OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Finance and Public Administration Committee

Tuesday 14 January 2025

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

Tuesday 14 January 2025

CONTENTS

FINANCE AND PUBLIC ADMINISTRATION COMMITTEE
2nd Meeting 2025, Session 6

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*Michael Marra (North East Scotland) (Lab)

COMMITTEE MEMBERS

*Ross Greer (West Scotland) (Green)
*Craig Hoy (South Scotland) (Con)
*John Mason (Glasgow Shettleston) (Ind)
*Liz Smith (Mid Scotland and Fife) (Con)
*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jennie Barugh (Scottish Government)
Jackson Carlaw MSP (Scottish Parliamentary Corporate Body)
Sara Glass (Scottish Parliament)
Lorraine King (Scottish Government)
Ellen Leaver (Scottish Government)
Richard McCallum (Scottish Government)
David McGill (Scottish Parliament)
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 14 January 2025

[The Convener opened the meeting at 09:00]

Budget Scrutiny 2025-26

The Convener (Kenneth Gibson): Good morning, and welcome to the second meeting in 2025 of the Finance and Public Administration Committee. We have received apologies from Michelle Thomson.

The first item on our agenda is an evidence-taking session on the Scottish budget 2025-26 from two panels of witnesses. First, we will hear from the Scottish Parliamentary Corporate Body on its budget bid, and then we will take evidence from the Cabinet Secretary for Finance and Local Government.

I welcome our first panel of witnesses. Jackson Carlaw MSP, member of the Scottish Parliamentary Corporate Body, is joined by Scottish Parliament officials David McGill, clerk and chief executive, and Sara Glass, director of finance and resilience. I intend to allow around 75 minutes for the session.

I invite Mr Carlaw to make a short opening statement.

Jackson Carlaw MSP (Scottish Parliamentary Corporate Body): Thank you, convener. This is my favourite time of the year. It is lovely to be back with you again, and, as is customary, I will make a brief opening statement in which I will set out the context for the corporate body's 2025-26 budget and make some key points.

This budget bid is the fourth and final part of our medium-term financial plan for session 6 and is aligned with the commitments that were made in the 2022-23 submission, which focused on setting up the Scottish parliamentary service for the challenges of session 6.

In the context of tightening public sector finance, our focus in the submission has been on ensuring strong financial governance and driving value for money while continuing to drive our strategic priorities and protect services in what will be a very busy final year of session 6.

In summary, the total proposed budget for 2025-26 of £136.2 million represents a rather large net £9.7 million or 7.6 per cent increase on the current financial year's budget and a £2.8 million or 2.1 per cent increase on the indicative 2025-26 budget that was previously advised to the Finance and Public Administration Committee.

Our ambition was to submit a 2025-26 budget bid that was below the indicative budget. That has been achieved for the controllable elements of our budget, which are, in fact, £0.6 million lower than in the indicative budget. However, changes to national insurance that were forced through by the Westminster Government have cost an additional £1.9 million, and unforeseen additional costs for the Electoral Commission—responsibilities for which have transferred to the Scottish Parliament—of £2.1 million, though partially offset by the delayed appointment of a patient safety commissioner, mean that our headline budget is above the indicative budget by £2.8 million.

The overall increase of 7.6 per cent on the current year's budget is driven primarily by inflation, the changes to employer national insurance contributions and the unforeseen additional costs for the Electoral Commission. The review of services contracts and operational practices, which we introduced during last year's discussion, has driven cost savings, which are reflected in the 2025-26 bid.

On MSPs' and ministerial salaries, I can confirm that, between 2015, when we broke the link in pay with Westminster, and 2023-24, we consistently used the annual survey of hours and earnings as our index, as is set out in the scheme. The scheme allows the SPCB to use ASHE as our index or such other index as the corporate body may consider or deem appropriate. Therefore, in 2024-25, after a lot of reflection, the corporate body chose to apply the average weekly earnings index—AWE—as we felt that the ASHE index had become misaligned with other wage inflation indices over the previous few years. That misalignment has continued in 2025-26, albeit now in completely the opposite way: the latest publications report that the ASHE mean is 6.7 per cent compared with AWE at 3.2 per cent and the consumer prices index at 1.7 per cent.

However, we intend to continue to apply the AWE index this year. I have always said that I do not think that the corporate body should bounce around like bumblebees in a bottle and that we have to apply a consistent methodology. We should not just pick the index that is highest; we must take a consistent approach to the issue, and that is the approach that we have chosen for the duration of this session.

The application of AWE at 3.2 per cent equates to a salary of £74,506 in 2025-26. Changes to employers' national insurance contributions are also reflected in the cost of members' pay.

The corporate body also chose AWE to uplift staff cost provision in last year's budget—2024-

25—and in 2023-24, in a move away from our previous basket approach of indexing such provision annually using a mix of AWE and the same ASHE index that had proved to be unreliable. That approach had been adopted since the 2021-22 budget.

In selecting the 2025-26 uprating index, the corporate body expressed a preference to continue with AWE until the end of this session. Applying AWE for staff cost provision is consistent with the index selected for members' pay at a rate of 3.2 per cent—or a rate of £162,000 per member. The budget submission includes that assumption, and the changes to national insurance are also reflected in the bid as an additional cost on the staff provision.

The Parliament staff budget maintains the staffing baseline as agreed in 2022-23, and the 2025-26 budget bid has been uprated to take account of the previously agreed two-year pay award. The changes to employer national insurance contributions are again reflected in the bid as an additional cost in the staffing budget.

Following a prioritisation exercise, the total amount incorporated in the 2025-26 budget for revenue and capital projects is £6.3 million, which is a £1 million increase on 2024-25. Forecast spend on the election project accounts for £0.7 million of that increase, alongside a marginal inflationary increase. In our submission, we highlight in schedule 3 a number of major projects that are under way or that are due to commence in 2025-26. The two new major projects starting in 2025-26 are, first, the lobbying register replacement—which replaces the system that provides the external website, database and workflows necessary to administer the register, which was introduced following an act of Parliament in 2018—and, secondly, the 2026 Scottish Parliament election project.

The office-holders' 2025-26 budget submissions total £21.4 million, which is £3.1 million—17 per cent—higher than the current year and £1.7 million—8.6 per cent—higher than the indicative figures. The main changes in those budgets from 2024-25 reflect additional costs of £2.1 million for the Electoral Commission; inflation; and the impact of changes to employer national insurance contributions, which amounts to £0.2 million. The additional £2.1 million Electoral Commission costs relate to election activities in advance of the May 2026 election and should have been included in last year's indicative budget.

As the committee knows, the SPCB carefully scrutinises the office-holder bids and challenges them if no clear justification for an increase has been given. Indeed, there are examples of our having done so again during the last financial year and in anticipation of the budget bids for the forthcoming year.

The corporate body welcomes the conclusions and recommendations of the committee's strategic review of the commissioner landscape. We have flagged up that we very much welcome your work on the matter. We welcome the establishment of the new committee as a result of this committee's report, and we, as a corporate body, look forward to working with that new committee and supporting its important work in the months ahead. As for the proposals for new commissioners, we note that the Parliament agreed to a moratorium while the new committee undertakes its work, but we note, too, that potentially three commissioners are very much in the works at present.

Finally, we continue to include a contingency provision of £1 million to cover any emerging priorities or unforeseen issues.

I am sorry, convener, but my opening remarks always take longer than I thought they would. However, that concludes them.

The Convener: That is absolutely fine—they were comprehensive. In fact, opening statements make life easier for the committee, because they answer some of the questions that we would probably have asked anyway. They also lead to other questions, the most obvious of which is why the £2 million for the Electoral Commission was not included in the indicative costs. It is pretty obvious that there is going to be an election next year, so it seems bizarre that the sum was not included in the indicative costs for 2025-26.

Jackson Carlaw: It is a cost that fell between two stools, as it relates to a transfer of responsibility to this Parliament. It is an indicative cost that would have been included in the previous budget in one way or another. I ask David McGill to explain why that did not happen.

David McGill (Scottish Parliament): We can only apologise for that. It was an error that came from the fact that the corporate body has had responsibility for the Electoral Commission's spending for only one complete cycle. This is the first time that we have got to that point in the cycle that is just in front of an election.

The cost should have been there. The Electoral Commission did not put it in its submission last year, and we failed to spot that it was not there. As Jackson Carlaw has said, it does not change the overall amount, but it certainly should have been flagged to the committee this time last year.

The Convener: Looking at the office-holders, and ignoring the fact that there are others in the pipeline, we find that the Scottish Public Services Ombudsman has a 6.7 per cent increase in its budget, the Scottish Information Commissioner has a 6.3 per cent increase, the Scottish Human Rights Commission has a 6.9 per cent increase, the Commissioner for Ethical Standards in Public Life in Scotland has a 5.2 per cent increase, and even the Scottish Biometrics Commissioner has a 6 per cent increase. We are seeing significant above-inflation increases for those office-holders in the bid—why is that the case?

