



OFFICIAL REPORT
AITHISG OIFIGEIL

Finance and Public Administration Committee

Tuesday 8 October 2024

Session 6



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FINANCE AND PUBLIC ADMINISTRATION COMMITTEE
28th 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) (Ind)

*Liz Smith (Mid Scotland and Fife) (Con)

*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Katie Allison (Scottish Government)

Jennie Barugh (Scottish Government)

Kate Forbes (Deputy First Minister and Cabinet Secretary for Economy and Gaelic)

Keith McDonald (Scottish Government)

Lucy O'Carroll (Scottish Government)

Shona Robison (Cabinet Secretary for Finance and Local Government)

CLERK TO THE COMMITTEE

Joanne McNaughton

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Tuesday 8 October 2024

[The Convener opened the meeting at 09:04]

Pre-budget Scrutiny 2025-26

The Convener (Kenneth Gibson): Good morning, and welcome to the 28th meeting in 2024 of the Finance and Public Administration Committee. We are joined today by students and staff from the University of Dundee, who will observe the committee taking evidence on our pre-budget scrutiny. I welcome them and look forward to chatting to them after the meeting.

Moving on to today's agenda, the first item is to take evidence from the Scottish Government on managing Scotland's public finances, a strategic approach. I welcome to the meeting the Cabinet Secretary for Finance and Local Government, Shona Robison. The cabinet secretary is accompanied by Scottish Government officials Jennie Barugh, director of fiscal sustainability; Richard McCallum, director of public spending; and Lucy O'Carroll, director of tax. I welcome them all to the meeting and invite the cabinet secretary to make a short opening statement.

The Cabinet Secretary for Finance and Local Government (Shona Robison): Thank you, convener. Good morning, and thank you for the invitation to join the committee today. This is the first time that I have appeared in front of the committee formally since the summer recess and the United Kingdom general election. There have been some significant developments during that time, many of which I updated Parliament on in my statement in early September.

The Chancellor of the Exchequer's statement at the end of July outlined the results of the Treasury's spending audit, which described a £22 billion shortfall in the UK's public finances and set the scene for a difficult UK budget on 30 October. The audit also estimated that this year's departmental spending budgets are at least £15 billion lower in real terms compared with 2021 spending review plans.

On 27 August, the Scottish Fiscal Commission provided an update on the current economic and fiscal context. My statement to Parliament on 3 September set out the difficult decisions that we are taking to achieve financial balance this year.

The First Minister and I have taken a constructive approach to engaging with the new

UK Government, and I am pleased to have seen a marked improvement since the election. The First Minister and I met the chancellor in Glasgow on 28 August and I have subsequently engaged with her on our priorities for the UK budget and our willingness to work together to achieve those.

Last week, I met the Chief Secretary to the Treasury, Darren Jones, along with the finance ministers from Wales and Northern Ireland at a meeting of the finance interministerial standing committee in Belfast. That was an opportunity to discuss with the chief secretary the challenges that are facing devolved budgets and how best to address those challenges.

The meeting was also an opportunity to convey some of the issues that were raised in Parliament two weeks ago on Scotland's priorities for the forthcoming UK budget. The chief secretary was receptive to those issues and I am keen to see that constructive engagement continue.

Since my recent correspondence with the committee, work has begun in earnest towards the publication on 4 December of the Scottish budget for 2025-26. The budget will be built on the principles outlined by the First Minister in the programme for government—eradicating child poverty, building prosperity, improving our public services and protecting the planet. I will continue to work with parties across the chamber to seek common ground, and I look forward to continuing to engage with the committee throughout the budget process.

I look forward to engaging today and, indeed, to further engagement throughout the coming month.

The Convener: Thank you for that opening statement. We will probably have a wide-ranging discussion today. As you will know, we have taken a lot of evidence in recent weeks about what other people believe the approach should be as we move forward. Of course, to discuss that, we have to look at where we are at the moment and you have pointed out the challenges that we face.

Last week, we took evidence from the Convention of Scottish Local Authorities. One of its concerns is that the Scottish Government's understandable approach to eradicating child poverty is perhaps a bit two-dimensional. For example, it focuses on benefits. COSLA has said that the Scottish Government having increased benefits by £984 million over what the UK would have provided in the current year has not necessarily helped all the people in poverty that it should. COSLA says:

"The opportunity cost of these decisions needs to be considered."

It goes on to say that

“economic development and employability services which help to create jobs and support people facing barriers to the labour market ... and sustain work in fairly paid jobs”

have taken a knock because less money is available for employability funding. It has also said that such funding would help with

“reducing dependence on the welfare system”

and with providing more

“affordable housing supporting people out of poverty, reducing homelessness and improving health and education outcomes.”

It has also suggested that putting that £984 million in local government, for example, could have provided 15,000 to 20,000 additional jobs.

On the same issue, Professor Heald said that it is not progressive to invest in benefits if doing so impacts on the services that go to the poorest people.

Yesterday, I went with Tom Arthur to a project in my constituency that looks at providing employability services for parents. Over the past seven years, it has provided some 300 part-time jobs of around 20 hours a week and has got people into the labour market who had never been in it before or who might have had to take years out, due to having had children. Such projects underpin the Government’s anti-poverty strategy, yet the project says that it is threatened by the fact that the Government says that it will just increase benefits, meaning that money will no longer be available to provide the services.

Even in schools, for example, educational psychologists and campus cops cannot be afforded by local government because the money is going to another area of spending. We realise that the budget is fairly limited and fixed, and that there is not great room for manoeuvre, but it is about choices.

That is a long-winded way of saying what I asked at the beginning, which is, what studies has the Government made of the opportunity cost of spending money on straightforward benefits, for example, rather than on supporting local government services?

Shona Robison: Without a doubt, there is a balance to be struck in how we tackle poverty. The child poverty plan has a number of pillars. One is about direct support to families, which encompasses some of the areas that you talked about, such as the Scottish child payment. However, the plan also talks about services, including those that help to move and support people out of poverty.

Employability services are one of those areas. For example, there have been positive trends in the number of parents who access support. Since the publication of “Best Start, Bright Futures:

Tackling Child Poverty Delivery Plan 2022-2026” back in 2022, the proportion of parents who access no one left behind support has increased from 26 per cent to about 48 per cent. Services such as supporting parents into employment are absolutely critical.

However, the pillars of tackling poverty have to do everything. Putting money into families’ pockets is important. In our ambitions to meet our statutory child poverty interim targets, the approach that is taken by the plan has three prongs: support to people directly; services that wrap around, such as childcare; and employability, because work is one of the main ways out of poverty. In my view, it is not either/or. As the child poverty plan recognises, we have to make sure that supports are provided in all those ways.

In my constituency experience, I am told time and again by families who face real hardship that having money in their pockets literally puts food on the table. I therefore push back against any idea that we should somehow diminish our support such as the Scottish child payment in particular.

To anticipate your next remark, we need to make sure that the other services that support families are also sustained. That means difficult choices, potentially, in other areas.

The Convener: I do not think that anyone doubts that having more money in people’s pockets is a good way of reducing poverty. However, local government and others are saying that, if the money went into their services, they would be able to provide more jobs, apart from anything else, which is the best way out of poverty.

Professor Heald said that

“being ‘progressive’ on social security and other cash benefits at the expense of public services expenditure will have an ‘anti-progressive’ effect because lower income groups have less access to substitute private services if satisfactory public services are not available.”

My concern is that local government is having to focus on its statutory obligations and, therefore, cannot support things such as employability services in the way that it wishes.

People are trapped on benefits—they might have more benefits now than they would otherwise have, but they are still trapped. We want to break that cycle of poverty. You know yourself, cabinet secretary, that the situation in Dundee is a particularly difficult one.

09:15

Shona Robison: I absolutely accept that services are critical to tackling poverty. I also accept that, in constrained financial times, all services and layers of Government must make

difficult choices. However, I point to what the Accounts Commission and the Scottish Parliament information centre have said about the relative position of local government which, despite the challenges, has had a real-terms increase in funding, and the fact that an increasing proportion of the Scottish Government's funding has gone to local government. Local government has always asked for an increase in share, and that share went up by 1 per cent in the previous budget.

Is there more to be done? Yes, there is. One of the opportunities for local government and, in particular, for services such as employability is that, through the spending review that the UK Government is leading, which will report in the spring around resource and capital—I am sure that we will touch on it today—we can get back to multiyear envelopes for services. That is really important for employability, because it funds a lot of third sector organisations that provide those supports to parents. A one-year funding envelope means that those organisations struggle to retain staff, so moving to a multiyear scenario will help local government per se but also help with those discrete areas of service.

The Convener: I agree that multiyear funding would definitely make a significant improvement.

Local government also asks for flexibility. For example, the Government has a fairly rigid policy on teacher numbers, although one or two local authorities are railing against it. The local authority in my area has 12.7 pupils per teacher, compared with the Scottish average of 13.2, but the average is 18 in England. The issue is that outcomes have not really improved relative to the amount of money that has gone into that service. Having to maintain high levels of teacher numbers means that other services that support a child's psychology, such as classroom assistants, are having to be reduced. I know that the teaching unions might not be too happy about this, because they are looking for even more teachers despite the falling pupil numbers, but would it not be better to give local authorities more flexibility in how they spend the resources that they have, which would produce better outcomes? That is what COSLA has said—you will know that, because you have spoken to it yourself.

Shona Robison: Those issues are raised with me frequently, as you are aware. Through negotiation, close to £1 billion of resources were baselined for local government in 2024-25, which were previously ring fenced. That was in advance of the agreement around the accountability framework and the fiscal framework, which are now at an advanced stage. There was a bit of a risk for the Scottish Government in de-ring fencing and baselining without the accountability framework in place, but it was what you might

describe as a goodwill gesture, while recognising that some areas remain to be discussed.

On teacher numbers, mitigations are in place against the £145 million allocation for areas where local authorities are seeing falling rolls, or where other issues exist such as recruitment challenges and so on. However, the blunt question that is being asked is, given that we want to close the poverty-related attainment gap, can we do that with fewer teachers? Teachers have an important role to play. Teaching is not the only important role—getting kids to school in the morning and wraparound services are important, too—but teachers are core to that goal. We need to get the right balance. We also need to have teachers in the right place—as you have highlighted, there are issues with falling rolls in some areas and rising rolls in others.

Those discussions are on-going. We want a compromise solution that we can all live with, but, ultimately, what is important is closing the poverty-related attainment gap, and teachers are an important part of that.

The Convener: Indeed—and so is the curriculum and how it is taught, and there is a whole debate to be had on that separately.

I can understand the Government's position on flexibility, because everyone calls for flexibility. When we had the historic concordat between the Scottish Government and COSLA in 2007, local government often did things that the Government was not happy about, and the Government was getting blamed for decisions that were being taken at local authority level by other political parties that were running those local authorities.

Shona Robison: It was ever thus.

The Convener: I understand that there is some politics there, but I think that the flexibility issue is one that will not go away. I would hope that the Verity house agreement will allow greater flexibility to enable better service provision, with the resources that we have.

However, the Scottish Government can make savings in other areas. One thing that I have always been surprised about is that people can go to their general practitioner and get paracetamol. I asked a question about that and found that the cost of paracetamol that was prescribed in Scotland in 2022-23 was nearly £12 million, and that the average cost to see a doctor is £56, apparently. Other products such as Calpol and ibuprofen are also being prescribed. Surely we could save tens of millions of pounds from the medicines budget if things that are readily available in local pharmacies and, indeed, in supermarkets were no longer on the list of medicines that can be prescribed.

Shona Robison: Those are discussions that we need to have. I would make two points about that. Having sat through the early years of the debate on prescription charges right through to their being abolished, I know that there are some complexities to the issue. For example, someone who requires a prescription of paracetamol in large doses will not get that over the counter; they will need to get that through prescription. I am not saying that that is always the case, but some people require regular prescription of pain relief that cannot be obtained over the counter.

I can see that removing paracetamol from the list sounds straightforward to do, but how would we deal with those who rely on pain relief in higher doses? How would they get it? It sounds straightforward but, as soon as you open up such things, there are always complexities to deal with, as you can imagine.

Should we continue to discuss such issues? Yes. We need to ensure that, in every area of Government, there are no closed doors to thinking about how things are done more efficiently and effectively. I know that my health colleagues are certainly not close minded on any of those things, but it is inevitable that something that sounds straightforward never is.

The Convener: It is a question of priorities when resources are limited, to be perfectly honest with you.

You talked about looking at such things again. When the committee was in Estonia a couple of weeks ago, we heard that the Estonian Government is looking at zero-based budgeting. Is that something that the Scottish Government would be looking at, for example? Incidentally, Jimmy Carter famously implemented that in the United States, way back in the 1970s.

Shona Robison: Again, I am open minded about any ideas that we can take from international examples in relation to how we construct our budget. However, through this process, I am focused on aligning the budget priorities that are set out in the programme for government with the resources that we have available to us, and how we shape a budget that prioritises that. That, in turn, requires some discussion about deprioritising, which is always the difficult part, and that we create a budget that can command support across Parliament.

I am more than happy to consider ideas, but in the here and now, my focus is on 2025-26. There are opportunities to think a bit differently about the budget on a multiyear basis. Having a single-year budget makes it very difficult to be creative and do things differently because there is a fixed position and you are not able to deliver reform and change

over a number of financial years in the resource space or the capital space.

Through multiyear budgeting, we have an opportunity to look at how we do things differently—for example, on pay and on other areas—so that we can take a line of sight on our priorities, and so that we are able to deliver that on a multiyear budget rather than a single-year budget.

The Convener: One issue is widening the tax base to ensure that the Scottish Government has more resources. That is important whatever we do.

I want to talk about a successful Scottish Government initiative, which is the data-driven innovation initiative. That was signed in 2018 as part of the Edinburgh and south-east Scotland city deal, and it is delivered by the University of Edinburgh and Heriot-Watt University, which I visited last week. It set a goal of supporting more than 400 entrepreneurs to raise £50 million within 10 years, and that has been resoundingly successful. In six years—not 10—it has managed to lever in more than £200 million of investment, rather than the £50 million target. Instead of 400, it has 500 cutting-edge companies that are raising funds to boost work that drives innovation.

However, I feel that the Scottish Government is not investing enough in such initiatives. For example, Universities Scotland gave evidence to us that, relative to the rest of the UK, investment spend has fallen by 16.2 per cent to 13 per cent in recent years. It said, and has given us the research sources that prove, that for every £1 that we invest in that area, 12.7 times that is put back into the Scottish economy. It said:

“If Scotland can recover its competitive position back to a 15.4% share of UKRI funds”,

which we had a few years ago,

“this would deliver an additional economic impact of at least £640 million to Scotland’s economy.”

Should we not be spending more than a minuscule proportion of Scottish resources in areas where Scotland is globally competitive—including, in your neck of the woods, the University of Dundee with its life sciences, and Heriot-Watt University with its robotics and research into marine and space and a myriad of other areas—so that we can have a prosperous, highly skilled workforce of the future?

