unsympathetic to the hospitality sector's situation, but, as I laid out earlier, stark choices must be made. Out of the £310 million of consequentials for 2024-25, £260 million came from business tax cuts and £10.8 million was for the NHS. We could not possibly have followed through with those spending priorities. Had I done that, I would be sitting here today being asked—quite rightly—about funding for the NHS. We looked at what we could do. The freezing of the poundage at its lowest rate for the sixth year running is not an unsubstantial measure and our small business bonus goes further than anywhere else in these islands. Our reliefs are targeted.

Our focus on the islands is partly in recognition of the particular challenges that the hospitality sector in those communities has suffered, including some of the transport interruptions. The measure will give us good evidence of the difference that supports make to the hospitality sector. I am aware that, even with some of the reliefs that have been provided down south, the environment for hospitality is still quite challenging, although the position is quite mixed. Some businesses are doing well and others are not doing so well, and there will be various reasons for that.

We have committed to continuing discussions with the hospitality sector about whether, if resources allow it, we could do something that is more focused on supporting hospitality outside the existing reliefs structure. We will continue to look at that and I am sympathetic to doing more if resources become available.

John Mason: On a different subject, I go back to capital expenditure. Some of the amounts involved are quite small in the scheme of things but, over the past couple of days, concern has been expressed about SPT, which you said has considerable reserves. From a quick look at its accounts, I think that it has only £12 million of what it calls non-earmarked reserves, which is not a huge amount for an organisation with a turnover of £74 million. It has been suggested that, if SPT does not have funding to put in, work at East Kilbride station might have to be delayed. An example that affects my area is that Clyde Gateway is losing its core capital funding of £5 million, which could put a project at Shawfield in jeopardy. Can those projects still go ahead?

Shona Robison: I anticipate that that can happen, although the delivery timeframes might need to reflect the challenging financial environment and the capital budget challenges. We will continue to work with SPT and Clyde Gateway on profiling the delivery of those projects, which remain important. We want to work with those bodies on how they can continue to deliver on the commitments.

John Mason: I will finish with a more general question. A number of suggestions have been made about how national outcomes and the national performance framework have informed the budget. Were those elements taken as the starting point for the budget or did they come in at the end? Was the tax advisory group part of forming the budget?

Shona Robison: The tax advisory group is more about the long-term position of our tax policies—about the strategy and the longer-term plan for our tax position. That involves looking beyond year-to-year budget horizons. The group was never intended to provide an input to each budget. Apart from anything else, the divergence of views around the table at the group would probably not land in a space of collective agreement. We have those divergent views to ensure rigour in and challenge to the strategic position of tax policy.

The performance framework remains important for priorities and delivering them. That is overlaid with the First Minister's key missions, which home in on what is important and on how to focus and prioritise. Given that we have less to go around, how can we prioritise and focus on the things that really matter? That was the starting point to how we constructed the budget.

Jamie Halcro Johnston: I draw members' attention to my entry in the register of members' interests as a partner in a farming business. As a Highlands and Islands MSP who lives in a rural community, I will focus my first few questions on rural issues.

Agricultural support has been cut by £33 million. A similar amount has been cut from the forestry budget, and £7 million has been lost from the marine budget. Land reform funding has been slashed by £3.5 million. A total of about £80 million has been cut from the rural affairs, land reform and islands budget. Overall, this is a bad budget for rural Scotland. When you were considering the budget, what concerns did you have about the impact of those cuts on rural areas?

12:45

Shona Robison: Given the tough financial environment, we had to look at the priorities in the rural affairs, land reform and islands budget. We will continue to provide farmers, crofters and land managers with the most generous package of direct support in the UK, which is worth more than £600 million in 2024-25. We will also continue to support people who are farming and crofting in our most remote and fragile areas through £65 million for the less favoured areas scheme in 2024-25—we are the only country in the UK to provide that vital support. We have also committed to delivering a new round of agri-environment investment as part of the overall £30 million budget.

I contend that, in a tough financial round, we have prioritised what we are able to invest in. We have also prioritised things such as peatland restoration; we are investing £26.9 million to help to achieve the peatland restoration targets. We have worked in partnership with Scottish Forestry on utilising some of its reserves to ensure that it can continue to deliver, particularly on its tree-planting targets.

It is a tough budget, but we have tried to prioritise the sector's priorities within that.

Jamie Halcro Johnston: I am not sure that Scotland's farmers and crofters will feel very prioritised by a £33 million budget cut.

One of the issues that came up at last week's meeting was the lack of clarity in how decisions are made, and perhaps a lack of consistency, too. I mentioned forestry, and you just talked about tree planting. The forestry budget went up by £10 million in this financial year, but it is being cut by more than £30 million next year. What is the rationale behind that?

Shona Robison: We looked at the forestry budget in relation to the resources that Scottish Forestry has—I mentioned its reserves—and its targets and how it can continue to deliver on them.