David McGill: On the budget as a whole, rather than the budget for individual office-holders, the overall figure is £3.1 million, which is a big number. As we have just explained, £2.1 million of that relates to the Electoral Commission costs. I will give a breakdown of the other costs. On pay and progression, the office-holder staff are all on the same terms and conditions as Scottish Parliament staff, which accounts for £560,000. The changes to national insurance contributions account for another £200,000. A rent increase at Bridgeside house, where four of the office-holders are located—we hope to put at least one more office-holder in there—accounts for £144,000. That is the breakdown. The corporate body has either no or little control over those elements.

The Convener: Some of the increase relates to salary, as you mentioned, but MSP staff salary provision will increase by 3.2 per cent, so it looks as though our own staff will receive a lower level of increase than the increase for any of the office-holder staff other than the Standards Commission for Scotland staff, for whom the figure is 2.8 per cent.

David McGill: The award for the staff of office-holders is in line with the award for Scottish Parliament staff of 3.8 per cent for the second year of a two-year pay deal. However, the figure that you have there includes the changes to national insurance contributions, so it is not just 3.8 per cent.

The Convener: One interesting thing about office-holders is that we have received reports from committees on their office-holder responsibilities and it looks as though the committees' collective view is that they do not have time to scrutinise the office-holders effectively. In fact, the Scottish Public Services Ombudsman has even suggested that the Finance and Public Administration Committee should undertake scrutiny of the ombudsman. How do you feel about the level of scrutiny, given that, for example, the £2 million relating to the Electoral Commission was not identified?

Jackson Carlaw: In the past year, following our meeting with this committee and the work that we very much hoped you would initiate, we have stepped up the scrutiny that we apply to the office-holders. Clearly, for the corporate body, a significant increase in the number of office-holders has meant that that is a challenge for us, too. We looked at different ways of doing that. We wondered whether we could set up a separate committee for that, but, because of the way in which standing orders are framed, it proved to be the case that we could not proceed in that way.

In consequence, at almost every meeting of the corporate body in recent times, we have met individual office-holders, and we have a programme in place through which we will meet and scrutinise their work more regularly. In consequence of that, we have turned down requests that have been made in this financial year to use external consultants. In the case of the Scottish Human Rights Commission, we looked at bids that it had made in anticipation of parliamentary bills and we took the view that we would wait and see what Parliament's view of those bills was before we allowed those additional increases.

Of course, our problem is always that our responsibility is to ensure that the will of Parliament is properly reflected in the ability of the office-holders to perform their governance functions, and it is for the individual committees to scrutinise the detailed work that the office-holders do.

David McGill: You will recall that we have a written agreement with the committees that sets out the division of roles between the corporate body, which has governance oversight, and the committees, which have performance oversight. We have not yet quite got to a situation that is fit for purpose, and we were therefore in the process of reviewing that written agreement when the new SPCB Supported Bodies Landscape Review Committee was established. We are hopeful that that committee will pick up those issues, so that we can get to a situation that better reflects the parliamentary scrutiny of office-holders that we all want to see. The office-holders themselves have indicated that they would welcome such increased scrutiny, so it is not that we are pushing against any opposition from that source.

The Convener: Yes, they might welcome increased scrutiny, and I am sure that the Parliament would as well, but the issue is who would do that. We have an increased number of commissioners. How close to capacity is the SPCB in carrying out scrutiny? The committees are saying, "Hold on—we're at capacity." I do not think that this committee could scrutinise all the commissioners, especially if more are coming down the pipeline. Where are we on that?

09:15

Jackson Carlaw: The corporate body feels that it is pretty close to capacity, if it has not already exceeded it. The corporate body has the opportunity to hold additional meetings in due course if that is required, but, were the additional three commissioners that are envisaged to be forthcoming, it would be difficult for the corporate body to do justice to the rest of its work agenda on the parliamentary campus while spending meaningful time engaging with the commissioners.

David McGill is correct in saying that, when the commissioners have come in, they have welcomed the fact that they have been invited to come in and meet us, but we have to do justice to that engagement, and that takes up time, potentially at the expense of our ability as a corporate body to scrutinise many of the other important matters that come before us.

At the moment, we are managing, but we all feel that we are pretty much at the edge of being able to say that we are doing that scrutiny effectively.

The Convener: The new committee is looking at that, and it will have to address it as part of its remit.

I go back to the issue of AWE versus ASHE. I know that none of my MSP colleagues are dead keen to get involved in that particular issue, so I suppose, as convener, I will. It is heads we lose, tails we lose, is it not? When it came out, a couple of years ago, the ASHE index was about 1.7 per cent when inflation was 11 per cent. Jackson Carlaw, you had a twinkle in your eye when you said that it will probably reverse next year. It has not really reversed, and now it has gone the other way. MSP salaries have gone up by 12 per cent in the past five years, compared with inflation at 25 per cent. Was it just for public consumption reasons or for other, financial reasons that you decided to stick with AWE?

Jackson Carlaw: I said in my opening remarks that I genuinely believe that we should not bounce around like bumblebees in a bottle. As a responsible corporate body, we cannot take the view that we will look at the various indices, see which one is the highest and say, “Oh, that is a nice one for us to pick.”

The Convener: I agree with that. I think that everyone would expect consistency throughout the Parliament, one way or the other, and that has not happened.

Jackson Carlaw: We stayed with ASHE up to a point. We have looked at the cumulative effect of all of this, and I think that the action that we have taken over the piece has led to a reasonable position.

Sara Glass (Scottish Parliament): It has for the staff cost provision, but not for MSP pay.

Jackson Carlaw: We are acutely aware of that. The committee might be aware that, relatively speaking, the hierarchy of Parliaments was Westminster, the Scottish Parliament and then the Welsh Senedd. At some point, the Welsh Senedd members’ remuneration exceeded that of Scottish Parliament members. The Senedd then applied a 3 per cent pay cap, which meant that the relativity between the Parliaments was about to be restored. However, this year, it decided to abandon the pay cap and embrace ASHE, which means that the relativity will not be restored.

The committee is aware that we are reviewing our expenses and remuneration, because all parliamentary groups and individuals have been invited to contribute to that review. It is for the corporate body to look at all of this and to reflect on it ahead of any recommendations that we might make for the next session.

The Convener: The staff pay increase in the forthcoming year is also based on the figure of 3.2 per cent, which means that it is difficult to have, for example, in-grade promotions for the advancement of staff members. Why has it been decided to abandon the ASHE-AWE combo for staff?

Jackson Carlaw: The reasons for that are the same as those that we gave previously. We abandoned it because the AWE figure was more reliable and incorporating ASHE into the basket was actually depressing it. As Sara Glass said, had we not moved to AWE, it would have led to a reduction in the overall package for staff over the piece.

Sara Glass: In the past three years, when ASHE was at its lowest, we switched out of the basket and into AWE, which meant that, even though ASHE is higher again this year, over a three-year cumulative period, the uplift in the staff cost provision has been about 0.5 per cent higher than it would have been had we stayed with the basket.

The Convener: Okay. I suppose that I am happy with that.

Let us move on to parliamentary staff numbers. In your submission, you state that you

“remain committed ... throughout Session 6”

to the staff baseline agreed in 2022-23. You also talk about a couple of posts having been added in security in order to

“deliver a new service to monitor social media activity referencing MSPs”,

noting that those increases have

“largely been offset by other reductions across the permanent staff complement”,

meaning that there is no overall change in staff numbers.

Can you tell us what that social media referencing monitoring service is?

David McGill: It is something that we picked up from Police Scotland in relation to the monitoring that it does of individual social media feeds. There is a piece of software that identifies patterns of behaviour where threats have been issued to individuals, which also has a reporting mechanism attached to it.

We work with Police Scotland in relation to the monitoring of individual accounts to identify patterns of behaviour. Over the course of the pilot that we ran for about a year, we identified several thousand posts of note, of which about 500 were considered to pass the threshold for criminal activity. We recently secured a second conviction in relation to those posts.

It is about improving the support and protection that we give to elected representatives as they go about their duties.

The Convener: Is that being done as a result of incidents such as the murders of David Amess and Jo Cox?

David McGill: It is exactly that—yes. It is about making sure that we are responding to that activity in a proportionate but sensible way.

Jackson Carlaw: There has also been a significant increase in the number of members taking advantage of the service.

David McGill: Yes. Originally, there were 20 members in the pilot, but the demand has been significant and about 70 or 80 members are now signed up to the monitoring service.

The Convener: That is very interesting. I am not one of them, so I am particularly interested in that.