Shona Robison: You raise a good example. Research, development and innovation is, of course, one of the five core themes in the data-driven innovation initiative deal. It gets £60 million of Scottish Government funding and £290 million of UK Government funding. That is a good

example of where we can align funding between the UK Government and the Scottish Government.

I am interested in how, for example, the UK Infrastructure Bank and the Scottish National Investment Bank could work together on those critical investments, as well as having core Scottish Government funding. When there is investment from the UK Infrastructure Bank and SNIB in important areas of growth, there is scope to do more. We have the development of the Edinburgh innovation hub and the investment in business infrastructure in the Fife industrial innovation investment programme, the Borders innovation park and the five data-driven innovation hubs, which you referred to.

09:30

We are investing strategically. It is legitimate to ask whether we could do more, and we will reflect on that. I would expect some of those issues to emerge in the bilateral meetings that I have with my cabinet secretary colleagues, so that we can consider the importance of investing strategically in research in Scotland's growth areas by aligning our funding with UK funds that are more extensive than ours. It will be important to lever some of those funds into Scotland.

I recognise your point about value-added growth. We must invest strategically in the areas that will give the best return.

The Convener: Research universities are concerned that the golden triangle of London, Oxford and Cambridge sucks in a lot of venture capital. That is why I have raised issues such as proof of concept money in the chamber. We were told that £5 million of Scottish Government money would bring in some £200 million of private investment, but some predictions, such as those about the data-driven innovation initiative, have underestimated how much we could bring in.

The main issue is that we have the potential to take Scotland forward but we are falling behind the rest of the UK. Employment in high-tech areas will provide tax revenue for the Scottish Government to invest in anti-poverty initiatives and other measures, which would be a win-win all round. I am asking about where to invest limited resources to get the best return.

Shona Robison: I will certainly reflect on your points as part of the budget process.

The Convener: That is helpful—thank you.

There is loads of other stuff that I could ask about, but colleagues are keen to jump in, so I will ask just one more question, which is about progressive taxation. The UK does not have progressive taxation—it takes a steps and stairs

approach, which Scotland is tied into because we have limited room for manoeuvre.

Colleagues and I have raised every year the fact that marginal tax rates in Scotland are higher on incomes of just over £43,000 than they are on incomes of £50,000-odd, because of higher rates of national insurance, which we do not control. Given the difficulties of that system, what work is the Scottish Government doing to try to make that progressive, so that the share of income that a person pays in taxes rises as their income rises? As I have said, that is not the situation at the moment, when someone who is earning £55,000 a year can actually pay less tax than someone who is earning £45,000 a year. What is the Scottish Government doing about that?

What further research is being done on behaviour? The behavioural response to taxation was trailed last year, and there is a big debate about the impact of increased taxation, not because of the mistaken idea that people might flee Scotland but because they might choose to work less or might use incorporation or other ways of avoiding paying income tax.

Shona Robison: As I have said a number of times here, we are cognisant of the issue of marginal tax rates. Because our system is a hybrid one of reserved and devolved taxes, it is a bit clunky, which, without a doubt, causes complexity.

We continue to monitor that, and not only internally. There is a great deal of external scrutiny through the Scottish Fiscal Commission's work, and we have also given His Majesty's Revenue and Customs funding to monitor some of the behavioural issues that you referred to. The first round of that monitoring showed continued net migration into Scotland across all income bands. However, we are not in any way complacent. We will continue to monitor all that, to make sure that we keep on top of any things that emerge.

It is positive that average earnings growth is up—and is up compared with the rest of the UK—as is the number of top-rate taxpayers, according to the latest available figures. Scottish tax performance has improved, so there is a strong base, but we are not at all complacent.

I ask Lucy O'Carroll whether she wants to add anything.

Lucy O'Carroll (Scottish Government): Alongside the budget on 4 December, we will publish a tax strategy, which will look in more detail at a number of areas to see what actions the Government can take to improve the certainty and stability of the tax process, improve evidence and evaluation gathering, improve communications and engagement, and look in the round at the current tax system and the potential for future powers. It will kick the tyres on all of that.

As part of the lead-up to the publication of the tax strategy, we have been doing a lot of engagement work, including with the business community, on some of the behavioural issues that you flagged. We have the data that HMRC published, our strategic business engagement and real-time evidence that comes through from HMRC to help us to capture the behavioural implications of the policies that the Government undertakes.

The Convener: Obviously, we can look at what is happening in other countries, such as Estonia, which, incidentally, has a straight 20 per cent tax across the board. I do not think that we in Scotland will be in that position any time soon, but having six tax bands does not help—having rates of 19, 20 and 21 per cent just seems daft to most people. I understand why that was brought in, but it is a nonsense, is it not?

Shona Robison: I think that our system is progressive, but the UK's system is certainly not, to judge by the bands down south.

Those who are on lower incomes are assisted by our tax system. The figures that I shared with you about the growth in tax revenues and the fact that we have net migration of taxpayers into Scotland are evidence—albeit that I do not say that everything with the system is perfect—that some of the claims about flight and so on have not come to pass. However, we are not complacent, and we need to make sure, which is why we are developing the tax strategy and why we have worked with HMRC to keep a close eye on emerging trends, so that we can address them if required.

The Convener: The Basque Country, which has 35 more years of tax devolution than we have, says that 2 or 3 per cent does not make much difference but that, once you get above that, the tipping point becomes quite dramatic.

I open the session to colleagues around the table. The first to ask questions will be our deputy convener, Michael Marra, to be followed by Michelle Thomson.

Michael Marra (North East Scotland) (Lab): On 30 May, you published the Scottish Government's pay policy, which indicated an assumption of 3 per cent for pay awards. Was that the figure that you used in establishing the 2024-25 budget?

Shona Robison: Yes, that was the figure. Let me say a few things about why we ended up with that pay policy. I should also say that I am mindful of where we go next with pay policy. We have to think about the purpose of pay policy. Is it about managing expectations? Is it about driving expectations? Is it about signalling the

Government's expectations to the wider public sector?

The UK Government does not set a pay policy, and I do not think that it has any intention of doing so. I am mindful of the purpose of pay policy.

The Scottish Government pay policy that was published at the end of May set out multiyear pay metrics. It took account of a number of things, including affordability, which was based on the known funding at the time. Under the previous UK Government, spending reviews were started and suspended and budget dates were moved—I should add that there was poor communication as well—so we had to base the pay policy on the best estimate of the available funding.

We looked at the economic conditions. Inflation was forecast to be 2 per cent for this year alone. We wanted to do multiyear metrics from 2024-25 to 2026-27 to give some certainty; we said that anything on top of that would really need to be funded through efficiencies, which has happened in some sectors in order to fund pay deals. I should also say that the civil service unions have more or less settled for the 2024-25 element of the pay policy, although we are in discussions about the future years. For civil service trade unions, the policy resulted in a positive outcome.

There is also the wider public sector, around which the UK pay review bodies' recommendations are key. We had no idea what those recommendations would be, and the level at which they were set was a bit of a surprise to a number of people. We then had a choice of how to respond. The new UK Government's acceptance of those recommendations gave us a huge challenge; when it then said that it would fund only two thirds, with the other third to be found through departmental savings, that was another challenge. All that resulted in my having to take action in order to create headroom through the savings that I announced, as the UK pay review bodies' recommendations created an £800 million pressure.

The issue, which was discussed quite extensively at the finance interministerial standing committee in Belfast, is that the UK pay review bodies' recommendations have a contagion effect. I do not mean that in a pejorative way; I mean that they set the bar for what other sectors will land on. We have no input into them and we get no information about the workings of why they have landed where they have. The UK Government can accept them or not without any discussion with the devolved Administrations.

The four of us at the standing committee concluded that we needed to do things better than that. There needs to be a way of co-ordinating public sector pay across the UK that does not

generate huge pressure for the devolved nations. That is about the timing and purpose of, and the input into, the recommendations. The Chief Secretary of the Treasury is cognisant of all that, and we need to see where that gets to.

I am keen to get away from single-year pay deals and maintain the multiyear look. Knowing what the resource envelopes will be from the spending review will be incredibly helpful for us in potentially considering multiyear rather than single-year envelopes. It will give clarity about the parameters over a longer period to those negotiating on both sides in the public sector, who will then be able to consider how much is front-loaded and back-ended and to examine reform and efficiencies. That is what my thinking is going towards—I want to take that forward on a multiyear basis. It leaves the question of 2025-26, but I will say something on pay and workforce as part of the budget.

I am sorry—that was a bit of a long-winded answer, but there is a lot of complexity in there.

09:45

Michael Marra: Three per cent was not very realistic, was it?

Shona Robison: That is what we could afford, based on the budget and the intelligence that we had about available funding. I could not set a pay policy that did not have funds available. I would have had to make savings at the beginning and to set a floor. If I had said 4 per cent, that would have become the floor and I would have had to announce a swathe of savings to create that floor.

Michael Marra: I understand that, and you have already touched on negotiating tactics, which have an impact on the dynamics.

The Scottish Fiscal Commission, in its work on the budget, assumed a 4.5 per cent increase, so it did not think that 3 per cent was realistic, either. What is the purpose of a pay policy? It makes up more than half of all public expenditure—your budget and taxpayers' money—in Scotland, and you used it as the principal reason for the chaos in recent weeks in inflationary pressure and pay rises in your budget. The pay policy has resulted in £500-million worth of direct cuts, and there is the exposure of the ScotWind money, which means potentially £1 billion overall. You have reiterated some of that today. That is the difference between 3 per cent and the 4.5 per cent. You told the Scottish Fiscal Commission that you will provide it with a policy, and it has been reiterated to the committee that it is required to do work on that in its modelling. How is it justifiable not to provide the SFC with the pay policy ahead of time, particularly when it is clearly undercosted?

Shona Robison: We will provide it with that, and I will reflect on all of the lessons—

Michael Marra: Will you provide a pay policy this year?

Shona Robison: I will provide enough information for the Scottish Fiscal Commission.

I am mindful about setting a single-year pay policy in the context of the opportunities that the spending review, which is coming shortly, provides. I want to put the context of 2025-26 in the multiyear space.

I also want to reflect on how we manage some of that in a year in which we will not put a pay policy out that becomes the floor and the negotiation is, therefore, above that. The SFC's work was based on 4.5 per cent, but the UK pay review body recommendation was 5.5 per cent. All those factors play into where pay actually lands, so we need to construct something better.

There is also a point of principle. If the UK Government is going to accept UK pay review body recommendations, it needs to fund them. The problem that I had was that it said that it would not, and would fund only two thirds of them. If the UK Government had said that it would fund 100 per cent of the pay review body's recommendations, I would have known what headroom I had, but it did not.

I could not wait to see whether we were going to see that being funded in supplementary estimates in the spring: I had to take action, which is why I do not regard the situation as "chaos", as you described it. It would have been chaotic to wait until the spring to see whether the money emerged. I could not do that. I had to create some headroom in expectation of one third being funded by departmental savings. Our equivalent of that is what I had to bring to Parliament.

Michael Marra: In Scotland, 22.6 per cent of total employment is in the public sector, in comparison with 17.6 per cent for the UK overall. Obviously, we contribute to that figure, as well. We also have a significantly higher median public sector wage than other parts of the UK have. I understand that, if a pay policy of 5 per cent, 10 per cent or 3 per cent is set, that has a much bigger impact in Scotland than it has in other parts of the UK. However, is it not so important that you tell Parliament the assumptions that you have made for pay in order to allow it to scrutinise your budget?

You have said that you want to include that in the next spending review, but we have to scrutinise the budget for the forthcoming year. When the previous budget was passed, we did not know, and there was a refusal to tell us, what the assumption was. Independent experts, such as

the Fraser of Allander Institute, have been critical in particular of the fact that we are making assumptions and of the complete lack of transparency.

Therefore, can you tell us now that you will publicly inform Parliament and the Scottish Fiscal Commission about your assumptions around pay for the next budget year? I ask for clarity, because I think that you have said that already.

Shona Robison: I will give Parliament assumptions within an envelope. However, for the reasons that I have set out, I do not want to give a figure that becomes a floor. I do not want to give a figure that, in essence, becomes the minimum for pay policy and drives expectations that everything will be above that.

The other complexity is that pay is not just about the pay policy figure; it is also about the non-pay element. For example, part of the deal with the civil service unions was about the value of the shorter working week, which was given a percentage value that then became part of the pay policy for the civil service.

It is more complex than just providing a figure for a year, so we need to recognise that complexity and avoid a policy becoming a driver. We need to ensure that our negotiating teams have an envelope that they can work within that recognises all that complexity. Therefore, rather than just providing a figure I am looking more at a framework that can help, on a multiyear basis, to ensure, through pay, that we can address reform, efficiency and productivity, and that all those things can be part of the framework. That figure does not serve us well.

The point about the larger civil service is correct, so the Barnett consequential do not cover it. Therefore, in the budget, I will also set out our workforce plans and policy, because those are inextricably linked. There is absolutely a relationship between the sustainability of public finances and workforce numbers and pay—they are also inextricably linked.

Lower-paid staff in the Scottish public sector are paid 10 per cent more than their counterparts in the rest of the UK, so there is a benefit to public sector pay from the action that we have taken and the investments that we have made in public sector pay.

Michael Marra: That sounds as though you are not going to produce a public sector pay policy. We have not had one for the past two years. The SFC has come to the committee and said that it expected to have it and that it is very disappointed by the fact that it has not had it. Is there anything else in your agreement with the Scottish Fiscal Commission that you do not intend to provide it with this year?

Shona Robison: Let me be clear. I thought that I had been clear, Michael—

Michael Marra: Perhaps not.

Shona Robison: Let me be clear again, because we always like to be clear, do we not? I will produce the information that the Scottish Fiscal Commission requires. However, I am saying that I want to learn the lessons of single-year pay policy and to do something that is more meaningful, so—

Michael Marra: On that point, the Fraser of Allander Institute has suggested that you should set out your assumptions and your intent, then present scenario plans. For instance, you have revealed today that, for 2024-25, you set out a 3 per cent assumption. However, you would set out assumptions in scenario plans with regard to where you would take the money from in the rest of your budget, were that to rise to 4 per cent or 5 per cent. That would allow Parliament to scrutinise the budget. Frankly, in your negotiations, it would make it possible to understand the consequences of some of your decisions. That is not my suggestion; it is the Fraser of Allander Institute saying that that would be a different way to approach Scottish budgeting prudently. We have to accept that, at the moment, the budget is not in a very good state, so we want a better process.

Shona Robison: I do not accept that. However, I accept that we have, in essence, been trying to make a budget work through a set of absolutely chaotic UK Government decisions, although those decisions have now become less chaotic. Looking to 2025-26 and beyond, that is extremely helpful.

However, trying to set a budget, pay policy or anything else with absolutely no idea of the funding that you will get is really difficult. This might sound basic, but our having an idea earlier in the year what the budget will be and what funding we can expect to receive from the UK Government would be transformational.

I will mention one point before it goes out of my head. Anyone who is involved in negotiations understands their complexity, and the importance of not driving pay inflation and of recognising that it is not just about pay but about making efficiencies, as part of the settlement. For example, in rail, part of the pay deal was linked to making efficiencies.