Difficult decisions have had to be made. If those decisions had not been made, reductions in the budget would need to be made elsewhere. We will continue to work with Forestry Scotland and other organisations to ensure that they can deliver on the core ambitions that they have set out.

Jamie Halcro Johnston: Would you accept that it is quite difficult for stakeholders, such as those who are applying for grants and those for whom forestry is vital, to be confident that there is a consistent and considered response when there is investment one year and swingeing cuts the next?

Shona Robison: We can look at examples such as the funding for woodland creation, which has been prioritised and which will facilitate around 9,000 hectares of new planting and contribute to meeting climate change targets and net zero delivery. Scottish Forestry has a good track record of approving new woodland applications; in fact, it has approved a record number. The work that Scottish Forestry is able to do will be focused on some of the key delivery areas. It will not be able to do everything, and we expect it, like any public organisation, to prioritise the investments that it must make.

I come back to the point that I have made throughout the meeting, which is that given that we have less money to go around, we have had to be clear with organisations about the priorities. We cannot expect them to deliver everything if they do not have the resources to do that, so such prioritisation is critical. That is what we would expect of Scottish Forestry, along with all the other organisations that are helping to deliver in rural Scotland.

Jamie Halcro Johnston: I will look at two other organisations that are vital to rural Scotland.

We touched on economic growth earlier. Highlands and Islands Enterprise's budget has continued to fall; it is being cut by another £8 million next year. South of Scotland Enterprise will lose £7 million. You said earlier that enterprise agencies will be focused on key things that matter. What will those things be, and what have they been doing over the past few years that have not been key things that matter?

Shona Robison: The key things that matter, and that will be prioritised by the agencies, along with their partners and the Scottish Government, relate to support for business and investment and ensuring that that aligns with the key priorities for delivery.

We have recognised that we sometimes ask our enterprise agencies to do 101 things, but we cannot ask them to do 101 things if resources are constrained. As ministers, we therefore need to be clear about the key things for delivery in relation to the agencies' core functions in order to avoid duplication of things that other organisations are doing, and to ensure that the enterprise agencies are focused on the key interventions that their organisations, working with others, can bring to the table. That will help to ensure that there is investment in the key sectors for growth, whether in the Highlands and Islands or the south of Scotland, and that the agencies support businesses to start up and expand in those key sectors.

As ministers, we can sometimes be guilty of asking them to do a myriad of things. We need to be clear that the priorities that we set for our enterprise agencies—or, indeed, any other public organisation—take account of the resources that are available and at their disposal.

Jamie Halcro Johnston: Would you accept that you are asking them to do less and that, probably, fewer businesses will be helped?

Shona Robison: We are asking them to focus on the key things that will make a difference. Some of the other things that we have traditionally asked them to do will perhaps need to happen more slowly over time. The letters that we will issue to each enterprise agency will set out the key things that we will ask them to deliver over 2024-25. Some of the things that are not garnered together as key priorities will have to either not happen, or happen more slowly.

Jamie Halcro Johnston: I was on the economy committee when we carried out an inquiry into business support, which included the enterprise bodies and Business Gateway. I would be interested to know what things they have been doing that have not been priorities.

For clarification, I will touch on Business Gateway further, because it is not mentioned in the budget at all. Previously, it was mentioned, although funding for it had been cut. Is any Government support going into Business Gateway for next year?

Shona Robison: I will maybe get Alison Cumming to check that.

When we ask businesses what makes a difference and how our enterprise agencies or Business Gateway can best assist them, we find that they are not always aligned to the same priorities. Therefore, there is a discussion to be had about what the evidence tells us about what has the biggest impact. In times of constrained resource, it is important that we prioritise.

We will have to come back to the committee in relation to Business Gateway, if that is okay. We will write to the committee about that specifically.

Jamie Halcro Johnston: Okay, thanks for that.

I will ask a couple of quick questions about other areas. We have talked about the council tax freeze. You said that you are looking at funding that at an average of around 5 per cent. Do you accept that there will be winners and losers among the councils? For example, Orkney Islands Council—I am from Orkney—is considering a 10 per cent increase, but it will be substantially underfunded if you are basing the funding on a 5 per cent figure. There will be winners and losers.

Shona Robison: It would not have been viable to base a funding arrangement for the council tax freeze on the amount by which each local authority said that it was going to put up its council tax. I do not think that COSLA—or the 32 local authority leaders—would have agreed with one authority getting 10 per cent and another authority getting 3 per cent, depending on the projection. I think that there would have been an outcry if that had been the proposition. There would always have to have been an averaging of those projections to see where the quantum lands. As I said earlier, the quantum is not out of line with Fraser of Allander analysis.

However, I recognise that there are particular issues. For example, from my discussions with the leader of Orkney Islands Council, I am well aware that there are structural issues around its funding through the special islands needs allowance. There are some distributional issues for rural authorities more generally, but Orkney Islands Council has particular issues, and we will need to look at how we can support the council to address those.