With regard to staff numbers and keeping the complement the same, my understanding is that there was a significant uplift in staff numbers at that time because of our having to adapt to post-Brexit arrangements. Are we still wading through those or have they been resolved? If so, do we still need the same number of staff to deal with that issue?

David McGill: We are still dealing with the post-Brexit situation, but it has settled down into a business-as-usual pattern.

A lot of the staff uplift back then, in relation to the Brexit changes, was about what we had inherited as a result. It was about not only managing the process of change but ensuring that the Parliament was able to scrutinise in the new environment. Those were permanent changes to account for the new constitutional set-up that the Parliament found itself in.

The Convener: One of the recommendations that we made in our report last year was that the SPCB should

“focus on optimising value for money in its budgetary decisions and delivery. As part of next year’s budget bid, we would therefore like to see additional information on how the SPCB makes the most effective use of its funds, including setting out where savings have been identified and how projects have been prioritised”.

However, as the Presiding Officer said in her letter to us, the annual report does not specifically identify savings or set out how projects have been prioritised. Why not?

Sara Glass: In the bid submission, in both the letter and schedule 3, we refer to cost savings, which total £100,000 in this budget bid. Those are the first recommendations and commitments in a programme of work that we introduced last year, when we came in front of the committee.

The framing of that work is important. We have held ourselves to some key principles. We will continue to take a medium-term strategic perspective when considering any cost savings and cost reduction opportunities.

We are committed to the staffing baseline that we bid for in 2022-23. That is a firm commitment for the duration of this parliamentary session, and it is therefore a principle—as are the members’ expenses scheme and our no compulsory redundancies guarantee. Those principles shape how we can tackle the cost areas that are in focus.

Approximately 70 per cent of our cost base is people—that represents £97 million across the various staffing groups—and, within people costs, some reasonably significant cost savings are already baked in. For the parliamentary staff, we budget with what we call a vacancy gap. We have a 5 per cent vacancy gap, which is equivalent to £2 million. Essentially, we seek to always run with a staffing level that is 5 per cent lower than 100 per cent. That is a budgetary mechanic to ensure tight control. As I said, that £2 million is baked in. Similarly, within the staff cost provision, there is a 7 per cent equivalent, which saves £1.4 million, and that is also included in the cost base.

Other chunks of our cost base, such as rates and office cost provision, which provides offices for all our members, are relatively fixed. Therefore, we have focused on discretionary cost areas or areas where contracts are coming up for renewal and we have the opportunity to negotiate better costs. That is where some of those savings have come from.

The £100,000 in savings for this year includes £60,000 in information technology cost savings in a variety of areas—some relating to contractual issues and some involving changes in service offering. The figure also includes £30,000 in training, as we have moved to a new managed learning service. Previously, all the areas had their own training budgets and would source their own training; now, we have contracted with one supplier, and all the training requirements are channelled through that, so we are getting much better value for money.

We have also been robust on our travel and expenses, which has reduced that cost and has resulted in some savings in this year's budget, although doing so has required quite a lot of difficult choices being made.

We continue to look for further opportunities, some of which are more in contractual areas and will open up as contracts come round for re-let—it is not possible to do that work in the shorter term. In terms of actual cost savings, the £100,000 figure is what is committed to in this budget.

There is always prioritisation, both in the resourcing and in the projects. From a resource deployment perspective, the new SPCB Supported Bodies Landscape Review Committee needs staff to support it, and there is a cost of about £200,000 for the staff members who are entirely dedicated to it, which has been found from other areas. We have a long list of projects that were bid for and have not been funded in the budget. They may end up being funded in due course, but they have not yet been.

The Convener: It would be helpful to see why some projects were prioritised and some were not. It would be good to have more specifics on those. For example, among the projects to be funded are net zero-ready projects worth £926,000. That figure includes £736,000 on a building environmental management system and £190,000 on net zero consultancy. It would be good to see what those projects will actually deliver. At the moment, we just have a list of projects that does not necessarily say what they are going to do. I am not looking for "War and Peace", but a sentence or two to give the specifics on that would probably be very helpful.

Jackson Carlaw: Last year, we offered you an exclusive tour of the bowels of the building so that you could see the building energy management system personally and touch and feel what it is that we are having to invest in replacing. I do not know whether the committee felt that it wanted to take advantage of that wonderful opportunity.

The Convener: I do not even recall being offered it, to be honest, so apologies on that front. Maybe members will take up that offer. We will discuss it afterwards.

One of the projects is changes to the *Business Bulletin*, with a forecast cost of £378,000. That is almost starting to move into upgraded website territory in terms of money. Why would you spend £378,000 on changing the *Business Bulletin*?

Sara Glass: The *Business Bulletin* is not supported any more in the current system. Although, from a user perspective, it seems to perform the functions that it needs to perform, an unsustainable amount of running around in the background with sticky tape is required to hold it together. The current system for the *Business Bulletin* is no longer supported and needs to be replaced, but there are lots of opportunities to make the process more efficient for the staff who are involved in pulling all the information together.

The Convener: Will that lead to savings, ultimately, because people will not have to run around all the time?

09:30

Sara Glass: It will free up staff to work on other things. I guess that, in time, it could drive out savings. There is that opportunity.

The Convener: Thank you very much for that. All colleagues wish to ask questions, the first of whom is Craig Hoy.

Craig Hoy (South Scotland) (Con): Good morning. In headline terms, the indicative budget for 2026-27 shows an increase in the cost of the Parliament to nearly £150 million from £100 million at the start of this parliamentary session, which is a significant rise. Is that rise justifiable to taxpayers?

Jackson Carlaw: That is an interesting question. When I joined the corporate body and replaced my late friend and colleague Alex Johnstone, in 2016, the cost of running the Parliament was about £70 million. By the end of this session, it will have doubled. As you point out, it is increasing significantly in this session alone, from around £100 million to £147 million, potentially, next year.

That is partly the result of adding external responsibilities to the life of the Parliament, as opposed to organic growth of expense within the Parliament itself. We have touched on some of those additional external responsibilities this morning. In addition, the relative cost of the office-holders—which a committee has been set up to consider—is increasing as an overall percentage of our budget. Collectively, as politicians, we must be acutely aware of the additional expense for the operation of the Parliament that the addition of all those responsibilities represents. It is not for the corporate body to determine whether that represents value for money. That is very much an issue for MSPs to consider and reflect on in the job that they do.

Sara Glass: Of that £147 million, which is the indicative budget for 2026-27, about £10 million is for one-off election costs. We are not quite at the £150 million mark for the core running costs. The figure is about £10 million lower than that, as there will be one-off costs for the election in that one year.

Craig Hoy: On staff pay, it is understandable that the nation's Parliament wants to be seen as a fair employer. How do we benchmark some of the salaries that are received by staff who work in this building against those that are received by staff who work elsewhere?

Sara Glass: Our people services team does regular benchmarking of the various roles that exist in the staff profile, and the same will be done again as part of the review of the scheme in advance of the next session. We are assured that, at the moment, the benchmarks are in line, but a full review will be conducted as part of the review of the staff cost provision for the next session.

David McGill: We have done two benchmarking exercises in the recent past, and both reports are published and available on the intranet. We can make them available to you or the committee if you would find that helpful.

Craig Hoy: Yes, I am sure that that would be helpful.

I might be getting a little granular here, but I looked at the trading accounts for the Parliament shop, and I have two questions about that. The first is about direct salaries, the figure for which has bounced around a little. It is now £126,000 a year, which seems to account for one manager plus one and a third support staff in the shop—in other words, 2.3 individuals. The one and a third staff are on grade 2, which has a salary of £30,000 to £33,000. That seems to be about 25 to 30 per cent more than the average retail salary. Is there a reason why the salaries of those staff seem not to be aligned with salaries outside the Scottish Parliament, in the broader retail sector?

Sara Glass: All our staff are on consistent pay scales irrespective of which part of the organisation they work in, so our grade 2s who work in the shop are remunerated and benchmarked in the same way as our other grade 2s. We recognise that we do not benchmark against the retail sector when it comes to the pay rates for those staff.

Craig Hoy: So, there is internal benchmarking in the Scottish Parliament.

Jackson Carlaw: They are all employees of the Scottish Parliament and, therefore, are employed consistently according to the Parliament's pay scales.

Craig Hoy: Fine. Another labour-related cost is the unexpected—I think that that is probably the best description—national insurance increase that has been imposed by the Labour Government, which appears to be costing the Parliament £2 million this year. The issue is playing out throughout the public and private sectors and is a considerable concern to both. How concerned are you that the increase is adding significant costs to the budget for the forthcoming year? Are there are ways in which you can make further savings—in relation to labour or, more broadly, throughout the rest of the Parliament—to make up for that unexpected expenditure?