I would not cut the health budget in order to have contingency in case the pay increase goes up to 5 per cent. Instead, we would look at anything that was above the parameters that we have set to be paid for through efficiency gains and productivity gains. We have to be careful about what we say in pay policy, otherwise it drives scenarios that are not helpful for the public purse. I do not want to cut budgets while we are in

the process of negotiating, because that just drives wage inflation. We have to be careful about what we are setting out and what our expectations are.

I will, of course—I do—look carefully at comments from the Fraser of Allander Institute, the SFC and others. However, I re-emphasise how complex pay is and how important it is for us to be very careful about how we land pay policy.

Michael Marra: It is good that you reflect on the comments from the SFC and the Fraser of Allander Institute—

Shona Robison: I always do.

Michael Marra: —because they have been very clear with the committee that that is an extremely concerning deficit in the way in which the budget is constructed.

Michelle Thomson (Falkirk East) (SNP): Thank you for joining us, cabinet secretary. I want to cover a range of issues, and have short, sharp questions.

We often discuss productivity, and we know that there is a massive long-running issue with UK productivity—it is lower here than it is in France, Germany, the USA and so on. I know that you have written to us about the delay in the infrastructure investment plan. I want to hear your reflections on what the specific implications of that delay will be in the light of behaviour changes. What will be stopped and what will be started? What assessment have you made of the impact on internal work that is going on?

Shona Robison: First, I will comment on productivity. We absolutely recognise that productivity has to be part of the discussions that we have with all parts of the public sector. There is a lot of evidence that, since Covid, some levels of productivity have not recovered. There are a lot of reasons for that, and we understand a lot of them, but it is critical that, in driving reform forward, particularly in health and social care, productivity is part of the discussions.

On the infrastructure investment pipeline, the simple fact is that, until the capital spending review in the spring, I will have no idea what the capital budget will be from 2026 onwards. Trying to set out an infrastructure investment pipeline without knowing what the capital envelope will be does not strike me as being very sensible because that would do one of two things. First, it could constrain what we are doing. You never know—there might be a change in the fiscal rules for capital and we might end up getting a bigger envelope. One can only hope. I am not entirely sure that that is where we will end up, but there is a scenario in which that happens. If we do not wait, we would be

making decisions that are based on a scenario that might change.

Secondly, doing that might drive down confidence, because what people want is certainty, and we need to give certainty to projects that are potentially in the pipeline. I do not want a stop-start approach, because it does not make sense to say something if it has to be immediately revisited.

10:00

Michelle Thomson: I have some sympathy with what you are saying about uncertainty, but there is a flipside to that, which perhaps takes us back to what Michael Marra was saying about pay. With regard to planning, you could have proceeded on the basis of, say, the latest projections from the Scottish Fiscal Commission—that is, the ones that were done earlier—and said, “Okay, this is the de minimis floor.” I accept what you have said about a change to the fiscal rules on debt; indeed, I think that that is highly likely to happen, because they are so constraining for the UK Government. You are saying that, because we do not know, we cannot do anything, but the question that I am exploring is what we can do within that uncertainty. Surely something must be made certain; otherwise, the lack of multiyear funding, which is an approach that we all agree on, is actually stopping lots of things and is, arguably, stopping confidence in moving forward.

Shona Robison: A number of capital projects are on-going. What we are talking about is having a line of sight and certainty for those that have yet to begin. We could just say what we think we can do, but the fact is that a lot of money can be expended in the early days of a project in preparing business cases and so on. Therefore, I would prefer to wait until spring, which is not far off.

My expectation with regard to the Treasury is that we will not have to wait until some day in spring until we get all the information. The flow of information has become much better and we will—I hope—get indications of the direction of travel, which will ensure that, come spring, I can publish, as intended, the infrastructure investment pipeline alongside the medium-term financial strategy. It will use that longer horizon. I hope that that will give certainty and allow a larger number of projects to be taken forward.

At the moment, we are still facing the cut in capital funding. If I were to take what was in the infrastructure investment pipeline and apply that cut in capital, a number of projects would be unable to proceed.

Michelle Thomson: According to the “Fiscal Framework Outturn Report: 2024”, there is still

£398 million of capital headroom for the end of 2025-26. What are your intentions in that respect?

Shona Robison: We take a very prudent approach to borrowing, and we set ourselves internal rules around what we think is prudent. Essentially, that is, if you like, the landing spot for those internal guides. Jennie—do you want to come in on that?

Jennie Barugh (Scottish Government): The cabinet secretary will take the decision on capital borrowing as part of the budget process. We are not yet in the position of having made a firm decision on the level of capital borrowing for 2025-26; indeed, the amount of capital borrowing in 2024-25 is not yet absolutely confirmed either, so the number that is in the budget has yet to be confirmed. The cabinet secretary takes such decisions much closer to the end of the financial year in order to be able to deliver a balanced outturn position. There are still a few moving parts that we will take stock of ahead of publication of the draft budget in December.

Michelle Thomson: I appreciate that. Are you applying rules to headroom, contingency or whatever you want to use? It would be useful for the committee to understand that, because, as you know, as a side issue, we are always looking for greater transparency, so it would be useful to—

Shona Robison: I am happy to write to the committee on what would be in our guides on making sure that we are being prudent.

We have put a lot of effort into exploring other potential revenue-based options for capital. We already have some good examples of that in the local government sphere, such as outcomes-based funding through the LEAP project.

We are not resting on our laurels and saying that this is just about capital departmental expenditure limits and availability. We are looking at what else we could lever in, but that comes at a revenue cost, and it has to be affordable over a longer period of time.

Michelle Thomson: Moving on, I will finish off the productivity theme. I know that the convener has already brought up research and development, which is very important, but housing is also arguably in there—the programme for government figures set that out. Given the impact on productivity—never mind child poverty, which is one of the Government's key drivers—is the plan to restore in the budget the £200 million cut to housing?

Shona Robison: I have said on a number of occasions that housing investment is a key priority for capital. We have faced two things. The first is the cut to 8.7 per cent to CDEL. On top of that, there is the 62 per cent cut in the financial

transactions budget, which underpinned the affordable housing supply programme.

We raised that issue directly with the chancellor and asked for her view on financial transactions and whether the new UK Labour Government would take a different view on them. She said that she would go away and look at that. We will continue to pursue that, because the financial transactions budget underpinned our affordable housing programme, and replacing it with CDEL would have meant making swingeing cuts elsewhere. I need to see how those various discussions play out, as well as considering the point about the fiscal rules and what the capital outlook looks like.

I know that my colleagues Shirley-Anne Somerville and Paul McLennan have been looking at how they use some of the funding to lever in private sector investment. They talked about how the £100 million that they were looking to invest would lever in £500 million, which would deliver 2,800 mid-market rental homes. We need to be imaginative about how we grow that pot to deliver across all levels of affordability. Obviously, that is not social housing, but it is affordable housing and it meets a big need in the market.

In short, housing is a key priority for us. The Cabinet has to have discussions about the budget and relative priorities, but everybody has been very clear that it is a key priority.

Michelle Thomson: I have a few random questions. I noticed that there is now uncertainty around the growth deal for Argyll and Bute. Have you had a chance to explore whether there is uncertainty around any other growth deals? I am thinking in particular, and perhaps selfishly, about the Falkirk growth deal—or rather, the promise of funds that have not yet been finally agreed. Are there any concerns about any of the other growth deals?

Shona Robison: I raised that directly with the Chief Secretary to the Treasury. Our understanding, and what we have been told, is that all the city growth deals that were signed are fine.

The Argyll and Bute deal was not signed—that was a timing issue—so it is on hold, if you like. The Scottish Government has committed our share. I raised very directly with the Chief Secretary to the Treasury the need for certainty and a swift resolution, because it is a bit unfair if it comes down to just a timing issue.

There is a question mark around other funds, such as levelling up. My view is that, despite all our reservations about the way that funds were deployed—I think that somewhere in the Borders is a roundabout that was purchased by the UK Government—we need to be more strategic about

the use of our collective capital. However, I do not want money that was promised to towns, cities and communities to be taken away. That is a non-starter. We need to have clarity, and then we need to spend those resources in a much more strategic way. I am very much up for that.

As a tangential point, I also made it very clear that shared prosperity funding, for example, has to be routed through the devolved Administrations. Everybody around the table said that to the chief secretary. We need to be able to use all those resources in a more strategic, coherent—

Michelle Thomson: And efficient—

Shona Robison: —and efficient way.

Michelle Thomson: I have a couple more questions. What is the latest on Scottish bonds?

Shona Robison: We are continuing to look at bonds. As you will remember, that was an investor panel recommendation. We are going through a due diligence process and I will provide more information when we produce the Scottish budget. A bond would have to be issued at the right time, so we need to look at market conditions and all of that. Work continues, and I am happy to keep the committee updated.

Michelle Thomson: My last wee question is whether there is any update on the status of air passenger duty. There has been quite a lot of talk in recent weeks about private jets and so on.

Shona Robison: You will understand the complexity of the issue, not least because we need to make sure that the Highlands and Islands are protected. We have continued to discuss the subsidy control regime with the UK Government. Obviously, there is a new Government, and we are engaging with it to see whether we can move things forward.

We will set out the high-level principles of the air departure tax, including—importantly—how it will support emissions reductions. We will do that as soon as possible, and we will review the rates and bands, including the rates on private jet flights, to ensure that they are aligned with our net zero ambitions. That work continues, but we need to resolve the subsidy control issue with the UK Government.

Michelle Thomson: My final, final question, convener, is one that I have asked before—

The Convener: I thought that you were going to say that it was your final, final, final question. [Laughter.]

Michelle Thomson: Thank you, convener.

As you know, I have raised the ScotWind moneys before, both at the committee and in the chamber. I know that, if money can be salvaged

for good purposes, it will be. However, the question that needs to be asked is, if that money ends up needing to be used this year, what assessment are you making of its not being available for subsequent years? That is obviously a concern as well.

Shona Robison: ScotWind money is non-recurring. More money is coming through the likes of the innovation and targeted oil and gas round; we can expect £54 million from that in 2024-25. As you have seen in the autumn revision, £424 million from ScotWind was set aside. However—let me be clear again—we are bearing down strongly on costs, including all the measures that we have taken on recruitment controls. We are driving down non-essential spending out of an explicit desire to minimise the use of ScotWind money, for reasons that we have rehearsed a number of times.

10:15

We spoke earlier about capital, which is a potential source of infrastructure investment in many of the strategic areas where we need to make progress. Having as much of that at our disposal as possible is an absolutely clear objective for me and I will keep the committee updated on progress.

Liz Smith (Mid Scotland and Fife) (Con): Earlier, Lucy O'Carroll confirmed that the tax strategy will be published along with the budget on 4 December. How many times has the tax strategy group met since the general election?

Shona Robison: My officials will get that note for you in a second. I have attended all but one or two of those meetings, which have been productive, with quite a wide range of views in the room, as you would imagine.

In addition to the tax strategy group, I have also had meetings with key stakeholders in advance of the publication of the tax strategy to take a wider range of views on what that strategy should do and what it should help us to achieve, and to test the draft objectives.

I am looking at my officials to see whether we have that note.

The group has met three times this year and there has been additional work between meetings to get us to our current advanced point, so I have been able to go out to the wider group of stakeholders with that product.

Liz Smith: Has that group met three times since the general election?

Shona Robison: It has met three times this year.

Liz Smith: To be specific, how many times has it met since the general election?

Shona Robison: Once, I think.

Lucy O'Carroll: I believe the answer is once or twice.

Shona Robison: Once or twice: I can write to you with the dates.

Liz Smith: I am interested because there has been discussion about the principles and objectives behind the Scottish Government's tax strategy. Has the issue of competitiveness been added to that overview of the tax strategy?

Shona Robison: The tax strategy seeks to do a number of things. It is about providing certainty for taxpayers and raising awareness of our system. That issue was raised quite strongly in the wider forum. Stakeholders were concerned about the lack of awareness of the UK and Scottish tax systems, so we must look at ways of sharing information and raising awareness.

Liz Smith: I understand those principles, but my specific question is about competitiveness. Is that issue in the Scottish Government's tax strategy?

Shona Robison: Yes, and it has been raised and discussed by members of the group.

The group is not determining tax policy or tax rates. It is looking at where tax strategy needs to land to ensure that we maximise awareness, get high levels of compliance and have a system that is fair, understandable and easy to navigate. We want a system that takes cognisance of how it drives behaviours.

Liz Smith: I am just coming to behaviour. The tax strategy has to deliver economic growth and improve the economy and wellbeing. That all has to be up there. I am asking about competitiveness because a lot of people in the world of business and industry make the point that the competitive side of the tax strategy is extremely important. If we are to deliver much greater economic growth and a much better economic outturn, we need a competitive tax structure. I would have thought that that was central to the Government. I flag up the comment that the Deputy First Minister made at the end of August, when she wrote:

"continually raising taxes is ultimately counter-productive"

because revenue falls, which impacts on potential investment.

The committee has had various bits of evidence from the Scottish Fiscal Commission, which has argued that, at the top levels of tax systems, there is a problem with potential behavioural change. In terms of your tax strategy—never mind the tax rate—are you measuring the different tax

elasticities and the behavioural change that is likely to result from the tax policies that you have just now?

Shona Robison: I will come back to that specifically in a second. I have had a lot of meetings on the tax strategy with the Deputy First Minister. As well as the certainty and stability, aligning our economic and tax strategies has been a focus of the work, including more regular and systematic engagement to improve how we approach evidence and evaluation and the administration and delivery of the current system and future priorities. Although the approach is at a high level, it seeks to align objectives.

On the specifics and the evidence, I point Liz Smith to my earlier comments. We have engaged HMRC and others on the evidential base. We have the evidence, albeit that it takes a period of time to get the latest available evidence, and there will be future evidence at a future point. However, for the period of time that the evidence looks at, there is net positive migration across all tax bands to Scotland, and there has been very strong growth in earnings.

If you are asking me whether there is evidence of population flight that I should be worried about or of disincentives that are putting people off coming here, I would say that, on balance, people are still coming to live and work in Scotland, and their choice to do so will be for a whole variety of reasons. However, I am not complacent about that, which is why continuing to improve the evidence and evaluation is important. With HMRC and others, we will continue to ensure that we monitor all that and, importantly, respond.

Liz Smith: Obviously, there are businesses that are concerned about the potential for difficulties with recruitment in the future, because they feel that some medium to high earners are being put off.

When we get the tax strategy, it will be important that you produce the evidence behind what is driving it. In other words, will we get the evidence that allows us to see what the different elasticities are at present and whether the behavioural change is as we suspect it is?

Shona Robison: A lot of that evidence is already in the public domain. I have referred to the HMRC work. I will bring in Lucy O'Carroll on that in a second, but that evidence shows that there is net migration and there is growth, even among our top-rate payers. Many of our sectors, such as financial services, are booming in Scotland. That is not to dismiss anecdotal evidence or concerns that are raised, because we have to listen to those. All I am saying is that the evidence so far should give us some confidence, but we have to be vigilant.