Jamie Halcro Johnston: Therefore, that is something that you will be looking at. I understand what you are saying—COSLA would not necessarily support different deals, but each council has different circumstances and they have to deliver their public services. Rural and island communities have particular challenges.

Shona Robison: I know that COSLA is looking at work around the distribution of resources, and I will bring Ellen Leaver in on that in a second. However, as has been the case for decades, it is very difficult for COSLA members to agree distributional changes among themselves; it is incredibly difficult to get 32 leaders with particular interests from their councils' positions to agree to a position that might not benefit them. Of course, COSLA's distribution of resources is done by agreement, so it makes change very difficult.

Jamie Halcro Johnston: You have made the commitment to the council tax freeze, so there is a responsibility for you to make it work.

Shona Robison: The council tax freeze is one example of difficulty, but the issues for Orkney go well beyond that and involve SINA and how, more generally, the distribution works or does not work for individual local authorities. We continue to discuss with Orkney how we can help to resolve some of that in the short, medium and longer term.

Ellen, do you want to come in on that specific issue?

Ellen Leaver (Scottish Government): In relation to the distribution formula for the local government settlement—separate to the council tax freeze—as the Deputy First Minister said, there is a clear mechanism for joint work between the Scottish Government and local government, through COSLA, to keep the distribution formula under review. Any changes to that formula require the agreement of COSLA primarily, and there is a set governance procedure in place.

As the Deputy First Minister said, COSLA has asked the Improvement Service to lean in on a piece of work in relation to the islands' particular needs, as they are represented in the distribution formula. At the earliest, that piece of work will be concluded for the next budget. We have on-going discussions on other distribution matters with individual councils and COSLA as a whole. However, that is separate from the council tax freeze.

Jamie Halcro Johnston: I have just one more thing to say. Earlier, the convener highlighted reserves, and you and John Mason also mentioned them. I take it that you know how much money is held in reserve by public bodies across Scotland.

Shona Robison: I do not have the figure at the top of my head but, yes, we have that information. Not all organisations are public bodies—universities are not public bodies, so I do not have insight into what reserves each of them has—but we know the level of reserves for public bodies and local government. That has increased, actually.

Jamie Halcro Johnston: Taking universities and local councils out of the equation and looking at those bodies over which you have more direct control, are we talking about tens of millions or hundreds of millions?

13:00

Shona Robison: I can certainly write to the committee with that figure. There will be huge differences between the levels of reserves. Creative Scotland's reserves have been pretty well discussed in the public domain, but there will be other organisations whose reserves have had less scrutiny. We should not necessarily see the issue as a negative—such reserves might be pertinent to investment plans and reforms that organisations plan to undertake—but we also cannot ignore it. It has to be part of the picture when we consider how we get to a more sustainable position with some of the necessary reforms and think about how reserves are utilised in the short to medium term.

Jamie Halcro Johnston: Thank you.

The Convener: We are expecting details in the next week or so on the amounts that you were discussing.

It has been a bit of a marathon session; thank you, colleagues. Deputy First Minister, thank you for your input in particular. I will just ask two or three quick questions. When can we expect the updated infrastructure investment plan?

Shona Robison: We will give an update on the capital delivery of the existing infrastructure at the end of January and the infrastructure investment plan will be in the spring to align with the spring budget. It will be important to see what that looks like before we introduce the IIP revisions as the budget could end up impacting positively or negatively on capital.

The Convener: Okay, thank you.

This committee recommended that the Scottish Government produce a full response to the Scottish Fiscal Commission's fiscal sustainability report, setting out the actions that it will take to start addressing the longer-term challenges ahead. We have not yet received that, so when can we expect it?

Shona Robison: I will be happy to furnish the committee with that longer-term plan after the spring budget. MTFS in May will be a key point at which I can set out what the medium term looks like, in the light of what we know at that point.

The point that you are looking at goes a bit beyond that, into the longer term, and I know that the committee is taking an interest in that. I will try to furnish the committee with as much information as possible on that at the earliest opportunity.

The Convener: Finally, with regard to non-domestic rates, the budget includes £685 million of reliefs. I certainly appreciate that, as do island hospitality businesses in relation to the extremely helpful reliefs for those businesses, with 100 per cent relief up to the amount of £110,000.

Given our earlier discussions, has the Scottish Government done any work on looking at the positive economic impact of reliefs relative to the sector, for example? Obviously, we have had a lot of people lobbying us on that particular issue. I would like to know, not necessarily right now, whether the Scottish Government is looking into how effective those reliefs are in terms of the sustainability and growth of businesses and the overall economic impact.

Shona Robison: That information and evidence will be important for the interventions that we are making. Reliefs change over time; some cease and then new ones are introduced. Gathering an evidence base on the impact of each relief is important, and that work is on-going. I am happy to keep the committee apprised of the information that we get back on the analysis of that.

The Convener: Thank you very much. I realise how exhausting it must be to have to answer questions for two and a half hours.

Meeting closed at 13:03.

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