Jackson Carlaw: I will try to be politically neutral in speaking for the corporate body. Those additional costs that the Scottish Parliament has had to bear were totally unforeseen, and the only way in which they can be met is through taxpayer funding of the Parliament. Obviously, £1.9 million is a very considerable additional burden on the taxpayer in order that we can all be here.

Craig Hoy: You mentioned the different situation in the Welsh Senedd. In the Scottish local government arena, the Scottish local authority remuneration committee is looking at potentially raising councillors' salaries. Anybody who has been a councillor will realise that it is a very tough job and that the remuneration is perhaps not sufficient. That means that council leaders in some local authorities in Scotland will be earning the same as MSPs. The differentials seem to be quite a contentious issue throughout the public and private sectors. Do you anticipate that the closing of the salary gap with councillors will have consequences for on-going discussions about MSP pay?

Jackson Carlaw: Gosh! I am reminded of the phrase "fools rush in where angels fear to tread" in relation to making value judgments about councillors.

The corporate body has been looking at the overall relative packages for the different parliamentarians here and in the Republic of Ireland. We have looked at the resettlement figures, the pension arrangements, the broader expenses portfolio and the remuneration. As I pointed out earlier, our underlying concern is that the relative position of MSPs has declined, and it is perhaps not as obvious as the headline figure might suggest if we look exclusively at front-line remuneration. Nonetheless, there is an on-going review. We looked at the issue in detail in the summer before last, and we had an update last summer. We believed that things were moving in a particular direction, but that might not necessarily be the case now. The corporate body will continue to reflect on the issue during the final year of the parliamentary session.

Craig Hoy: In relation to Senedd members' pay and conditions, Opposition party leaders receive an additional payment for their responsibilities. As a former Opposition party leader, Mr Carlaw, you might want to be careful about how you answer this question, but has the corporate body considered that for Opposition leaderships in the Scottish Parliament?

Jackson Carlaw: My understanding is that, when the Parliament was established, that was considered but, at that time, Opposition leaders declined to take any additional personal remuneration. Instead, they asked for that funding to be added to the general resource that was available to political parties through Short money.

That said, the review that is under way should take the matter into account. As someone who served as a party leader, albeit briefly, I am aware that the responsibilities on leaders of all parties in the Parliament now seem to be greater than they were when the Parliament was established, and some of those responsibilities are funded out of the personal pocket of the individual who is acting in the capacity as leader of their party, which I do not think is fair or reasonable. Such matters are the subject of the general review that the corporate body initiated of the overall expenses and remuneration portfolio.

Craig Hoy: That is, of course, provided that the party leader does not have a wealthy donor who will buy their glasses and suits—but you do not need to comment on that.

I might be showing my lack of understanding, but I have two technical questions about the SPCB's statement of financial position in schedule 5. First, under non-current assets, the capital value of Holyrood land and buildings rises to £407 million this year from £401 million last year. Is there a particular reason for that? I think that there is only £1 million of capital expenditure this year, so I presume that the increase is just down to market conditions.

Sara Glass: We do full valuations on a cycle, and, in the years between, we do a desktop valuation based on inputs. The figure of £407 million is a desktop valuation. A full building revaluation is due in the next year.

Craig Hoy: Okay. Lastly, in regard to the current assets and liabilities, the cash and cash equivalents and the liabilities are static: it is the same number for 2024, 2025 and 2026. Is there a particular reason for that? It jumped out at me.

Sara Glass: I would need to come back to you on why the number is precisely the same.

Craig Hoy: Yes, it is exactly the same, which is why I brought it up. Thank you very much.

The Convener: Craig Hoy's question prompted me to recall that, in 2000, John Swinney turned down a £21,000 salary increase when he was the leader of the Opposition only for there to be a double-page spread in a newspaper a week later about how his office was spending £3,000 on furniture and computers. He effectively got no credit for turning down that salary increase and was then slagged off for buying equipment for his office. That kind of hair-shirt approach does not necessarily go down particularly well or get appreciated.

Regarding salaries, are you aware yet whether ministers have refused a pay rise for the 18th—or the 17th or whatever—year in a row, or have they, this year, finally decided to accept a pay rise? What, if anything, does that mean for the corporate body?

David McGill: We have not yet been informed what the decision is for this year. We are presuming that that approach still stands, but for the corporate body I think that the salaries are still being issued and then taken back. Is that correct, Sara?

Sara Glass: Yes.

David McGill: The corporate body pays out the funds, but they are automatically returned to the centre. We will implement that process if that is the decision for this year.

The Convener: How much is that worth in the current year?

David McGill: I do not have that figure, and I am not sure that Sara does either, but we can get that to the committee. It should be an easy calculation to make.

Ross Greer (West Scotland) (Green): I will return to the questions around the staff cost provision. I refer to my entry in the register of members' interests, as I am a member of the National Union of Journalists, which is one of the unions that represents MSP staff and has made representation to the SPCB.

In a joint letter that you received, the GMB, the NUJ and the parliamentary group staff union took issue with the SPCB's decision to move solely to AWE as opposed to having a basket of measures. In the first instance, can you outline what level of engagement the corporate body has with unions—both those representing SPCB staff and the MSP staff unions—ahead of making such a decision?

Jackson Carlaw: It is important to state that we are responsible for selecting an index that will increase the provision that is made to MSP staff but we are not their employer. Individual MSPs are the employers of their staff. The SPCB does not therefore believe that it is appropriate for us to enter into detailed discussions, although the chief executive has exchanged correspondence in relation to those matters.

In regard to the decision that we took about the index, as we have illustrated, we moved away from the basket of measures because we felt that it was prejudicial to the overall increase that was going to be available to the fund that MSPs would have from which to determine their staff salaries. It is also important to point out that there is an underutilisation of the staff cost provision. A considerable number of members fall well short of the actual spending level that is available to them. Within that, there is definitely capacity for some of the different salary remuneration increases that individuals might want to obtain.

09:45

David McGill: I was just going to say that, for the past three years, I have had face-to-face meetings with staff who represent the unions. Jackson Carlaw is correct in saying that the corporate body is not the employer and therefore has no basis for getting involved in any negotiations. However, to facilitate the transfer of information from that staff group to the corporate body, I have met those representatives for the purpose of having discussions and giving them an outlet. In the absence of such an approach, their only other course of action would be to go to 129 individual employers, which would not be feasible or sustainable. When I meet the representatives, we discuss the position. I then relay that to the corporate body, which takes it into account when it makes decisions about which of the various indices to apply each year.

Ross Greer: I take the point that the corporate body is not the employer of MSP staff, but, at the same time, clearly MSPs cannot pay them any more than is within our staff cost provision. I also acknowledge Jackson Carlaw's point that not all MSPs fully utilise that provision as it is.

However, the core of the objection from the MSP staff unions—the three that wrote to the corporate body—is that the move to using AWE represents a cut. Further, AWE is not directly linked to the cost of living. It relates to the earnings of other workers outside the Parliament rather than directly to the cost of rent, food, energy bills and so on for the staff who work here. Did you take that into consideration when you looked at the basket of measures? I accept that, in any individual year, any individual measure can be deeply flawed, but that was perhaps an advantage of using the basket approach. Did you take into account the fact that AWE does not directly reflect the cost of living? It does so indirectly, but not in the same way as a direct inflation measure such as CPI.

Jackson Carlaw: We do not take the decision lightly. Earlier, I said that we feel that we should apply a consistent approach. However, such an approach is not applied simply by rote; we look at the individual figures and come to a decision.

Our decision to move to AWE over the past three years has led to a greater increase in the staff cost provision than would have resulted had we stuck with the previous basket of indices. Having made that change in the interests of MSPs, as regards the overall staff cost provision that would otherwise be available to them, we decided that it would be appropriate to stick with it for the duration of this parliamentary session. Were we now to say that we would switch back in advance of next year, there is no guarantee that ASHE, which has proved to be a unreliable index, might not fall through the floor again and prejudice the basket of indices were it to be included in it again. We feel that our index selection has been in the best interests of MSPs as far as protecting the overall staff cost provision is concerned.

Ross Greer: Thanks very much.

The Convener: Were you to use CPI, as happens in relation to benefit increases, that might make life a lot easier for everybody.

Michael Marra (North East Scotland) (Lab): Touching again on SPCB sponsored bodies—commissioners—you mentioned rising accommodation costs. Has there been any review of usage of the entire parliamentary estate, given the shift to hybrid working and the amount of capacity in communal working areas that it might have created?

Jackson Carlaw: Do you mean for utilisation by commissioners?

Michael Marra: At the moment, for utilisation by parliamentary staff. I am conscious that, on some days when I walk around the estate, large areas seem to be unused and there are very few staff working in them.