I bring Lucy in on that point.

Lucy O'Carroll: I will make two points. The first is that we have been engaging with a wide range of institutions in the run-up to the production of the tax strategy. We have had stakeholder-led roundtable meetings—one led by Scottish Financial Enterprise, one by the David Hume Institute, two by officials and two by ministers. Attendees have included Oxfam, the Scottish Women's Budget Group, the Institute of Chartered Accountants of Scotland and the Chartered Institute of Taxation—the tax experts. We have had one-to-one engagements with the Institute for Fiscal Studies, the Institute for Government, the Fraser of Allander Institute and so on. We have met academics and had events with COSLA and local authority economy directors. We have tried to reach out to address some of the issues around competitiveness and capture their work and evidence as well as looking at our own.

My second point is that in the tax strategy we consider a number of objectives and how to achieve those through a series of actions. One of those actions is on evidence and evaluation, and we will set out the areas that we wish to further explore during the current parliamentary session to capture the best evidence on elasticity, behaviour and competitiveness.

It is about setting out the road map and the areas of research interests in the tax strategy in order to give people in Scotland assurance that when future policy is being established, debated and chosen, we are looking systematically at the very important points that you and others in our stakeholder engagement have raised.

Liz Smith: Thank you—that was a very useful update.

Cabinet secretary, when the tax strategy is published on 4 December, do you intend to present to Parliament what is working well with regard to how the current tax structures relate to the objectives that you have set and what is not working well?

Shona Robison: A lot of the evidence about who is coming to Scotland and what is driving behaviour and growth in tax revenue has been produced externally. We can put some thought into how we can provide links and references to that evidential base alongside the tax strategy, so that people can have reference points to what lies behind it.

Liz Smith: The tax strategy is crucial for all sorts of economic reasons and, perhaps, for social reasons. Therefore, it will make it easier for scrutiny of the budget and beyond if we can see in the tax strategy the Government's interpretation of the current evidence on the tax structures that are working well in delivering better economic

outcomes and where there are problems, some of which have been evidenced by different businesses. That is what we are looking for.

Shona Robison: I will take that away to reassure myself that we are able to—

Liz Smith: My final question is about expanding the tax base, which the convener referred to earlier. What are the priorities of the Scottish Government's current policies on expanding the tax base?

Shona Robison: They are twofold. One of our priorities is to make sure that, through our continued success on inward investment, we are able to grow in key sectors, such as green energy. That growth is funded partly through our priorities with the Scottish National Investment Bank and others, such as the commitment to provide £500 million over five years to help to lever in private investment, which is very successful. There is a lot happening in that sphere. We also have the other key sectors, such as financial services, life sciences and artificial intelligence, in relation to which we would expect our economic institutions and SNIB to align to ensure that we continue our success in growing those areas.

10:30

Essentially, we want not only to create opportunities for people here, but to bring people to live and work in Scotland. Some of that will be in our more remote and rural communities. The growth in such areas is great to see. For example, the work around the Cromarty Firth green freeport, with the potential transformation, the housing development and so on, is amazing.

The other end of the spectrum is about getting more people into work. Indeed, I have already mentioned some of our work on employability and on getting parents into work. That is important, because it has the added benefit of reducing the need for the supports that we provide, at a UK level and in Scotland.

In a nutshell, we want to grow the economy in those key sectors and to keep people here and living in Scotland, but we also expect net immigration, particularly in highly skilled areas. For example, Western Isles Council said to me that it could employ every young person in the work on offshore wind developments, but it will still need people to come and live and work in the islands. That is really important for repopulation and so on.

Liz Smith: But the tax strategy will set out how we widen the tax base.

Shona Robison: The tax strategy will be linked to the economic strategy in looking at all of that. We must make sure that those are linked, and the key reason for doing so is that there has to be

coherence. Indeed, I have been meeting the Deputy First Minister to ensure that we can describe all of that and that our economic and tax strategies are all pointing in the same direction. That is the work that we have been doing.

Ross Greer (West Scotland) (Green): I have a couple of questions about the national performance framework and local government finances, but before I get to them, I would like to follow up on Michelle Thomson's lines of questioning, which I found interesting.

First, on air passenger duty—or air departure tax—and the subsidy control issue with regard to lifeline routes, are you able to confirm whether the new UK Government agrees, at least in principle, on the need to resolve that? We need to deliver on something that we all agreed to devolve 10 years ago, but we also need to protect support for the lifeline routes.

Shona Robison: There is nothing that I have seen that says that the new UK Government does not agree with that—our assumption is that it is, in principle, in agreement. It is all about how we get on with it. I have no intelligence that tells me otherwise or that there has been any shift away from that principle—it is our working assumption that there is agreement on that. I should say that I am not the person who has been closest to the dialogue with the new UK Government on some of the detail in this area, but we can follow up with the committee on what exchanges of correspondence there have been.

Ross Greer: That would be useful. Thank you very much.

Can you also confirm the Government's position with regard to the value for money from bonds? I recognise that a lot of work is being done to assess that, but concerns have been raised that they are unlikely to be of greater value than regular borrowing, particularly given that the overall limit is the same. Would the Government go ahead with issuing bonds, even if they were found to be of less value than the regular borrowing options that are currently available?

Shona Robison: Part of the due diligence involves the value for money test. Because of changing market conditions, we cannot be definitive about that until we are at a point of issuing a bond. We would need to see what the market was, what the interest rates were and how all of that would compare with conventional borrowing.

Ross Greer: If, at that point, it became clear that prevailing market conditions meant that a bond would be of less value and that we would end up paying more back in the long run than we would through regular borrowing through the Public Works Loan Board, I presume that the

Government would not go ahead with issuing a bond.

Shona Robison: Value for money is not the only test. One of the reasons that the investor panel recommended such an approach was the signal that it would send about investment on a global stage, which is quite an important thing in itself. However, I can assure you that, as part of our due diligence, the value for money test is absolutely critical, although we are still at quite an early stage.

I do not know whether Lucy O'Carroll or Jennie Barugh has anything to add.

Jennie Barugh: I do not have much to add, except to say that the different aspects that are brought into the value for money assessment are quite broad. They would go beyond a pure financial assessment and into the broader impact that issuing a bond might have, including the impacts that the investor panel seized upon, such as the measure being a basis for attracting and crowding in inward investment. The issue would be about the breadth of that process and the confidence levels that we had around those assessments.

Ross Greer: I will move on to the other areas that I had planned to ask about. First, on local government finance reform, the joint working group with COSLA has not met since the Government changed back in April. Should we read much into that? Why has it been so long since that group last met?

Shona Robison: You are right about that group—although it is actually meeting this month—but I would not want that point to be a signal that there has been a lack of activity. There has been a lot of activity on the recommendations that the working group made. As you are aware, the visitor levy and other things that emanated from the group have been taken forward in between its meetings.

There was significant interruption after the group last met, which I think was in April, as we had an election, a change of First Minister and all the engagement with COSLA. I meet COSLA at least once a week at the moment, and all the people who are in the joint working group are the folk who are in the room when I meet COSLA. It is fair to say that I probably meet them more than anyone else at the moment but, given my local government hat, that is understandable.

One key aspect of the fiscal framework, although it is not formally in place yet, is early engagement on the budget, and that has happened. Katie Hagmann and I have met on, I think, three or four occasions to talk about the budget. In fact, I have a note here that tells me that there have been three meetings on budget

matters, with the fourth due this week, which I think is about right. We also have broader engagement on some of the important strategic issues.

There has been no lack of engagement. What is discussed and the outcome from that are probably more important than the forum in which that happens.

Ross Greer: I absolutely agree on that. On exactly that point, what is your expectation for outcomes by the end of this parliamentary session on local government finance reform? Is there an ambition to have made a decision by March or April 2026 on council tax revaluation, a replacement system or additional new powers that are entirely separate? What is your expectation of where we will be? How much will have changed by then, or how much will at least be in motion by then, recognising that some of the reforms would be multiyear and quite complex ones?

Shona Robison: I will start with the easier bit, which is the progress that is being made on the principles of more flexibility and more financial powers. We are progressing those in the here and now. Fundamental council tax reform is harder and will take longer to do, so it is important to get on with some of the fiscal empowerment with more levers.

In part, the issue depends on whether we can build a degree of cross-party consensus about the ambition on council tax reform. We have been round the houses on what a fundamental replacement would look like. I would want to try to get a level of cross-party agreement on what the most important changes would be. If we could get to that stage by the end of the current parliamentary session, that would stand the next Parliament in better stead to make further progress on reform.

Ross Greer: I totally agree on the need for cross-party consensus. The working group that is leading that activity has only representatives of your party on it, because it is a Scottish Government working group. What is the space in which that cross-party consensus can emerge?

Shona Robison: I do not think that that space is the joint working group, because it does a range of other things, such as looking at the visitor levy and all the detail around that. It is probably external to that. I guess that it is a case of trying to forge some discussions in this place that could perhaps go outwith the budget discussions, and looking at what opportunities exist. Given that we are going to be in a better place with multiyear budgets, is there a landing space for more significant reform to council tax, so that we could have some general agreement around the principle of it? That is easy to say and much

harder to achieve, but, without it, it is difficult to see how we could move forward with significant reform.

I am keen to take the views of external stakeholders on that, and I know that you are also keen that there should be a bit of civic society involvement in the process. I am mindful of the fact that we could reach a position of saying that we think A, B and C, but the fact of the matter is that it might not garner enough political support in this place. I am keen to have some honest discussion about where a landing space might be, and I make an open invitation on that. I do not think that anyone would say that the council tax is perfect and that no important changes need to be made. If we take that as a starting point, we would need to consider what changes we could largely agree on in principle.

Ross Greer: On exactly that, far from being perfect, council tax has not been in date in my lifetime, and I am now 30. Would you like to see revaluation in the current parliamentary session?

Shona Robison: I am mindful that it takes a lot longer to do any—

Ross Greer: Yes, but would you like to start the process of revaluation?

Shona Robison: I am mindful of how difficult big bangs can be, and the Welsh Labour Government experience of that should make us think about how we address the matter. There is a point about property values being 30-plus years out of date, but we must try to take people with us on this journey.

There are ways of moving forward. I stand to be corrected, but I think that a gradual change is being discussed in Wales and perhaps also in England. That would involve revaluation being done at the point of individual house sales, which would mean that it would be done in such a way that it had a soft landing over time, rather than as a big bang, which I think would scare the horses. The Welsh Labour Government has found that to be pretty difficult. It did one revaluation and it was looking at doing another, but I think that it has had significant pushback.

I am really wary of a big bang revaluation. Perhaps it is a case of getting public support to do something. From the point of view of fairness, there needs to be a gradual recognition of changes that have taken place over decades, but I would want to take people with me on that journey.

Ross Greer: Thank you. I have not asked about the national performance framework yet, but I am conscious of time. Convener, do I have time to do that?

The Convener: We are really struggling for time, to be honest, given that other members have

still to come in, and we have another session to come.

Ross Greer: That is fine. We will cover the NPF in our session with the Deputy First Minister and Cabinet Secretary for Economy and Gaelic. I will come back to that.

The Convener: Okay. I have questions on capital, public sector reform and digitalisation, which I will not be able to ask unless colleagues do, because of time, so I sympathise with you.

Jamie Halcro Johnston is next, to be followed by John Mason.

Jamie Halcro Johnston (Highlands and Islands) (Con): I want to pursue the issue of imperfect taxes before I move on to my main points. When I met some local businesses in hospitality and leisure tourism in Fort William, they were concerned about the visitor levy tourism tax and the VAT implications. The way that it is being set up, VAT will be incurred on top of the levy, so, in essence, businesses will be taxed twice. Is that something that you are concerned about? Do you think that that is fair? Are you taking any action to remedy that?

10:45

Shona Robison: The visitor levy is a local levy that councils can choose to deploy or not to deploy. We are either in agreement that councils should have fiscal powers—given their desire for more fiscal autonomy and flexibility to grow the quantum that they have at their disposal—or we are not.

Jamie Halcro Johnston: I am sorry, but the question was about how it is being set up, not about local government utilising it. It is being set up in a way that means that the levy itself incurs VAT. Are you happy with that?

Shona Robison: There was extensive consultation. Tom Arthur was asked about that issue on a number of occasions, and he addressed it at the time. I am happy to come back to the committee on whether or not—I think that there was very limited room for manoeuvre in relation to what could be done, given that VAT is a reserved issue. I cannot remember the detail of it, but I remember Tom Arthur addressing that point at the time.

Jamie Halcro Johnston: By putting it on the businesses rather than on the individuals to pay that tax, the problem is that the businesses will therefore be liable. That will push a number of them over the VAT threshold, as well as—as I said—taxing them twice on it.

You confirm that no consideration is being given to changing that at the moment.

Shona Robison: I will come back to the committee on that. If consideration is being given to that, I am not aware of it. However, consideration might be being given to the issue somewhere else within Government, in relation to picking up the implementation issues around the levy.

Let me take that away. As with any levy, when something new is delivered, we always look at the implementation issues and what arises. I want to check on that before confirming one way or the other.

Jamie Halcro Johnston: I would have thought that that would have been run past your office, if it was being considered—but okay.

I will move on, as I am conscious of time. There has been a lot of focus on winter fuel payments, the decision by the UK Labour Government to means test and the implications for Scotland in relation to what is now a devolved benefit. Has the Scottish Government made a request to defer the block grant adjustment?

Shona Robison: We have not decided yet about the block grant adjustment. We will make that decision in due course, as part of our budget considerations. It is one thing to devolve the power; however, if the funding is not devolved the benefit is, in effect, half devolved.

Jamie Halcro Johnston: I appreciate that. I accept that, if the block grant adjustment were to be deferred, the funding would still have to be paid back. That has been established. However, you are suggesting that you have not made a decision. Is there a timescale within which you have to make that request?

Shona Robison: I will bring Jennie Barugh in.

We will look at that as part of our budget, in terms of the best landing space for us. Obviously, there is a material issue in relation to which year the block grant adjustment is applied to.

Jennie Barugh: We are in discussion at official level with the Treasury in order to bottom out the timing of the decision. Our understanding is that it will relate to the timing of the supplementary estimates and the timescales by which the Scottish Government needs to submit its requests around the supplementary estimates process, which would be very close to the end of this calendar year or into January.

Shona Robison: If I remember correctly, the fiscal framework enables us to defer block grant adjustments: that is part of the fiscal framework. The question for us is to ask what makes sense, which is why those discussions are on-going. We will be fully transparent once decisions are brought to a conclusion.

Jamie Halcro Johnston: That is helpful. You have not made a decision on it yet.

Shona Robison: No.

Jamie Halcro Johnston: We have known that this is happening since the UK Government made announcements—whenever that was—in particular, on winter fuel payments.

You told us that you have a deadline of the end of this calendar year, but that suggests that this year's winter fuel payments will not be made. Are they ruled out?