Jackson Carlaw: I do not believe that we have ever considered the deployment of commissioners on the parliamentary estate. As you will know, during this parliamentary session and the previous one, we have consolidated the number of commissioners at Bridgeside house. We had further discussions on potentially deploying that space for the inclusion of yet more commissioners. Work is being undertaken on that. We have even acquired additional space at Bridgeside house to consolidate such approaches, because further shared services working among commissioners could still be achieved.

David McGill: We have not directly considered that, although staff of one of the very small commissions, the Standards Commission for

Scotland, are based in the Parliament building and have been for some time, at no additional cost. We intend to carry out an accommodation audit for office-holders during the course of the next year, which might cover the issues that you have raised.

We have been looking carefully at the use of the Parliament building since the pandemic. Before the pandemic, we were pretty much at capacity, but that has changed utterly since then. Our focus so far has been on looking to create more collaboration spaces, because more people are working from other locations. There might be another stage of that work that takes account of the use by other organisations that the corporate body sponsors of space that has been freed up.

Michael Marra: Would you pass that suggestion or observation on to the new committee?

David McGill: Absolutely—we will be happy to work with the new committee on that.

Michael Marra: Do you feel that the new project to replace the lobbying register at a cost of £500,000 is value for money?

Jackson Carlaw: You ask an interesting question. Obviously, the corporate body's responsibility is to exercise the will of the Parliament. As something of a dinosaur in life myself, I am immediately struck that obsolescence used to relate to people such as me: the systems stayed the same, but people became obsolete and were replaced, and those who replaced them worked with the systems, whereas in the digital age, the systems become obsolete. When we embark on many projects now, I think that we do so without fully realising that, to allow them to operate, we will have to establish digital systems that will become obsolete and will have to be replaced.

I have to ask how many times I have consulted the lobbying register. I wonder how many people in the Parliament have consulted it or how many people external to the Parliament have done so. It seems to me to be a fairly expensive additional cost that the Parliament has to incur. However, the corporate body is responsible for ensuring that the facility is available and that we find a system that we can properly deploy. That is what we have had to do. We have worked hard to get what we think is a system that will offer us the best possible value for money in that context, but the broader question about the value of the lobbying register is not one for the corporate body.

Sara Glass: We are at the outline business case stage and have not signed off the final business case on the lobbying register replacement. We have engaged with potential suppliers, but we have not yet signed a contract. The estimate of £500,000 is looking as though it is a good cost to get it in at, bearing in mind what the software needs to do.

Michael Marra: From my interaction with the system, it strikes me that it is a fairly straightforward piece of software, to say the least. To an extent, IT procurement costs will be what they will be. I am sure that you are going out to ensure that you get the best price that is available. I understand Jackson Carlaw's point that the SPCB is implementing the will of the Parliament, and I have no problem at all with the idea of transparency in the area—I am a great supporter of it. However, as you develop the outline business case, is any analysis being done of the use of the system and its efficacy?

Sara Glass: At the moment, temporary staff are supporting a backlog in that area. There is a heavy workload because changes to legislation and the like have made the system more complex than it once was. It is not performing to the full requirements of what we would want.

Jackson Carlaw: I am not sure that it is for us to make a value judgment.

Michael Marra: Who would it be for?

Jackson Carlaw: One might argue that it would be a matter for post-legislative scrutiny. As with any legislation that has been implemented, the Parliament has the capacity to undertake post-legislative scrutiny of the relevant legislation, its outcome and effect.

Michael Marra: How many staff are operating the project at the moment?

Sara Glass: We do not know.

Michael Marra: Will those costs be in addition to the forthcoming £500,000 procurement costs?

Sara Glass: They will come out. Once the investment in the system is made, we will no longer need the temporary staff that we have at the moment.

Michael Marra: So, the system will be more automated.

Sara Glass: Yes.

Michael Marra: Do we have any indication of the broader behaviour change of lobbyists and parliamentarians and of the better outcomes for citizens as a result of the legislation?

Jackson Carlaw: The corporate body asked those questions when we saw that the project would have to be funded, but it is not for the corporate body to make those value judgments.

Michael Marra: It might be worthwhile to pass on the information that you receive from the analysis undertaken to inform the outline business case, to act as a prompt for post-legislative scrutiny. As I have said, we have no problem at all with the principle, but we want to ensure that the system is as effective as possible. Parliament has agreed it, but if the amount of traffic is limited or it is not encouraging behaviour change in how things operate, I would have thought—I am going back to this theme—that we would want to have some view of that, via post-legislative scrutiny, if there is the capacity to do so.

Jackson Carlaw: On this issue, as on so many other issues in relation to the Parliament, that is my view. [*Laughter*.]

Michael Marra: Okay. Thank you.

Liz Smith (Mid Scotland and Fife) (Con): It has been really well trailed in the media recently that the cost of Edinburgh hotel accommodation in the inner city has shot up substantially. That includes hotels that members use—I am not someone who does that, but a lot of colleagues do. Has that cost indeed increased? In some cases, I think that it has done so by 30 or 35 per cent, with further increases likely. Has that been thought about in relation to members' accommodation expenses?

Jackson Carlaw: Members have had an opportunity to raise that issue via their respective groups with Andy Munro, who has been meeting all the groups to discuss the scale and scope of matters that we might consider as a result of changes such as the one that you have indicated.

It is also a fact that it has been particularly difficult for members in the Lothians region to establish office accommodation in the past two sessions of Parliament and that doing so has taken them significantly longer than is the case in other regions. We have realised that that is happening through cases of exception that have come to the corporate body, which partly underpins the reason why we initiated the review.

Liz Smith: Have you been able to work out the increase in those costs? Obviously, Parliament cannot do anything about them—we have to accept them, as those are the market prices for office accommodation and hotel accommodation. Has a percentage increase been built into projections for future budgets?

David McGill: That matter will be picked up as part of the sessional review that we are about to undertake. The issues of Edinburgh accommodation and the pockets of high prices for local office accommodation that we are aware of will be picked up as part of that review.

John Mason (Glasgow Shettleston) (Ind): I add my voice to that of Michael Marra, who asked whether the lobbying register is of any value whatsoever. It was one of my possible questions, but I will leave it just now.

Other services, such as the national health service and general practitioners, will probably have to absorb some of the national insurance increases, because it does not look as if we will get full compensation from Westminster. Did you consider the idea that MSPs should absorb part of the NIC raise and take a lower pay increase?

Jackson Carlaw: No.

John Mason: Okay. Do you think that it should have been considered?

Jackson Carlaw: No.

John Mason: By way of comment, I think that it would have been worth looking at. However, I take the point that an increase of 3.2 per cent is coming up. The budget bid is for a 4.4 per cent increase, and the convener already made the point that, with quite a lot of the commissioners, the national insurance increase is making the normal increases a bit higher.

Does the restaurant use fair trade products much?

Jackson Carlaw: Yes, I understand that it does.

Sara Glass: Yes.

Jackson Carlaw: What kind of products? Tea and coffee, obviously.

Sara Glass: Yes, for sure, tea and coffee—I do not know the details.

Jackson Carlaw: I could not give you a schedule beyond that, but the answer to your question is yes—that is one of the things that it is conscious of and seeks to achieve.

John Mason: Reference is made to making better use of the building. Some of this may have been touched on already, but there is a cost attached to that. Can you explain what that is? It is in schedule 3, if I am not mistaken.

10:00

Sara Glass: There is spend on improving some collaborative spaces.

John Mason: Is a collaborative space a kind of hub area where people can just go in and set up?

Sara Glass: Yes, and meeting rooms and the like. Spend is allocated to that for the year.

John Mason: Right. Page 20 of my document—schedule 3 in yours—asks whether those spaces are being used. The point has been made that they do not look very busy sometimes. There is a big one on the ground floor. I cannot remember what used to be there, but—

Sara Glass: Yes, the old allowances office—the hub. It is extremely popular. It is used by all the different staffing groups, so it is always busy.

John Mason: Craig Hoy asked about the salaries and so on for the shop, but you forecast that its income will be down next year. Can you tell us about that? I know that we are not talking about a huge amount of money.

Sara Glass: That reflects the trends and the forecast as those staff see them. They are doing a review of the shop at the moment to—

John Mason: Sales figures have been going up in recent years, I think.

Sara Glass: They have been, but I do not think that Christmas was as promising as they had hoped that it would be.

Jackson Carlaw: The number of visitors to the Parliament has been recovering slightly since the pandemic, although we are still not at pre-pandemic visitor numbers.

John Mason: I do not know whether we have touched on this before, but there is a separate line for accommodation under the Scottish Public Services Ombudsman. The accommodation cost for that seems to have gone up quite a lot. I think that you said that it is £144,000 or £145,000, or thereabouts. Was there a particular reason for that, or is it just because the landlord is being difficult?