Shona Robison: My understanding is that, this winter, the winter fuel payment will be made to Scottish recipients by the Department for Work and Pensions. That will continue. The year after that, it will be issued through Social Security Scotland. A whole new system would have had to be set up for universal payment through Social Security Scotland. That could not be done. It was going to go ahead, but it is now not happening because we do not have the £160 million to deliver it. The payment will have to be delivered like for like with what is delivered this year by the DWP, because of timing. I think that that has all been set out to the Parliament.

Jennie Barugh: I will add one point for clarification. The block grant adjustment that was due to the Scottish Government this financial year was based on the amount of money that it was estimated the UK Government would spend on that benefit in England and Wales. Our block grant was to be adjusted upwards by an estimated amount, in recognition of the benefit's being devolved. There will still be a positive block grant adjustment—albeit that it will be smaller—for the Scottish Government because that benefit continues. It will cost the UK Government less because of its being targeted. There will therefore be some adjustment. On deferral of the impact of the reduction in that positive block grant, the option that is open to the Scottish Government is whether to take that adjustment this year or to defer it to a future year.

Jamie Halcro Johnston: I appreciate that. When you talk about the winter fuel payments being made this year, are you talking about the reduced means-tested amount?

Shona Robison: Yes.

Jamie Halcro Johnston: So, not the full amount?

Shona Robison: No—

Jamie Halcro Johnston: So that will not include all the people who would have been entitled to the full amount if it was not means-tested.

Shona Robison: I think that we made it clear that we have to follow UK Government policy because we do not have the money to retain payment on a universal basis.

Jamie Halcro Johnston: I just wanted you to clarify that.

Shona Robison: That has been the whole debate.

Jamie Halcro Johnston: I am aware of the debate. I just wanted to be very clear that, when you talk about the winter fuel payments, you are talking about the adjusted means-tested amount.

If you were to request a block grant adjustment for the full amount, which you could do, that full amount—the amount of money that would have been made available, without means testing—would still be available to the Scottish Government, albeit that it would have to be paid back.

Shona Robison: Yes. If you are saying that we should set up a whole system in Social Security Scotland to pay winter fuel payment for one year, because we could not pay it for another year because we would not have the money, we would essentially just be sending the problem down the road. Spending tens of millions of pounds on setting up a system in Social Security Scotland to pay one year of winter fuel payments on a universal basis, without having any certainty or awareness of where the money will come from, and having to pay that block grant adjustment back in future years, strikes me as being very imprudent and not something that I, as the finance secretary, could possibly agree to do.

First, that would involve staffing up a section of Social Security Scotland without any certainty of being able to continue that, and there would be no means of knowing where the funding was coming from in future years. That would be worst of all—

Jamie Halcro Johnston: I am sorry; can you clarify? Had the UK Government not made that decision, who would have paid that full amount? How would that have been administered?

Shona Robison: We would get the £160 million, and the payment would have been administered through Social Security Scotland. However, that funding was to come on an on-going basis. It is not, now. If we were to defer the block grant adjustment for a year and pay the benefit for one year, we would have to set up a whole system to pay that benefit universally, with absolutely no chance of its continuing.

Jamie Halcro Johnston: Had you not prepared to do that?

Shona Robison: We were in preparation for doing that. Social Security Scotland was recruiting

staff. Money had already been spent and it was about to staff up. All the programmes were being worked on, ready for delivery this winter. All that was happening, and when the announcement was made—there was no consultation—we had to stop that work dead in its tracks. The work was going on at pace, and the benefit would have been delivered this winter, but it had to be stopped—

Jamie Halcro Johnston: So money has already been spent and staff have already been taken on, although maybe not to the—

Shona Robison: No, not to the full extent. The groundwork had been done, but the big uplift in spend in Social Security Scotland's infrastructure had—thankfully—not been made, and we were able to stop that in its tracks.

You are suggesting that we should go ahead and deliver the benefit, for one year—

Jamie Halcro Johnston: I am simply asking questions about what has been done and what options you have looked at. You have made it clear to the committee, and publicly, that your hands were tied and there was nothing that you could do. I accept that there is a fiscal impact, because the money would have to be paid back. I am just trying to get an idea of what has been done. You are suggesting that when the UK Government made the decision, all the work stopped, but you would have been ready to deliver the benefit.

Shona Robison: If things had continued, and the money was going to come with the power, as we had planned for—the power has come to us, but not the money—we would be delivering a winter fuel payment on a universal basis from Scotland this winter. The fact that that did not happen meant that we had to stop the work, and Social Security Scotland stopped its recruitment, because we could not possibly have set up a whole system to pay people for one year, delaying the block grant adjustment for a year, then saying, "Oh well, you're going now."

Jamie Halcro Johnston: What were the estimated costs, and what has been spent already?

Shona Robison: We can get that information for you—we can find out. I think that that has already been discussed, but we can get the costs from Social Security Scotland.

It was not our fault; there was nothing that we could do. We were proceeding in good faith on the basis of what we thought was going to happen, but—

Jamie Halcro Johnston: I recognise that. I am just interested in the costs, and what is being spent—

Shona Robison: We can come back with that.

Jamie Halcro Johnston: Obviously, if a majority of the costs of delivering the benefit have been spent, it makes the decision to pull back different.

You said that you have not ruled out deferring the block grant adjustment for the full amount. If that is the case, and you are not going to deliver winter fuel payments other than through means testing, are you suggesting, therefore, that that money will be utilised in other parts of the budget?

Shona Robison: It would essentially be about which year the impact of the £160 million lands in. We would just be deferring the removal of that for a year. The money is coming out of the system one way or another, and part of our discussion with the Treasury is about whether there is any discretion about which year it comes out of.

Jennie Barugh may want to come in on that.

Jennie Barugh: There is a range of moving parts in the 2024-25 financial position, as the committee will see in the autumn budget revision and the fiscal framework outturn report, and there are still some provisional reconciliations to be applied in the 2025-26 budget. Both those positions have quite a number of moving parts, and they will not have settled—as members will know, things keep moving even during the financial year.

At the time of the budget, however, the cabinet secretary will need to take a range of decisions. Other decisions—for example, on borrowing levels, which we talked about earlier—can be taken a little later, normally into February. This element will be part of that set of decisions, looking across multiyear estimated funding positions and taking a decision, in the round, as to which year it would be most appropriate and most effective for the Government to take the block grant adjustment for the winter fuel payment in.

Jamie Halcro Johnston: I appreciate that. The terminology that you just used is the type of terminology that is often used when we are trying to look at how money is being spent, but let us be clear. If the Scottish Government requests a block grant deferral for the full £160 million and is not delivering a non-means-tested winter fuel payment, that means that the money is being taken this year—albeit that it is to be paid back—but it is being spent in other parts of the budget.

Shona Robison: It is just supporting the budget, in terms of reconciliation—

Jamie Halcro Johnston: So it is being spent on other parts of the budget.

Shona Robison: The reconciliation of the money happens either this year or next year.

There is no gain—it is just a question of in which year the money is reconciled.

Jamie Halcro Johnston: But it is being used to cover spending in other parts of the budget—it is not being spent on the winter fuel payments for which it was intended.

11:00

Shona Robison: It will be part of the budget. Whether that issue is reconciled this year or next, it supports the budget.

Jamie Halcro Johnston: It is not being spent on what it was intended for. To be clear, that is a political decision by the Government to spend it.

The Convener: The £160 million is not being spent: it has been lost to the budget.

Shona Robison: The issue is in which year it is lost to the budget and in which year it is reconciled. Is it to be lost to the budget this year or next? That is the question.

The Convener: It will be lost twice next year because it is an on-going £160 million every year. It will be £320 million next year.

Shona Robison: I go back to the point that we could not possibly deploy the funding to set up a system to make a one-year payment. That would just not be right.

The question of in which year the money is lost from the budget—this year or next—is a technical point about reconciliation.

John Mason (Glasgow Shettleston) (Ind): I will begin by picking up on a couple of points that have been made already. Liz Smith said a lot about the competitiveness of the tax strategy. When we talk about that, can we look at tax on its own or do we also have to look at the spending side and at the things that that tax enables us to do, such as providing free university tuition, having no prescription charge, providing bus passes and so on? I presume that we are also competing with countries such as Denmark, which have higher taxation and better public services.

Shona Robison: The balance between taxation and spending it is important; they are two sides of the equation.

Tax explicitly supports the lower paid, which we think is a good thing. Spending provides support, through the social contract, that is not available anywhere else. That might be free tuition or any of the other supports that are in place, such as the Scottish child payment, which is an anti-poverty measure and could be regarded as a public good or a public investment to help the next generation out of poverty, therefore helping society.

All those social provisions are an important part of the kind of society that we are trying to create here. We wonder why people come to live in Scotland. For some, that might be to take up the job of a lifetime; some might come because of lower house prices; some will come because of relatively low council tax or because of free tuition and attractive social provision. People base life-changing decisions on a range of factors. When we look at it in the round, the things that are available only in Scotland are attractive to many people.

John Mason: Ross Greer touched on the subject of council tax. I take your point about not wanting to make dramatic changes, but do you accept that people living in poorer areas have tended to lose out because their houses have gone up less in value while houses belonging to people living in richer areas have gone up more, and that a revaluation would therefore hit the richer and help the poorer?

Shona Robison: There is a point to make about that. The evidence shows that valuations have benefited those who are in the higher bands. There is also a lot of evidence to show that people on lower incomes pay a higher proportion of their income in council tax than those on higher incomes.

One reason why we looked at the multiplier issue was to try to address some of that, but that became highly politically contentious, so we decided not to pursue that then. When we look at what to do in future, we know that we have to take people with us. We saw what happened in Wales, where a big-bang revaluation caused challenges and difficulties.

There are always winners and losers. We want to try to construct a way of doing it that has public buy-in, is gradual—not a cliff edge or a big bang—and is reasonable and fair. It is going to take many years to achieve that if it is done slowly. However, it will avoid some of the contentiousness and difficulty that emerged in Wales. I hope that, if it is done over the long term, perhaps at the point of house sale for example, there will be some political consensus about it. Every financial commentator and institution has said that continuing for another 30 years with no change at all is not sustainable. Given that we are all sensible, I am sure that we all want to land on a sensible way of proceeding.

John Mason: We have mentioned capital debt already. I understand that, by the end of 2025-26, our debt will be about £2.7 billion, which is approaching the upper limit. Is that going to be a problem?

Shona Robison: I go back to the point that I made earlier about us having a bit of self-

regulation. I am going to write to the committee with the detail of our assumptions on that. However, we have internal rules about what our assumptions are, and we have the £3 billion limit. Fiscal framework adjustments have been helpful for inflation proofing those elements of the framework. However, we want to ensure that anything that we do in relation to capital debt is deemed to be prudent and affordable.

John Mason: I do not know what else Ross Greer was going to ask you earlier about the national performance framework, but can you tell us how that impacts the budget?

Shona Robison: The national performance framework is an important part of the budget process. It allows us to look at our performance on key delivery areas and see where things are going well.

The areas are rated red, amber, green, and we have a monthly session—if I am remembering rightly—during which we dive into areas of the national performance framework, particularly those areas that are have a red or amber rating. The read across to the budget is that we can consider what that tells us about delivery in that area and whether it is a funding issue. It is not always a funding issue. Some of it might be related to delivery, which is not necessarily tied to funding. We try to work through that and accelerate delivery in those areas. However, the budget is also an important point to assess the RAG rating around NPF and any adjustments that we need to make.

John Mason: I understand that it has a general impact, but would the national performance framework have an impact when there is limited capital spending and you have to make choices—if you have to prioritise between housing and roads, say?

Shona Robison: It will have an impact. However, so will the priorities that are set out clearly in programme for government. Not everything can be a priority. The programme for government is an attempt to lift out the key things that, among everything else, have to come first. Those key strategic objectives are the guiding point for what receives priority in the budget hierarchy.

When you look at prioritisation and deprioritisation, as inevitably you have to do with budgets, those will be your guides. You would expect the national performance framework to be very closely aligned with the programme for government objectives, because if it was not, that would be a bit of an issue.

John Mason: We will be going into this with Kate Forbes later, but, yes, it would be an issue. However, I do not think that the programme for

government referred to the national performance framework.

Shona Robison: I think that it was assumed that there was an alignment with the objectives. It is not that the programme for government was saying that everything that had gone before was not important; instead, it was elevating things of absolutely critical importance and saying that they would come first and foremost in the budget discussion.

John Mason: Thank you.

The Convener: Because time is against us, and you have another meeting to go to, I will not revisit capital or talk about public sector reform or digitalisation, all of which I had hoped to cover.

However, Jamie Halcro Johnston has provoked me to ask a final question on another issue: the mitigation of UK Westminster welfare cuts. For example, the Scottish Government is currently paying £133.7 million to mitigate welfare cuts, with the imposition of the bedroom tax being the most obvious example in that respect. However, it has decided that it will not continue down the road of funding the winter fuel payment, because that £160 million would have to be found from the national health service, local government, justice and other budgets. Has the Scottish Government taken a decision that it will no longer mitigate any reductions in Westminster spend, or will it continue to look at that on a case-by-case basis? Obviously, that £133.7 million that we are using to mitigate things is also £133.7 million that is not going into devolved areas of spend.

Shona Robison: We will continue to look at this very much on a case-by-case basis. We would not use such a blunt tool, not least because many mitigations help people remain in their homes. As far as mitigating the bedroom tax is concerned, the fact is that people are able to stay in their homes only because of the discretionary housing payments that are being made through local authorities.

Your point, though, raises a very important issue. If the bedroom tax were to be scrapped at source, it would immediately benefit the Scottish budget, because we would be able to deploy that £133 million with which we support not just discretionary housing payments but indeed, the Scottish welfare fund, which mitigates many aspects of the UK welfare system. The more that these matters can be addressed at source, the more that we will be able to utilise those resources for other important pressing issues.

That said, I would not want to leave anyone in any doubt, so I confirm that we will certainly not be removing discretionary housing payments. However, the point that we raise with the UK

Government at every opportunity is that it needs to take a look at all those things.

The Convener: Thank you very much. Just before we wind up, are there any final points that you want to make to the committee?

Shona Robison: No. I look forward to further engagement with the committee on the budget as we go forward.

The Convener: I thank the cabinet secretary and her officials very much for appearing today.

That concludes our evidence taking on managing Scotland's public finances, a strategic approach. We will consider all the evidence received as part of our inquiry and publish our report in early November.

We will now have a short break to allow for a changeover of witnesses before we move on to our next agenda item.

11:13

Meeting suspended.

11:20

On resuming—

Proposed National Outcomes

The Convener: The next item on our agenda is the Scottish Government's proposed national outcomes, which will form part of the national performance framework. I welcome to the meeting Kate Forbes, the Deputy First Minister and Cabinet Secretary for Economy and Gaelic, who is joining us remotely from Shetland. The cabinet secretary is accompanied by Scottish Government officials Keith McDonald, who is unit head in the strategy division, and Katie Allison, who is analytical unit head in the central analysis division. I welcome you all to the meeting and invite the Deputy First Minister to make a short opening statement.

The Deputy First Minister and Cabinet Secretary for Economy and Gaelic (Kate Forbes): I am delighted to be with you on quite a stormy day in Shetland—here is hoping that I get home at some point this week. It is very good of you to allow me to join in this flexible way; it is a bit of déjà vu to Covid.

As the committee will know, the national performance framework was introduced in 2007. Since then, it has evolved into a wellbeing framework with shared national outcomes for all of Scotland. The best way to sum up the national outcomes is to say that they paint a picture of the kind of Scotland that we hopefully all aspire to be.

I know that some of the stakeholder views that were submitted to the inquiry suggest that we can improve and lead with a stronger, more impactful framework. I am quite encouraged by that kind of feedback, because it demonstrates the NPF's value as a means for all of Scotland's actors and agencies to debate and to challenge the collective progress that we are making as a nation. We all have a role in helping to deliver the national outcomes, because the NPF is not just owned by Government but belongs to the whole of Scotland.

Our review, which I know that you will scrutinise today, has proposed changes, which include the introduction of new outcomes on care, climate change and housing. It was good to see the SPICe analysis of the inquiry's call for views, which said that

"the responses ... reflect strong support for the proposed outcomes of the NPF, with ... recommendations to enhance their effectiveness and inclusivity."

Overall, the review is proposing an increase in the number of national outcomes from 11 to 13. I appreciate that the inquiry has heard that fewer outcomes, such as in the Welsh Government's

approach, would lead to greater impact, alignment and so on, and it would be good to perhaps discuss that over the course of this morning.

We have also proposed that the purpose of the NPF is updated to:

“To improve the wellbeing of people living in Scotland now and in the future”.

That represents a mainstreamed purpose. The SPICe analysis was, again, encouraging, as it said that that change “had garnered significant support”. I can assure the committee that the wellbeing economy—which is part of the wording of the current purpose—is a priority for the Government and will continue to be guided by the national outcomes in that area.

We have confirmed that we will consult and collaborate with stakeholders and partners on our plans for improved implementation and guidance to ensure that the NPF is consistently and effectively applied right across Scotland. That was recommended by your committee in 2022, and I note that evidence to the inquiry further supports that recommendation. We will include a refreshed set of national indicators, which will be launched alongside the new national outcomes in 2025.

The national outcomes “seek to promote equality.” The evidence that was gathered throughout the Government’s review was used to better understand the interests of equality groups, and those interests have been reflected in the proposals. It is important that the inquiry examines that area.

I consider the NPF to be a really important part of how we do government: it helps us work together as a nation and achieve our national outcomes to improve the quality of life for the people of Scotland. It is used in the Government, but in my role as a Deputy First Minister, I will look to ensure that that is being done well, so that we can demonstrate the leadership, stewardship and facilitation role that is expected of us in the Government.

I know that you have heard disappointment regarding the implicit rather than explicit inclusion of the national outcomes in the recently published programme for government. I can assure you that the First Minister’s four priorities are very closely aligned with, and guided by, the national outcomes. I challenge anyone to see a way in which the four priorities are not backed up by the national outcomes. I agree that we need to have a visible leadership role in ensuring that the NPF is adopted across Scotland.

As the committee might know, we will not be introducing a wellbeing and sustainable development bill at this time. We have committed to work across the chamber with Sarah Boyack as

her proposed member’s bill develops; I am due to meet her on 9 October so that we can discuss how we work together.

Progress towards the national outcomes is, of course, a proxy for progress towards the United Nations sustainable development goals, because of the close alignment between them. The NPF and the SDGs capture the ambition of creating a better world and recognise up front the challenges that are involved in doing that. They set the deadline for a specific set of local and global improvements for 2030, and I want us to tell a good story about Scotland’s contribution and experience when we reach that milestone.

Thank you, convener, and thanks to the committee and all the stakeholders who have submitted their views to our statutory review and your committee’s inquiry. I am very happy to answer your questions.

The Convener: Thank you very much for that, Deputy First Minister. I appreciate your opening statement.

To go back to the beginning of the Scottish Government’s consultation process, you will be aware that a number of our witnesses raised the concern that the consultation was not ambitious enough and that awareness of the NPF has diminished because of the lack of ambition in the consultation. Some of the witnesses took the view that, if the consultation process is weak, the NPF is not being given the priority within the Government that it should be given. In fact, that seems to have been the case across a lot of the evidence that we took.

Way back in 2007, the NPF seemed to be almost revolutionary and quite dynamic in Scotland, but it seems to have lost a bit of its importance, as far as perceptions of it go. As John Mason pointed out to the finance secretary, it was not mentioned in the programme for government. One wonders just how much the framework underpins Government activity.

Kate Forbes: Let me answer that in two parts: first, on the way in which the NPF underpins Government activity, and secondly, on the point about the consultation.

I get very nervous when we fixate on the visibility of something to the detriment of understanding how embedded it is in changing things. You are right that, when the NPF was first launched, there would have been much excitement, as there is with anything new. There is a great danger and tendency among politicians to look for the next new thing, whereas, actually, if you work hard at delivering what you have already said that you will deliver, you are more likely to deliver change. Therefore, I would be very reluctant to take on board any criticism stating that

we need to do more new things rather than committing to deliver what we started in 2007, which was, in essence, aligned with the sustainable development goals. We should be pushed harder on how much progress we have made against the commitments that were made in 2007 rather than, in 2024, trying to come up with new shiny things that might distract from the original delivery.

The Convener: I am not saying that it should be about new things. I think that people are saying that they are concerned that the Scottish Government is paying lip service to the national performance framework, that it is not embedded in what the Government does and that it is not clear, for example, how Government spending or, indeed, priorities align with it.

The fact that the consultation was not all singing and all dancing, as many of the witnesses said that it should have been, and that it was fairly limited in scope made witnesses think that the Scottish Government is not serious about it—it is almost a tick-box exercise. That is a major criticism of where we are at this time.

There was an expression of disappointment among many people who are committed to the national performance framework that they feel that the Government is not as committed as perhaps some of our stakeholders are.

Kate Forbes: Let me take on board the first half of your question, which was on how committed we are. I will come on to that.

I challenge again the idea that the consultation should have been broader—in other words, about our doing more things. That is what sits uncomfortably with me. We should have a streamlined and focused approach, which is ultimately much easier to embed and much easier to measure. The proposed revisions that we have made will enable us to streamline and focus the work that we are doing.

11:30

On the consultation itself, we have made changes where there was a strong evidence base of the need for change. We have introduced new outcomes—you will know that there are new outcomes on care, housing and climate—in areas where we had significant support to make changes. On the flipside, some stakeholders have cautioned against increasing the total number of outcomes, which goes back to my point about having a streamlined and focused approach.

You asked at the beginning about the extent to which the NPF is embedded in the Government. In any sort of political cycle, in the tidal waves of politics coming and going, there will always be

pressure to lift our eyes off the outcomes that we have set out in the national performance framework. During my time in government I have seen an increasing awareness of the national performance framework and an increasing desire to align our policy work with it.

That has been most visible in finance and is most visible when it comes to the budget. It has meant that there has been very stark conversations about where the national performance framework outcomes clash with one another, because at times they do. At times Government, and indeed Parliament, has to make a conscious choice about what it is going to focus on, and sometimes you see that.

I just talked about two new outcomes on housing and climate. I am in Shetland, so I will use this example. I was told yesterday that the council here has a choice to make. Should it decarbonise the houses that it already has with the money that it has, or should it build more houses? Let us not pretend that all these decisions are easy, and let us not pretend that there are not still further questions to answer when it comes to embedding all the national performance framework in our policy work, because I do not think anyone would disagree with the picture that we are painting with the national performance framework. We would all like to live in a Scotland where all those outcomes are met, but the business of Government requires us to start with those outcomes and then figure out the most effective way of delivering them through policy.

The Convener: You talked about the importance of the national performance framework with regard to finance, but it is not seen as explicitly or transparently driving financial decisions by Government, nor is it seen as holding organisations to account for spending funding effectively.

Kate Forbes: As I am no longer finance secretary, perhaps I could talk about my own portfolio area of the economy. Our economy work all goes back to the national performance framework. That is clearly and starkly included in the decision making that we go through. The First Minister has, in essence, picked four top priorities, one of which is economic growth, but that growth has to be achieved in the spirit of the wellbeing economy. We are not pursuing economic growth to the neglect of all the other outcomes, and that is quite visible in the decisions that we are making.

I will take one of the bills that is included in the programme for government this year as an example—the community wealth building bill. The point is that we are not pursuing economic growth and prosperity as an end in itself; it all has to be part of delivering the national performance framework outcomes, including those on

sustainability, the environment, delivering more housing and supporting communities and their health and wellbeing. That is an example where the NPF is embedded in our economy work.

The Convener: Okay, but economic growth is obviously important if we are going to provide the resources to do all that the Parliament wishes to do and, indeed, the Government wishes to do. There are concerns regarding the omission of explicit references to economic growth. For example, that led Edinburgh Chamber of Commerce, which responded to the consultation, to say that it feels as if the Government has “downgraded” economic growth, which is exactly the opposite of the message that we want to convey, given that it is one of the four priorities, as you have already touched on.

Kate Forbes: To my mind, economic growth it is not an end in itself. The end is the outcomes that are captured in the national performance framework. When we talk about economic growth, that is about making Scotland more prosperous and fairer, and it is a means of delivering against our environmental ambitions. It is a means to an end.

I would be reluctant to embed economic growth as a national outcome in and of itself, as that would be confusing means and ends. We do not celebrate economic growth as an end in itself. I want to live in communities where there is fairness, where everybody is paid a fair wage, where there is no fuel poverty, where there are better health outcomes and so on. I could go through the whole list, but I will not.

That is what the UN sustainable development goals are about—ensuring that there is fairness and equality across the board. I would far rather that that fairness was a result of people having high-level incomes, and that is where we need more economic growth. However, that is not an end in itself; it is a means to the ends that are captured in the national performance framework.

The Convener: Okay, but the Edinburgh Chamber of Commerce has suggested that

“removing the reference to the economy risks losing the focus on something that is a critical enabler of people’s wellbeing.”

You have mentioned wellbeing on a number of occasions. Many of those who responded to the consultation suggested that the framework should be renamed to something somewhat less tedious and boring than the national performance framework to, for example, “Scotland’s wellbeing framework” or even “Ambitions for Scotland”—that is, to something that is a bit more dynamic.

I know that the national performance framework has been the title since 2007, but it has hardly caught fire with the public. In fact, it is very similar

to the national planning framework—it even has the same acronym. Why has the Government decided not to call it “Scotland’s wellbeing framework”, given that that is clearly the direction of travel from almost everything that you have said so far?

Kate Forbes: The general theme of all my comments this morning is that I am not minded to make changes for their own sake. I will make changes that mean that we are better at delivering the national outcomes. To my mind, changing names does not help anybody, so changing the name of the framework, as has been requested, would not be one of my top priorities.

We have got strong branding around the framework, which has been built up since 2007. It is a key part of some of our international work. The engagement that we have had with other Governments, in terms of how we have developed the national performance framework and how we use it for policy work, is aligned with the name as it stands. If I thought that changing the name would deliver more fairness to somebody in the country, I would be more persuaded, but I am not.

The Convener: You also touched on the UN sustainable development goals. Goal 1 is “No poverty”. It was unclear whether the national outcome seeks to reduce poverty because, in Scotland’s NPF, the national outcomes are more realistic about what will be achieved within a devolved setting. Is that the case?

Kate Forbes: I do not quite follow that question. Could you just clarify what you mean?

The Convener: One of the UN’s sustainable development goals is that there should be no poverty, whereas the Scottish Government’s aim is to reduce poverty. Is that because we cannot eliminate poverty within a devolved setting? Is that the reason for it, or is there another reason why the Scottish Government does not have the same goal as the UN?

Kate Forbes: This work started back in 2022, when the first initial review started. Since May, the First Minister has been very explicit that he seeks to eliminate child poverty in Scotland. We are seeking to be as ambitious as possible when it comes to our poverty work.

The committee’s point of feedback about verbalising—with regard to “eliminate” versus “reduce”—might be quite useful. The First Minister has been very clear about our ambitions to—I think that he uses this term—eradicate child poverty. In any case, that is something that I am open to reconsidering.

The Convener: I find it difficult to comprehend how, as a sub-state legislature, we could eradicate child poverty or poverty in general with the powers

that we have, which are limited—let us be honest about it—and could be changed at a moment's notice by the UK Government. How realistic are those ambitions in the national performance framework?

Kate Forbes: At the moment, the terminology that is used is about reducing poverty. The aim is that every agency and actor in Scotland sees that as one of their priorities and understands that the way in which they do their work must deliver a reduction in poverty. That is where I think the national performance framework works quite effectively.

I do not want to keep using examples from these wonderful islands of Shetland, but you have a situation here where major energy giants could be seen to be operating quite effectively if your sole purpose is the transition to net zero and the climate or economic prosperity. However, it is also the case that upwards of 30 per cent of people are in fuel poverty here. The framework is a means by which a local authority or national Government can hold major companies to account and say, "In Scotland, we have an ambition of reducing poverty—that is one of our key outcomes—so how you do your work matters just as much as the work you're doing in terms of climate and prosperity." There are big opportunities to do that. I was struck by the fact that a community wind farm has done more on reinvesting and reducing poverty in these islands than some of the major corporations have done.

That is perhaps a visible example of how the framework has to be a genuinely national piece of work, and not just a way in which Governments are held to account.

The Convener: Thank you. I will open up the session to colleagues round the table.

Ross Greer: Good morning, cabinet secretary. The updates to the framework are perfectly reasonable, but I share the scepticism that was inherent in the convener's opening question about the extent to which making the changes will actually change the outcomes that we are all looking for. Last week, when I visited the University of the West of Scotland, before I had even asked, the people there were able to evidence how they based their strategic plan around the national performance framework and how they align with it. Those people were better able to evidence that than the Scottish Government is.

I am struggling to decide whether there is a challenge for the Government because it cannot evidence the work that it is doing, or whether the situation is actually worse than that and the NPF is simply not being taken into account. Do you understand that, if the Scottish Government

cannot evidence its alignment with its performance framework, when other organisations have taken up that challenge, that presents quite profound questions?

Kate Forbes: I will answer that in a couple of ways, and then the officials might want to come in. I can speak to how we embed the framework in policy work, but I think that you are talking about the visible measurement and reporting to Parliament of the work that we do. A key part of the review process has been consideration of what we can do on reporting. For example, the chief statistician has been heavily involved in the review and in considering how he can support the work through working with the Office for National Statistics and looking at wellbeing measures and so on, so that we are able to quantify the position. I can give you lots of qualitative evidence on what we do, but I think that you are looking for us to quantify the work and show what has changed that would not have changed if we had not embedded the national performance framework.

I do not know if—

Ross Greer: I am sorry to cut in, cabinet secretary—it is a bit of both. It is exactly what you say about quantifying evidence of the outcomes, but it is also about being able to evidence that that was the Government's intention in the first place.