David McGill: No. There was a rent review, which was in the contract when the office-holders were located there in 2018, so it was a planned rent review. We just did not have any information on what the result of that review might have been.

John Mason: Right. Is that negotiated, or is it set by an independent party? How does it work?

David McGill: I think that it is set by an independent party, but I would need to double-check what the process is.

John Mason: It seems to be quite a substantial increase, but that may touch on what Liz Smith said earlier.

David McGill: That is in the context of very low rates for the first couple of years as an incentive for occupation, so it is probably—

John Mason: Well, that makes sense, if that is the reason. Fair enough.

On business rates, last year you estimated a 2p increase and the increase was 6.68p. This year, you estimate that there will be an increase of 2.1p. Is there a bit of risk there?

Sara Glass: There is risk. The context last year was one of much higher inflation, but we have been reasonably prudent this year again, so there is risk. We covered that last year through contingency, and we would do the same this year, should it transpire that the final rates are higher than we have budgeted for.

The Convener: Okay. You will be glad to know that we have concluded questions from the committee. Thank you very much for answering them. I suspend the meeting for two minutes, and then we will move into private.

10:03

Meeting suspended.

10:09

Meeting continued in private.

10:12

Meeting suspended.

12:08

Meeting continued in public.

The Convener: For the second part of the evidence session on the Scottish budget 2025-26, I welcome to the meeting Shona Robison, Cabinet Secretary for Finance and Local Government, who is joined by Scottish Government officials Jennie Barugh, director of exchequer strategy; Richard McCallum, director of public spending; Ellen Leaver, acting director for local government; and Lorraine King, deputy director, tax strategy, engagement and performance.

Given the time constraints, we will dispense with an opening statement. I will start the session with a number of questions.

There is a lot in the draft budget that stakeholders will be pleased with. Health and social care spending is up 9.8 per cent, ferry services by 22.7 per cent and housing by a whopping 57 per cent. Justice and local government have significant increases in resource relative to last year, budget to budget.

However, there is some confusion. Last year, this committee asked for the autumn budget revision numbers to be used as a baseline, but without making adjustments to strip out routine in-year transfers, because that makes it difficult for the committee to see clearly exactly what is going on. It would be good if that could be remedied for next year. Are there any plans to do that, to make scrutiny easier for the committee?

The Cabinet Secretary for Finance and Local Government (Shona Robison): First, I put on record my apologies for being late and for keeping people waiting.

In line with the request from the FPA Committee, we provided comparative information in the budget document to show the latest approved budget position, which is the autumn budget revision. I am very happy to reflect on what more needs to be done.

There has been a recognition of the improvement in the position from last year, but there are still issues around in-year transfers. Some of that is quite difficult to resolve, because the issue will sit within a policy and the money will transfer in-year. We have baselined further funding, but if there are more improvements to be made, I am happy to work with the FPA Committee on what those should be.

The Convener: Every year, we raise with the finance secretary the fact that the same budgets have the same money taken out year in, year out. It seems to us to be the wrong way to set up the budgets, because we are not given an accurate picture of what the budget is. From everyone's perspective, transparency is important.

Similarly, last year, I raised the issue of public-private partnership payments. Those were listed as being £133.9 million in 2024-25 for the trunk road network, which was much the same as the previous year. However, it is seen only in trace amounts across the budget document, despite a written answer from you last week showing that £14,699 million in PPP payments remain outstanding. As agreed last year, should appropriate figures not be shown across all portfolios, so that we can compare in the interests of transparency? Why is that information not in this year's figures across each portfolio?

Shona Robison: If there are areas where we can improve transparency, I am more than happy to do that. The written answer that you received set out the detail. If there are improvements that we can make, whether on PPP costs or anything else, I am happy to do that.

I response to your first question, I will give the example of nursing education. The policy of how many nurses are required sits with health, but the money then moves to education. There are some areas in which it would be tricky to baseline, because the policy so clearly sits with, in that case, health. I am happy to reflect on that, whether in relation to PPP costs or to some of the further baselining at the start of the budget process.

I think that the Scottish Fiscal Commission commented that there had been improvements in the transparency of the budget, but that there was still work to be done. I am happy to work with the committee.

The Convener: There certainly have been improvements in relation to the autumn and spring revisions. I raised the issue last year, however, and although you said that it would be changed, nothing has been changed. That is why I raise it again, and I hope not to have to raise it again next year.

Shona Robison: Okay. I will pick that up.

The Convener: How much of next year's budget will involve mitigation of United Kingdom Government policies, and what is the impact of that on devolved services?

Shona Robison: There is an impact, particularly on welfare. Somewhere in my folder I have the figures for the mitigation of discretionary housing payments, for example, and of other welfare policies. The figures are substantial. I think that the most recent figure was £140 million—I will see whether we can find it. That money could otherwise be used for other policy areas, but we feel very strongly that, in the absence of any UK Government action, we should prioritise spend in order to tackle child poverty and to meet the statutory child poverty targets. We have taken action on the bedroom tax and on child poverty, but there are substantial costs. I am sure that we will come on to the two-child cap, which is a mitigation that will largely come out of the 2026-27 budget.

12:15

The Convener: Obviously, with a relatively fixed budget, if you are spending on A, you cannot spend on B. There is a concern in local government and other areas that they are not getting as much as they would otherwise receive, because money is being spent on areas that are reserved to Westminster, for good or for ill. There is a feeling that perhaps the Parliament should focus on its devolved responsibilities. If people are unhappy with Westminster policies, they have an opportunity to vote one way or the other at an election.

On the issue of welfare, which you just touched on, the Scottish Fiscal Commission has, understandably, expressed concern that social security spending continues to rise steadily. Next year, it will be £1,334 million higher than if welfare payments remained at UK levels. When one removes social security spending, the overall funding in real terms is going down by 0.3 per cent—in a moment, I will touch on one or two areas where that is happening. In the following year, social security spending is expected to rise to £1,608 million. Given that the Scottish ministers will not change tax rates, and although fiscal drag will impact all but the two lowest bands, how can that be funded without cuts to existing services?

Shona Robison: As I said, we regard investment in social security, including some of the mitigations that I mentioned, as an investment in people and in anti-poverty measures. Giving children the best start in life means they are more likely to be economically productive later in life, so you could argue that it is an investment in society that will give economic returns later.

My answer is that it is about prioritisation. We are prioritising not just social security spend but front-line services. The action that we are taking on fiscal sustainability covers a number of areas and aims, to ensure that we can afford the supports that we are providing. There are seven areas, but I will give you the headlines. They include the workforce, recruitment controls and the changes that we will make on backroom services so that we can prioritise funding for the front-line public service reform programme, on which Ivan McKee has given you a fair amount of detail.

The decisions that we have previously taken on tax provide an additional £1.7 billion in 2025-26, compared with the situation if we had matched the UK Government policy, according to SFC estimates. There is also the work that we are doing to boost and grow the economy, and the investments in the budget will help to do that. The invest to save fund is working to release more funding. The efficiencies that Ivan McKee has set out amount to about £280 million over the past two years and another £300 million over the next two years, but the invest to save fund will go further than that. There are also things such as health and social care reform.

I have laid out those measures because they are all pillars of the sustainability delivery plan. I will provide more detail on that to align with the medium-term financial strategy. A lot is happening across Government, and I am keen to give transparency on that and to set it all out in one place. That is what the sustainability delivery plan will do, and we will publish it alongside the MTFS.

The Convener: Regarding the lifting of the two-child cap, which the First Minister said will happen before 2026-27 if possible, the Scottish Fiscal Commission has said that funding will be awarded to the families of 43,000 children, at a cost of £155 million. That includes the administration costs of delivering the funding and equates to more than £3,600 per child, which is nearly £70 a week. Are those figures correct? It seems an awful lot.

Shona Robison: Those figures are correct. Lifting the two-child cap will lift around 15,000 children out of poverty. It will help many more families than that, but the estimate is that it will lift 15,000 children out of poverty. Bear in mind that those are some of the poorest families, so it will be game changing.

In relation to our statutory duty to tackle child poverty, we think that lifting the two-child cap will be the most impactful lever on the back of the other measures that we have taken, such as the Scottish child payment, free school meals and so on, to help lift some of the poorest families out of poverty.

The Convener: What will be the impact on incentivising people to go back into work?

Shona Robison: We are very conscious of that issue. The SFC analysis looked at some of that, but I suspect that it will do more. It looked at some behavioural changes, and we have been cognisant of that in relation to the Scottish child payment. We consider any research or evidence that suggests that there will be a cliff edge.

Bear in mind that the two-child cap is a penalty on families with more than two kids, which means that the universal credit system does not at the moment recognise the costs of children beyond two children. We believe that that is—

The Convener: One could argue that a teacher, half of whose salary over £43,000 goes on tax and national insurance, might have to decide whether they can afford an extra child, because they do not have access to those additional funds. Many people who are in work resent that, which is why the policy is unpopular with the majority of voters, as all polls have shown. People who are working have to decide whether they can afford another child, and they see—rightly or wrongly—that people who are not working might be able to access benefits that they cannot in relation to deciding whether to expand their family.

Shona Robison: First, let me say, as I have said many times at this committee, that work is absolutely the best route out of poverty. We want to support families into work, whether through employability measures or support through childcare. A lot of work is going on to support the families you might describe as furthest from the labour market in order to break the cycle of poverty, and work is the best way to do that.

However, the issue in the here and now is that families with more than two children are struggling because the costs are not recognised by the UK social security system. The question for society is about the societal impacts of children living in poverty, because it is children who suffer at the end of the day. The later impacts of those children living in poverty and the cycle of poverty continuing will be that there is less chance of their becoming fully contributing members of society, working and contributing to the economy and getting a good output from education, as well as all the social and societal impacts that come from poverty and child poverty.

The fundamental judgment is that we should make an investment to break the cycle of poverty and lift children out of poverty, because we know that there is a societal and economic benefit from that. We believe that to be the case, and we would rather that the UK Government changed its policy.

That is why all the child poverty organisations have focused their attention on lifting the two-child cap, because the evidence is that it will have the biggest impact on our remaining child poverty rates. I think that everybody accepts that they are too high and we need to do something about it.

If we do not do this, the question is, what do we do? The evidence shows that it will have an impact.

The Convener: Scotland has an economic performance gap whereby slower economic growth means that Scotland will raise £1,676 million more in income tax in 2025-26 than if it was following UK policies but will benefit by only £838 million. What steps are being taken to close that economic performance gap?

Shona Robison: The net position is a product of two sets of forecasts from the SFC and the Office for Budget Responsibility. Revenue from Scottish income tax is forecast to grow strongly and raise a record £20.5 billion in 2025-26, which is £745 million more than the SFC forecast when last year's Scottish budget was published. At the same time, the OBR has significantly revised up its forecast on income tax in the rest of the UK. Given the way in which the framework works, what you set out is the outcome.

We are committed to growing our economy, and the income tax net position is forecast to increase in each year of the forecast horizon. That is a positive, but that positive net position has been moderated by the OBR's forecast revision.

The Convener: Tax revenue is going up because of fiscal drag as much as anything else. The gap needs to close so that the amount that is raised in extra taxes is spent on services, because only half is being spent on services at the moment.

On a very much related issue, in education, the workforce, infrastructure and digital budget has more than doubled—it has increased by 114 per cent to £586 million. I am not sure what that entails, so you might want to provide a wee bit more detail, but the increase certainly seems very positive.

However, college budgets have been reduced yet again—according to Audit Scotland, they have fallen by 17 per cent in real terms in four years. In my area, Ayrshire College needs additional revenue to deliver 250 training places for the aerospace sector. It is anticipated that, over the next few years, 3,500 jobs will be created at Hunterston, backed by £3.5 billion of investment. However, at present, Ayrshire College faces reducing the number of engineering apprentices, despite employers requesting 50 more places than have been funded.

I take on board what you have said about money going into areas such as reducing child poverty, but people in deprived areas who could have opportunities to get high-quality engineering apprenticeships are not getting them because such apprenticeships are not being funded properly. How do we boost the economy, close the employment gap and give people a better future if Ayrshire College and others are expected to make year-on-year savings by reducing the number of engineering apprenticeships, for example?

Shona Robison: First, some of the investments in the budget are being made to help to grow the economy. Investment in green energy, enterprise, affordable housing, transport and major infrastructure will help to boost the economy and, in particular, the construction sector.

Before I move on to colleges, I note that there are some very positive signs in the Scottish economy, despite the challenges that we have just rehearsed. Productivity has grown, compared with the position in the rest of the UK, and gross domestic product per capita has grown faster in Scotland than it has in the rest of the UK since 2007. We have higher levels of inward investment—a record number of foreign direct investments—and we are very strong in key sectors of the economy. That is not to minimise the OBR's point about relative stronger growth, but the underlying Scottish economy has improved markedly and it is important to recognise that. In terms of—

The Convener: Surely we could close the gap much more quickly if we invested in more wealth-creating areas. I am sorry—I should have let you finish your answer.

Shona Robison: We are investing in wealth-creating areas, as we can see from our very strong performance. I will correct this if I am wrong, but I think that, according to a survey, business confidence was up by about 13 per cent. There is a strong underlying base in the Scottish economy. Are there issues? Yes, there certainly are. We need to ensure that the skills gap is addressed and that our skills match the needs of our economy, but some very strong performance underlies some of that.

On college budgets, the budget delivers an uplift in the resource funding that is available to the college and university sectors. I think that there is a £13 million uplift for further education and that the budget for higher education is also increasing by £13 million. Therefore, there is an uplift in the resource budget for colleges.

The decrease in college capital—if you take the two together, that is where the figure is coming from—reflects the profile of spend on significant campus investments that are coming to an end, such as the Dunfermline campus. College capital has peaked, but there is a more than £13 million—2.1 per cent—uplift in the resource budget.

12:30

I absolutely agree that there is a need to better join up the work of Skills Development Scotland and colleges and to ensure that the offer from colleges and the SDS meets the needs of the economy and employers. The Withers review was very much in that space, regarding the need for the sector to be far more joined up and more sharply focused, which is the Government's ambition. I am happy to provide further information about some of the on-going work in that space if that would be helpful to the committee.

The Convener: Time is marching on and I have loads more questions. I will ask only a couple more, or possibly three, to enable my colleagues to come in.

At a time when universities are struggling due to a reduction in student numbers, the student support and tuition fee payment line is falling by 10.5 per cent. Is the tuition fee payment stuck at £1,820 per student for the 18th consecutive year? If so, how does that enable universities to be globally competitive?

In his submission to the committee, Professor Alastair Florence, director of continuous manufacturing and advanced crystallisation at the University of Strathclyde, pointed to analysis by UK Research and Innovation that shows that

"£63 is generated for the wider economy for every £1"

that is spent on research. Even if that number was out by a factor of 10, it would still represent a huge return on investment. Should we not direct a fairly modest resource, as needed, to ensure the long-term growth of facilities such as that at the University of Strathclyde—which, like all universities, seems to be under the cosh at the moment?

Shona Robison: First, I very much recognise the role of universities. One of the committee's recommendations was a fund to turbocharge the output from universities into enterprise. I am trying to remember its name. I think that, at one point, the committee called for £5 million in order to do that. I understand that work is on-going in the enterprise space to look at how that can be done and at how we can support our universities with better link-ups to enterprise and to the Scottish National Investment Bank, for example.

We should always keep the tuition fee payments under review to ensure that we are taking some of the headwinds into account. Some of the main ones that the sector has spoken to me about are the drop in international students, particularly from certain areas of the world. The number of international students that universities assumed would attend has fallen off a cliff, as they are no longer coming to Scotland. Some of the UK Government's changes, such as students not being able to bring partners with them, have also had a major impact. Employer national insurance contributions is another issue that will have a major impact on universities.

The Convener: I might come to that in a wee second. However, I am concerned about the £1,820 tuition fee. To me, it seems nonsensical—as does the fact that ministers have not taken a pay rise for 18 years—that it has remained the same for 18 years. How is that helping universities? Surely, if Scottish universities are getting the same amount of money and it declines year on year due to inflation, that incentivises them not to take Scottish students. That cannot be right. You said that that is under review, but there is no evidence that it is changing.

Shona Robison: We absolutely must ensure that all the component parts that make up university funding and are the bedrock of the sustainability of the HE sector are looked at. The tuition fee issue is one of those, but the issues of international students, research and other costs have, unfortunately, all come along at the same time and they are putting pressure on the university sector. We will continue to work with the sector. The universities are not all in the same position, and some have more resilience than others, as some current issues have shown to be the case.

You make a fair point, but there are other major issues impacting on the university sector.

The Convener: I will not have time to touch on reform or transparency in capital spending, and I am not going to touch on enterprise, although I point out that the £1,334 million additional spend on welfare is exactly the same as the total budget allocated to the Deputy First Minister and Cabinet Secretary for Economy and Gaelic, as is set out on page 78 of the budget.

My last question is about national insurance. The draft budget does not take into account the £549 million cost of national insurance increases in the public sector, the £210 million impact on the third sector and independent care homes or, indeed, the £49 million cost for universities. Has the UK Government confirmed how much it will allocate to the Scottish Government to cover those costs? How will that money be disbursed?