Last week or a couple of weeks ago, we had a witness who rhymed off the last half dozen of the Government's major strategy documents across a range of portfolios. I will leave the PFG aside for the moment and come back to it. If I am getting this right, I think that four of the six documents made no reference to the national performance framework, and the other two made passing reference, but there was nothing specific about individual outcomes. Do you recognise the challenge there? How has it come about that the Government, which is, as you say, committed to the national performance framework, is consistently publishing high-level, significant documents to outline its strategy, but those documents do not reference the NPF? That is a problem, is it not?

11:45

Kate Forbes: We will definitely take that on board. Again, that goes back to visibility and to the point that I made to the convener at the beginning about confusing visibility for practice. Parliament needs to be sighted on how we are doing things and what we are doing.

This is a key part of our implementation plan for the framework. Once we are all agreed and once we have received the committee's report and feedback on whether the substance is right, the next hurdle is implementation and embedding the

framework. As part of that, we need to consider better reporting and accountability. I am open to discussions about how we embed greater levels of accountability in the process. If it is as simple as every strategy having to illustrate how it aligns with the national performance framework, we could consider that, or whether there are other ways of doing it.

I do not know who to put this to, but I wonder whether any of my officials want to come in on reporting, accountability and implementation. They should not all rush at once.

Ross Greer: I think that Keith McDonald is looking to come in.

Keith McDonald (Scottish Government): I apologise—I was trying to unmute my microphone.

I was just going to make the point that the DFM has just made. It is safe to say that you will find the national performance framework mentioned across Government-published strategy, but the point that is coming through is that that is not consistent across all of it, as the DFM just said. I know that the committee will be talking about the implementation plan in a minute, but we can definitely look at the issue as we look to implement the framework better next year, to make sure that the NPF is as consistent as it should be across all Government-published policy and strategy. I hope that that is helpful.

Ross Greer: Thanks very much. I will return to the PFG, which the cabinet secretary presented a pretty rosy picture of. You argued that the inclusion is implicit rather than explicit, and you seemed to indicate that that was a deliberate choice. You made the point that the First Minister's four priorities match the outcomes in the NPF and of course they do, because they are all very agreeable. The only reason why somebody would disagree is if they were a climate science denier; beyond that, it is all agreeable stuff.

However, it was a significant omission that the single most important document in the Government did not refer to the framework that the Government uses to measure whether it is building the kind of society that it wants. Would it not be easier to come here and say that that was an oversight and that it will not happen again?

Kate Forbes: I could do, but I am reluctant to go down that route, because the whole point of the PFG was to be short, punchy and clear. Since the PFG was published, there has been lots of criticism about particular sectors and strategies being omitted—I think that there was criticism that we did not explicitly say that we were going to work with Sarah Boyack on her bill, for example. If we had included all the omissions, by the time we had gone through them, we would have lost the short and punchy document.

A line at the top saying that the Government abides by the national performance framework could have been included, but I do not think that it would have made any difference to whether the Government delivers on the aims that are in the programme for government. I am very much of the view that the committee should hold me to account on whether we are meeting the outcomes, rather than on whether we are using the right language in things such as programmes for government.

Ross Greer: I do not disagree with you at all that the outcomes are what is important in this context and that that is primarily what the Government is held to account for. Nevertheless, do you recognise that there is also a leadership role for the Government here? The Government does not expect the NPF to be used only by the Government directly and public bodies more widely. The Government expects everybody—the whole of society and the whole economy, including business and so on—to embrace the national performance framework, so the Government itself should visibly embrace it. Otherwise, it is hard to see how the leadership role is being performed.

Kate Forbes: I agree with you on that. You are right that we have a visible leadership approach and that we need to have a visible leadership role when it comes to ensuring that the national performance framework is adopted across Scotland.

I go back to my example of the big energy company. If we are holding that company to account and it turns round to us and says, "Well, how are you doing it?", we need to be able to point pretty quickly to the ways in which we are doing it. You are right on that front, and that requires an explicit element of rhetoric and visibility in certain documents.

I think that there is a big challenge. I note that Carnegie UK, in evidence to the committee, said:

"aligning budgets with national outcomes is not straightforward, and lots of countries ... are wrestling with it."—[*Official Report, Finance and Public Administration Committee*, 17 September 2024; c 41.]

I think that Scotland, too, is wrestling with how we explicitly link what we choose to do—in a very political environment—with a document such as the national performance framework. Nobody disagrees with the outcomes that are outlined in the framework, and we are all trying to do the work that shifts the dial on those outcomes.

Ross Greer: Thank you. That is all from me.

John Mason: I will build on what the previous two questioners asked.

From listening to the evidence, I think that one issue seems to be that the national performance framework is so general. We are going up from 11

to 13 outcomes and, as you said, cabinet secretary, there can be clashes between different outcomes. I wonder whether that is part of the problem.

Does the national performance framework help us in making day-to-day decisions? I asked Shona Robison a similar question in the previous evidence session. If we have a limited capital budget and if we have to choose between roads and houses, or anything else, does the national performance framework help us to make that kind of decision? Alternatively, is it just a question of saying, “Houses are good, roads are good—so whatever”?

Kate Forbes: The national performance framework is designed to enjoy as much consensus as possible. If we want it to be something that is owned nationally, we have to maximise consensus so that people cannot disagree with it. Except for climate change deniers, for example—to go back to Ross Greer’s point—people do not disagree with it.

The national performance framework is a vision that we want to deliver now and for generations to come, but it sets out the end destination that we want to get to, and it cannot replace the political day-to-day decision making that is required. For example, the committee has just heard the finance secretary talking about winter fuel payments. With regard to the choices in and around that, we want to reduce poverty, but there are a number of different ways to do that. There is the Scottish child payment, and there is building good, affordable homes.

John Mason mentioned roads; in rural areas, roads are part of reducing poverty, because if people cannot get to work or if it costs them a fortune to get to healthcare facilities, that exacerbates poverty. Fuel bills in rural areas are a massive driver of poverty, and that is linked to transport.

The national performance framework sets out, and reminds us constantly of, what we want Scotland to be. However, we still have to take the difficult choices, which can sometimes be between good and better, not good and bad.

This may also be an opportunity to say something about the work to support policy officials who give the Government advice. Policy officials are trained on the national performance framework, and it is promoted to the policy advisers who are tasked with the job of giving ministers advice about what to do or what not to do.

More recently, as of May, the First Minister has been really clear that he wants there to be a focus on strategy and delivery. A bit of restructuring has been going on. People in the strategy directorate

and the performance, delivery and resilience directorate are tasked with ensuring that we meet our aims, and they now own the national performance framework. In all the work that they do internally on monitoring delivery and strategy, they must be cognisant of the national performance framework, which provides the ultimate direction of travel.

John Mason: “Cognisant” is an interesting word. There is also the phrase “having regard to”. Some people feel that those phrases are too weak and that we should really have something that is a bit stronger. It has also been said that, so far, the approach has been more carrot than stick. Should we have a bit more stick or apply a bit more pressure on people?

Kate Forbes: There is definitely a lot more stick with the work that John Swinney, as the First Minister, has done in government during the early months of his tenure. I talked about restructuring. Under his leadership, the delivery function has been reformed so that delivery is measured and so that we ensure that we do what we say we are going to do. That is why this year’s programme for government is a lot punchier, because it is a lot easier to monitor progress against fewer hard-hitting actions than it is to do that against lots of nice actions that no one could disagree with.

The programme for government has a tight focus primarily because John Swinney places such weight on monitoring delivery—he has tasked a team in the Government with focusing almost entirely on delivery. The same team owns the national performance framework. The rigidity around measuring progress will also be applied to how our actions compare with the ambitions that have been set out in the national performance framework.

John Mason: If monitoring or measuring progress is important, is it a problem that so many organisations and parts of the Government and the public sector are responsible for it? Does that make it difficult to pin down who has delivered and who has not delivered, whether that is in the Government, local government or the NHS?

Kate Forbes: That tension is inherent in any document that is owned by all of Scotland. There is no way that only the Government can achieve any of the aims that are set out in the national performance framework; that would be the case only in a structure that was not a democracy. In a democracy, there is agency and many different public sector organisations have responsibility, as well as private sector organisations, which we always seem to forget.

I will give you a small example. The more that fair work principles are embedded in private sector organisations, the more likely it will be that people

are paid a fair wage and that their wellbeing is considered, and the more likely it will be that we reduce poverty. That is a responsibility for the private sector. In a document such as the national performance framework, which is widely owned, it is inherent that there will be tensions. That is why I am open to the committee's views on accountability and implementation. If too narrow an approach is taken that does not hold all of Scotland responsible for achieving the aims, we may miss the point of the national performance framework being a national document.

12:00

Michelle Thomson: Good morning, cabinet secretary. First, I have a quick observation, rather than a question. In the consultation, the concerns that were raised were not about doing more things; it was the way in which the exercise was carried out as a research piece that brought criticism and led to the belief that it was a tick-box exercise.

Moving on, I want to pick up the convener's comment about the references to "economic growth" being omitted. I have heard your responses to that, cabinet secretary, but I would just add an additional concern. It is my perception that, over the past few years, there has been a lack of clear long-term thinking. We have called this year's budget scrutiny "A Strategic Approach", and issues that we hear about often include the lack of multiyear funding and growing the tax base to fund things. Those are long-term endeavours that require a resilient economy. Therefore, when it comes to dropping the term

"sustainable and inclusive economic growth",

I think that we need to focus for a minute on the "sustainable" part of that.

I would appreciate some comments about that, having heard what the cabinet secretary has said about not having economic growth for its own sake.

Kate Forbes: Stop me if I am getting this wrong, but I assume that you are specifically referring not just to the creation of the wellbeing economy and fair work outcome, but to the overarching purpose of the national performance framework.

Michelle Thomson: Yes.

Kate Forbes: Those are the two areas where there has been a change in wording. Obviously, there are reasons for those changes, so perhaps I can go through both and then summarise what we can do next.

The wellbeing economy and fair work outcome was created by bringing together and trying to

streamline the previous economy and fair work and business outcomes and, in doing so, was trying to capture the fact that they are very interconnected. Again, it was done in the spirit of not having multiple competing outcomes and instead bringing them together. Indeed, SPICE suggested that bringing those things together created a more balanced and inclusive approach to economic development. However, how we word the national performance framework is important, as is my point about economic growth being a means to an end. Those are the reasons that were given for that change.

The reason for changing the overarching purpose was, again, to try to bring it up to date. I do not know what the committee thinks, but the last one was, I think, quite unwieldy in talking about a

"focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth".

We have updated that, and the proposed purpose is:

"To improve the wellbeing of people living in Scotland now and in the future".

That just feels a lot tighter and cleaner.

However, if sufficient concern has been expressed about the absence of any explicit reference to economic growth, I will be very open to what the committee's report states. That report will be very important, and we will take it on board. If the committee thinks that the change is sufficiently concerning, I am open to that view, but I am reluctant to ignore the fact that economic growth is a means to an end. If you achieve it as an end while neglecting everything else that it is designed to achieve, you will have failed to actually get the spirit and the letter of the UN sustainable development goals.

Michelle Thomson: You have made that last point very clearly and, indeed, have made it previously.

Just to finish off this conversation, I have a point about the term "inclusive". I notice that the equality impact assessment called for consideration of a more gendered national performance framework. The official line from the Scottish Government is that it proposes to mainstream gender more effectively, but it is not yet

"possible to take an intersectional approach".

I would like your comments on that because, for me, that feeds into some of my concerns with regard to the term "inclusive economic growth". After all, we know that there is a continuing issue over whether women are getting a top seat at every level of the economic table. I would

therefore like to hear your reflections on the EIA and where we are with addressing some of these issues.

Kate Forbes: That concern has come through. My officials might want to come in on the background. I am conscious that much of the consultation work happened before I was in office, so I am perhaps not as close to the conversations that happened during that period. If my officials would like to come in on the mainstreaming aspect, I ask them to do so.

A number of stakeholders recommended that equalities and human rights be more explicitly integrated in national accounts, with a particular focus on intersectionality and gender mainstreaming. We have therefore focused far more explicitly on gender. For example, we have done that in the new care outcome, because we know that more women are involved in the business of delivering care. We have accepted the recommendation of the national advisory council on women and girls that we carry out a thematic gender review of the national performance framework. The themes that came through are reflected in the proposed revisions to the outcomes. There has been a lot of work to ensure that there is a more gendered approach to the national performance framework.

I wonder whether my officials want to answer the specific point about mainstreaming. There will always be a tension on explicit outcomes versus mainstreaming. Keith McDonald might want to come back in.

Michelle Thomson: Before your officials come in, I will build on that point a little. The root of the issue still lies with data collectors, in that we do not routinely collect disaggregated data. Indeed, in its response to the consultation, Engender noted the lack of such data.

When your officials come in, or when you give your final comments, I will be interested to hear where we are on ensuring that all data is representative and can be sliced and diced as appropriate. I realise that that is not always possible, but we should do so wherever we can. However, we are still not yet at the point where it is done routinely.

The Convener: I think that Keith McDonald wants to come in. [*Interruption.*]

Michelle Thomson: Keith?

The Convener: Hello. Earth calling Keith.

Michelle Thomson: Sorry—we have no sign of Keith coming in.

The Convener: Ground control to Major Tom.

Keith McDonald: Sorry—it is my colleague Katie Allison who is trying to come in. We

apologise but, because we are joining by browser, when we try to unmute, there is a long delay. I do not know whether you are managing to hear us.

Michelle Thomson: No problem.

Keith McDonald: While Katie is trying to unmute, I will address your point about data. I echo the DFM's point that we have conducted equality impact assessments, which have been laid out, and they are represented in our updated proposals. We will need to return to those assessments at a level pending the recommendations of this inquiry, to support the refreshed set next year. That is just a technical detail, which might be helpful.

I will see whether Katie wants to press the button again. Our apologies for this.

Katie Allison (Scottish Government): There we go. It should be working now. I think that I was unmuted earlier but, unfortunately, because Keith is sitting across the table from me, my audio was being interrupted.

The Deputy First Minister mentioned the thematic gender review. I just wanted to say that we will publish that review on the national performance framework website for consideration within the parliamentary review.

We have also discussed data quality. As the committee will probably be aware, the NPF does not collect data directly; rather, it utilises data collections, surveys and administrative data from across the Scottish Government. That is to take advantage of the rich data that Scotland already has to offer; to reduce respondent burden across the country by using existing data; and to be financially mindful of not creating additional resource and project costs where they are not needed. However, that can lead to data gaps in the indicator set where no suitable data is currently available.

As we can see, the presence of a data gap in the NPF can be used as a driver for change to evidence the need for commissioned analysis to fill that gap. Therefore, should new and relevant data collections be developed in the coming years, we would consider them for inclusion in the next review.

I hope that that answers your question, but I will be happy to come in on that point again.

Michelle Thomson: It sounds as though you are adopting a very stock and sensible approach. To finish, I merely make the point that it needs a strong driving wind; otherwise, that stated position will never really change, because that is what the evidence has told us over a period of years.

When will the thematic gender review be published—on what date?

Katie Allison: We do not have a set date, but it will be before the end of the parliamentary review. We expect it to be in the coming weeks.

Michelle Thomson: Thank you very much.

Michael Marra: Good afternoon, Deputy First Minister. The evidence that the committee has received so far indicates that many stakeholders see the national performance framework as a way of trying to break the short-term cycle of politics in order to gain a longer-term view. Does it help in that regard?

Kate Forbes: That is a great question. I suggest that they also want it to break down silos. Those two themes seem to come through: breaking the short-term cycle, and breaking down the silos so that we have a broader view.

When it comes to the work of governing, there is the political representation of the Administration but there is also the constancy of the civil service and the advice that comes to ministers. It is my impression that the national performance framework is well understood by the civil service. Training on it is provided, and it is uppermost in the minds of advisers. When it comes to the advice that is given to ministers, therefore, the national performance framework is pretty visible. You then hold us to account as to whether ministers make the decisions that deliver change in that framework.

My view on the very narrow question that you asked is that the national performance framework outlasts political cycles. It is based on the sustainable development goals of the United Nations, which is a much bigger and better respected institution than anything that we might do.

Michael Marra: I will be even narrower. Does the framework actually work? Last October, in reaction to the Rutherglen by-election, a council tax freeze was announced within days. We have had three years in a row of emergency budgets, with major adjustments to public spending. A plethora of reports that have come in front of the committee say that the Government does not take long-term decisions, particularly on the public finances and public service reform. Are the objectives that are set in the framework the right ones when it comes to governing those key issues? Do they help us with the core issues of making long-term decisions? That does not appear to be the case.

Kate Forbes: You cannot confuse political manifestos and the national performance framework. That point is not political; it is genuine.

Before parties get into government, they find that, in opposition, it is easy to have a big overarching aim that we all agree on, such as

reducing poverty. When you get into office, however, you are tasked with how to actually do that. There are a multitude of different means. That is where the political choices come in. Some things will work, and some will not.

On the rhetorical point, which was about thinking in the longer term, I think that every party battles with thinking from election to election and trying to balance the need to make long-term decisions versus the immediate emergency of the here and now.

Michael Marra: You described the tidal waves coming and going, and I understand the tension that is part of that. However, in a report in October last year, Audit Scotland said that the Scottish Government

“cannot afford to pay for public services in their current form.”

In August this year, it said that making

“short-term cuts to balance annual budgets without a long-term plan for reform ... risks storing up even greater problems for our communities.”

Again this year, Fraser of Allander said that

“simply delaying spending without a decision on whether to cancel it or not would simply pile on problems for the future.”

All those external and well-informed organisations do not believe that the Government is making long-term strategic decisions—it is making short-term advantageous decisions.

Should we, therefore, question whether this kind of model is effective at all? It takes a lot of resource to do the things that we are talking about, but you do not seem to be heeding any of those warnings.

12:15

Kate Forbes: I think that we are, but I note that there are two big drivers of the short-term decision making. The first is the nature of the funding. We need, once and for all, to get beyond the year-to-year annual budget setting; I am hopeful that the UK Government might help us in that. Our local authorities need it, and we in Government need it. If we could get a really decent spending review from the UK Government—I think that the review is coming next spring—that could give us long-term certainty on funding and it would be much easier to plan for the longer term.

The second driver has been the number of short-term challenges with which we have been grappling. Emerging from the Covid pandemic, which in itself was a short-term emergency shock, we have then had the cost of living emergency shock and a number of additional pressures that are driven by the inflationary environment, and

which have meant that we have had to take immediate decisions.

We have the inputs, which is the funding position, and the outputs, which is the demand. If we can get an element of stability and get through the challenges, and if we can work collaboratively with the UK Government—as we are doing right now—on the longer-term points, that starts to set us up to make those decisions.

I will make another brief point. Shona Robison has had to make very difficult choices, and I know that Michael Marra has been scrutinising those decisions and holding us all to account for them. However, if we can make some of those difficult decisions now, that sets us up to be able to think about funding for the longer term on some of the biggest and most impactful changes that are required to give others longer-term stability with regard to what actually works.

Michael Marra: I do not think that you will find any disagreement from the committee on that point. However, I have already cited a range of external observers who say that what you describe is exactly what is not happening with this Government, given its handling of public finances.

You had a go at this when you were Cabinet Secretary for Finance and the Economy, in your resource spending review: you tried to take some decisions for the longer term and to talk about a strategy. However, Shona Robison later came to the committee and said that she was ditching that policy because it was “a blunt tool”. Is that not what happens to long-term thinking under this Government?

Kate Forbes: No, because I think that we are making those decisions. That resource spending review was published in 2022, and I still stand by it; I know the amount of work that went into producing it. Nevertheless, it was published immediately prior to the emergence of double-digit levels of inflation and pay deals that mirrored the rocketing cost of living. Good grown-up Governments do not simply make plans and then stick their fingers in their ears and ignore what is happening around them. Good Governments are conscious of what is happening while sticking to the long-term ambitions of their plan.

In the past few months in particular, Shona Robison has made difficult choices to set us up for the long term, which is actually very much in the spirit of the spending review that I published in spring 2022.

Michael Marra: So it was not “a blunt tool”.

Kate Forbes: I think that it was a really good piece of work. It was very conscious of the trade-offs that would have to be made in terms of the

long-term finances, and I stood up and defended it in evidence to multiple committees.

Michael Marra: I have one final question, on a slightly different area. It is on the point about the difference between the sustainable development goals and the national performance framework as a tool to drive performance. The framework, conceptually, is the basis on which we set outcomes and try to measure performance against them, whereas the sustainable development goals are “calls to action”, as they have been described; they essentially have funding pots set against them and positive actions that can be about aligning activity.

In contrast, what you are doing with the framework, in essence, is setting out an organising principle for the civil service, as you described it. I find that the confusion between those two operating models, in terms of the bureaucracy, might actually be part of the problem rather than the solution, because those two things—the sustainable development goals and the national performance framework—are not the same.

Kate Forbes: That is a very interesting observation. You are right to say that there is a distinction between them. We are, as it were, trying to support the delivery of the sustainable development goals, but this is a Government document—in other words, an organising document. It is trying to embed the northern star of the UN sustainable development goals in our own work and in the work that we want other agencies and actors in Scotland to do.

However, I also think that the tension that you have talked about is what makes reporting so challenging. The ultimate reporting with regard to reducing poverty, for example, is that you have reduced poverty, and the ultimate aim of the environment or climate change objectives is that you meet the climate change goals. The key is how you measure that over time to know that you are on the right track. We have the reporting on the child poverty statistics, for example. They are not national performance framework statistics; they are Government statistics, but you can use them to say whether the national performance framework is achieving its aims.

That is why it is perhaps more messy than the committee would like. It would be much easier to just measure inputs and outputs quite tightly within the remit of the national performance framework, but I think that it goes much broader than that.

Michael Marra: Thank you.

Liz Smith: Given that local government is technically responsible for the delivery of a lot of the national performance framework outcomes, to what extent is it easy for the Scottish Government

to measure which local authorities are doing really well in their own delivery and performance?

Kate Forbes: That is an excellent question, and officials might want to come in on the role of local authorities in setting these things.

It is hard—arguably, too hard. Again, the committee will have ideas on this. Although a lot of data is collated on a local basis—we know where there are higher levels of poverty, for example—that does not mean that the effectiveness of local bodies in tackling the issue is being monitored. We know where the starting point might be too high, but often, there is a lot of focus on what national Government is doing to tackle these things, while the role of local authorities is forgotten.

By its very nature, your question echoes Michael Marra's question, in that we must not confuse political manifestos with the national performance framework. Every local authority around the country is made up of different political colours with different views on how to achieve a particular aim. Therefore, local authority administrations that are more aligned with your party might have very strong views on how to achieve economic prosperity, and that would be an indirect route to reducing poverty. On the other hand, others will be more explicit about aims and ambitions that are directly linked to the child poverty ambition. In a dictatorship, you might be able to just say, "Here's the national performance framework. This is how we are going to do things around the country." That is not our style, and, indeed, I do not think any of us wants to get to that point.

Liz Smith: No, we do not want to go down the dictatorship route.

Kate Forbes: We can do better local monitoring, but I think that this speaks to the messiness that is inherent in this kind of national document, in which we are all saying that we have a stake in achieving these aims, because we all believe in the UN sustainable development goals.

Liz Smith: You said earlier that one of the big asks from local authorities and stakeholders was for people to think outwith silos and to be able to read across outcomes, which would be very helpful. Are there examples of local authorities that think outside the box in order to deliver better outcomes under the national performance framework? If there are such local authorities, is the Scottish Government trying to encourage their work by saying, "You've done very well on this because you've managed to put things together"?

Kate Forbes: I will give an example. I am in Shetland because I was at the convention of the Highlands and Islands yesterday. As you will know, the convention covers all our rural, coastal and island areas from North Ayrshire up to

Shetland, including Moray. The point of the convention is to learn from one another about how we are achieving goals that directly mirror those in the national performance framework. Yesterday, we shared case studies. The meeting was live streamed, so anybody can watch it. Shetland Islands Council shared case studies on what it is doing on housing, and Highland Council shared case studies on what it is doing in relation to major energy developments and tackling fuel poverty.

Your question is probably more about how we quantify what we are doing. You want the data that proves what we are doing. That is where the chief statistician's work comes in. As part of the review, they are working with the Office for National Statistics on how monitoring can be more quantifiable, rather than people just sharing anecdotes and stories or waiting for the child poverty statistics to be published or the statistics on economic performance—gross domestic product, employability and so on—that are published every month. All those statistics directly relate to the national performance framework, but nobody calls them national performance framework statistics.

I do not know whether Keith McDonald or Katie Allison wants to come in. I hope that they can be unmuted rapidly. Perhaps if both of them are unmuted, one of them can come in.

Keith McDonald: A general point about local government is that, as the committee's inquiry has identified, there are pockets of good practice. The SPICe analysis draws some of that out. As the Deputy First Minister said, good practice on the qualitative side is important. That goes back to our ideas for the implementation plan, which will need to include how we highlight case studies, good practice and so on, including in relation to local government. Indeed, our national performance framework website includes such information at the moment. That will be important.

On the data side, I do not know whether Katie Allison wants to add anything or to say whether there is anything that we could furnish the committee with in due course.

Katie Allison: It is worth reminding the committee that the indicator set is designed not to provide a comprehensive view of all the available evidence but to give an indication of progress through some of the key headline measures at the national level. As I have mentioned, data is not collected directly, but data collections, surveys and administrative data that are already published are utilised, and that data is already published at an aggregated level, when it is available.

As has been mentioned, we and the chief statistician have been considering how we will review and report on the work in the future and

how we ensure that we link with other areas of the Government on which statistics are published. That might not be one of our headline measures, but the information might be broken down at local authority level. We need to ensure that we make those links clearly. We will keep considering such issues with the chief statistician.

Liz Smith: That is helpful.

My final question is for Kate Forbes. Earlier, we discussed how, perhaps in the past two or three years, some people—although not everybody—have felt that there has not been as much emphasis on the national performance framework as there had been previously and that, therefore, it has been difficult to meet the framework's demands. Is one possible reason for that difficulty the fact that the framework is, in theory, very ambitious in trying to do some very difficult things, including combining very different objectives and considering the opportunity costs that are involved in all that? Mr Mason mentioned that the Scottish Government has added a few extra dimensions to the framework. Has that made things more difficult?

12:30

Kate Forbes: I do not necessarily share the premise, but I am conscious that stakeholders have expressed their views on that. When I was finance secretary a couple of years ago, I was responsible for the national performance framework, and the link in that world between inputs and outcomes was really visible then. In a sense, the budget is the area where it is easiest to build on the national performance framework. With my current brief—the economy brief—it is a little bit trickier to directly mirror that but, with the budget, it is easier, just in terms of the mechanics. The budget is an inherently mechanical thing and in that world it is much easier to link the budget directly to the national performance framework. For example, I found it a lot easier to come to committee and to directly map inputs to outcomes, and say that we chose to spend the money on an area directly for whatever reason.

A huge amount of work was done on embedding the national performance framework in budgets. To go back to what I said to Michael Marra, politics by its nature has to respond to emerging challenges, and the past few years have been absolutely turbulent, with the emergencies that have arisen around Covid and the cost of living. Governments have a duty to respond to those challenges. In a stable environment, you have the luxury of being able to directly link the national performance framework to the inputs.

For example, it looks as if poverty is about to increase, because inflation is increasing and the

amount of money that people have available is eroded. In that world, you have a very different set of choices to make from those that you have in a world where everything remains equal. I think that we would all like things to remain stable and to be able to track inputs and outcomes simply and straightforwardly, but that is not the world that we live in. Who knows? Maybe the next few years will be a period of stability, prosperity and happiness for all in which these things are easier to track.

The Convener: Aw, what a wonderful world that will be—motherhood and apple pie all round.

I have one or two more questions, just to finish off. We need a focus on clear and measurable milestones to identify tangible improvements but, in our 2022 report on the national performance framework, we noted that, five years after the previous review, a number of NPF indicators had no data. What guarantees do we have this time that all indicators will provide data so that we can measure progress from the start?

Kate Forbes: That goes back to the point that Katie Allison made, which is that, basically, we do not collate our own data; we use data. It is a whole-Government responsibility to understand where we do not have data on things that we do, because, ultimately, every penny that we spend should have a demonstrable benefit to the people who raised the revenue in the first place to reinvest—in other words, taxpayers. There needs to be that data. Therefore, I am open to understanding and to feeding back to the chief statistician whether and where there are any gaps in the data and the indicators.

The Convener: When the Scottish Fiscal Commission gave evidence to us last month, it suggested 21 separate areas for improvement in data collection to allow it to do its work more effectively—and that was just for the commission. The committee and its predecessors have been talking about data for a good decade or so. I realise that, as a devolved Administration, you do not have the same access as the UK Government has, but it is still an area where we need significant improvements.

Before I wind up, are there any further points that you want to make following our questioning that we have not touched on, or is there a burning issue that you want to get over in relation to the national performance framework and how we go forward?

Kate Forbes: This is not new, but I want to repeat the point about my openness to the committee's report and my acceptance that the national performance framework cannot be owned only by Government but has to be seen as broader than that. Parliament, committees and other parties all have a stake in feeding in to the

work that we do, and implementation will be the key.

We will perhaps have lots of debate and discussion on what the substance of the national performance framework should be, but I do not think that there is a huge amount of disagreement. Implementation, monitoring, accountability and data will be the key, and I am open to the committee's views on how we do those things more effectively, without ever forgetting that, actually, data does not impact on an outcome—it is policies that do that, but the data allows us to review those policies. Ultimately, our focus needs to be squarely on meeting the outcomes, but we recognise the importance of monitoring in that process.

The Convener: I thank the Deputy First Minister for attending from Shetland, and I also thank the officials. Shetland is not as beautiful as Arran, which is in my constituency, but it certainly seems a lot easier to get to. That concludes our scrutiny of the national outcomes. We will report on our views and recommendations to the Scottish Government in November.

I ask committee members who are able to do so to stay behind for an informal discussion with University of Dundee students and staff about our work and to answer any questions about the session that they observed today with the cabinet secretary.

Meeting closed at 12:36.

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