Shona Robison: We have had no official confirmation from the Treasury. I am waiting for a reply to my letter on the issue, in which I put forward the case that the full cost for the public sector is more than £500 million. If we include the areas that you mentioned—social care, universities and so on—that takes the figure up to more than £700 million. The figure that has been talked about in the public domain, which is based on information from sources, is between £300 million and £380 million. However, at the moment, I have not had it confirmed that we are getting a particular figure. Therefore, I am still pursuing the Treasury on that.

When we get to a final position, if it is only a Barnett share, that will not be acceptable, for all the reasons that I have set out previously. It would not recognise the investment that we have made in the public sector, and I do not think that we should be penalised for that. Once we get to a final figure, I will want to ensure a fair allocation of that. Clearly, we have not just the health, police and fire services but the Scottish Government and local government. Local government's analysis was that the figure for it is about £265 million, so you can see that the gap is a real issue.

There is a degree of resilience in the budget allocations to local government and the portfolios. That is helpful, but we should not underestimate the impact. If there is a shortfall of circa £200 million or £300 million, that will represent an opportunity cost, because the money will have to be found and it will not be possible to spend it on other things in the portfolios.

The issue is far from resolved. We have a live negotiation with the Treasury, and we have had no formal response to say, "This is it—end of."

The Convener: You touched on the £265 million figure. Local government has said that there will be another £85 million oncost through procurement. I am not convinced that local authorities have the resilience that you mentioned—that is certainly not the message that I am hearing from them.

I will open up the session to colleagues round the table. Ross Greer will be first.

Ross Greer: Good afternoon. I will start with a question about the public health levy. In 2024, the Scottish Government did some engagement exercises and consultation with stakeholders with a view to considering whether such a levy could be added to the non-domestic rates scheme. That was before the UK Government's decision on employers' national insurance contributions, which I presume has played a role in the Scottish Government's decision not to go ahead with the levy this year. Will you clarify whether the Scottish Government believes that there is a potential role for a public health levy as part of the non-domestic rates system in future years?

Shona Robison: That is an option in the future if circumstances change. As you pointed out, a lot of work has been done on the public health supplement. However, I believe very strongly that, as you have set out, this is not the right time to introduce such a supplement, primarily because of the pressures of the increase in employer national insurance contributions. The Scottish retail sector has very much welcomed the fact that that has been recognised and that we are not going ahead with the supplement.

The supplement would have affected mainly large retail operations. Nevertheless, given the oncosts of employers' national insurance contributions, we came to the conclusion that this is not the right time. I do not have a crystal ball to see whether there will be different circumstances in the future, but those were the reasons for the decision.

Ross Greer: Just to clarify, are you saying that, timescale and context aside, given the consideration that took place last year, the Government recognises that there is potential value to that policy? Should the right circumstances come about—the right economic context and wider UK tax context—is there potential to introduce that policy in recognition of its value?

Shona Robison: It should not be ruled out for ever and a day. It is there as an option, but it would very much depend on the circumstances that you have laid out. However, for the foreseeable future, it is definitely not the right time.

Ross Greer: I will turn to council tax. Before we get into a wider conversation about that, I note the interim steps that the Government has taken. I welcome the fact that councils now have the ability to double council tax on second homes, alongside the existing powers on empty properties. However, when the policy was announced, the Government said that it would also explore moving beyond that. In Wales, councils can levy 300 per cent council tax on second and empty homes. The consultation on council tax for second and empty homes in Scotland, which took place in the spring of 2023, showed very strong support for empowering councils here with a similar option to the one that councils in Wales have, but that would require primary legislation.

Is it the Scottish Government's intention to introduce such legislation during the remainder of this parliamentary session? If so, what would be the legislative vehicle for that? I am not aware of an obvious choice, but I can see the matter being within the scope of a couple of options.

Shona Robison: I have a lot of sympathy with the principle behind that, given that we are trying to avoid the loss of homes, particularly in rural Scotland, where the issue remains despite the action that has been taken. My starting point is to empower local government to make those decisions. We are looking at a consultation on the general power of competence, and you will be aware that we have taken measures to strengthen the fiscal levers that local government has.

I will need to come back to you on whether there is time left in the current parliamentary session, given that primary legislation would be needed to go beyond the existing second home levy, as you set out. I do not think that that is planned, but I will come back to you and confirm that.

Ross Greer: It would be useful if you could write to the committee about that, because the commitment was made some time ago. I recognise the challenges with the legislative timescale.

On the wider point about the reform of local government finances and specifically council tax, the committee made a recommendation in our pre-budget scrutiny report that was based on comments that you made to us previously about the Government's perception that it is very difficult to make progress on substantive council tax reform without cross-party consensus. That was an entirely fair and legitimate point, but, in our report, the committee put it back to the Government and asked what steps it is taking to create the space in which that consensus can emerge.

I was quite disappointed by the Government's response to that recommendation in our report, because it indicated that there would be no further action—essentially, it was a recap of what the joint working group with local government has already done. Will you clarify what your expectation or desire is for May 2026 on council tax reform? What does the Government want to achieve in the remainder of this parliamentary session?

12:45

Shona Robison: I am sorry that you feel that about the response. It is very important to try to create some level of cross-party agreement on principles—it may not be on the detail—because doing nothing is not an option. Katie Hagmann from the Convention of Scottish Local Authorities has been leading on that and, as I understand it, she has had cross-party meetings on behalf of COSLA that will help to scope out where there may be a landing space for agreement.

I am keen to set out between now and the beginning of next year, in advance of the 2026 election, where there may be cross-party agreement in order to allow whatever Administration there is after May next year to take action on more fundamental reform of council tax. That may be more difficult in the run-up to an election, but I think that we all agree that there is inherent unfairness in council tax and that it is very limited in its scope. If we were to agree some principles, it might pave the way for more detailed discussions about reforms that could command a majority in Parliament. There is no point in going down an avenue that will never command a majority in Parliament—that would be a waste of everyone's time—but I think that there will be principles that we can agree on.

Katie Hagmann has been leading on that, and she has the Government's support. I am keen to engage directly with her after the budget has been concluded to build on the discussions that have taken place and the work that she has done.

Ross Greer: That is a welcome clarification. I do not mean this as a criticism of Councillor Hagmann, but, having met her and COSLA on several occasions recently and discussed issues related to this, I was not aware that she, on behalf of the joint working group, is trying to identify points of potential agreement between the parties. It is useful to hear the clarification, given that most of the parties' finance spokespersons are in this room, that that is one of the purposes of the discussions and that they feed back up to the joint working group.

For absolute clarity, given what you said about the lead-up to the election, is it not your expectation that any substantial reform will take place ahead of the election? There may be reforms around the edges, such as the one that we mentioned on second and empty homes, but it sounds like you are saying that there will not be progress, or even agreement, on this side of the election about things that have been raised before, such as revaluation.

Shona Robison: It is hard to see how there will be progress this side of the election. If there was agreement on some principles that could work their way into manifestos, for example, or areas where there is more consensus on reform, that would be a good thing to break through some of the inertia and the lack of agreement. However, there is not going to be time for practical work to drive that forward, beyond the work that is already in train, which you mentioned earlier. It is about seeing whether there is scope for cross-party consensus on some change that could hit the ground running in the early part of the next session.

Ross Greer: Thanks. That is useful.

There is one point of clarification that I would find useful, given something that the First Minister said last week in the context of an exchange about income tax. He was quite firm in saying that there will be no further tax changes this side of the election. Was he specifically referring to income tax or was that a wider statement about all devolved taxes? If potential tweaks to council tax are identified that have cross-party agreement—potentially to go further on second and empty homes—is the Government's position that they will not take place this side of the election either, or was he just referring to income tax?

Shona Robison: He was referring primarily to income tax rates and bands in order to give certainty.

Ross Greer: I have previously raised with you the issue of the small business bonus scheme. At present, shooting estates benefit from small business bonus scheme tax breaks. In the grand scheme of a £0.25 billion tax break programme, only something between £3 million and £5 million goes to shooting estates, but my view is certainly that they are not the intended recipients. We have discussed disaggregating the data and, in essence, separating shooting estates from crofts. Is the Scottish Government still intent on finding a solution to that? Does it believe that shooting estates should be excluded from the small business bonus scheme if the issue with the data disaggregation can be resolved?

Shona Robison: I am aware that that has been looked at. Ellen, can you respond?

Ellen Leaver (Scottish Government): It is a matter for Scottish assessors. As they are independent from Government, how they assess different parcels of land and types of property is a matter for them. A conversation takes place, but the data is not there. Do you want to respond on the matter of the Government's policy, cabinet secretary?

Shona Robison: I have sympathy with the principle of the issue. We were concerned about the unintended consequences of crofts being captured, so it would need to be done carefully. The data issue remains problematic. I am happy to come back to you, Ross, with an update on where we have got to on that, if that would be helpful.

Ross Greer: That would be useful.

Finally, alongside the draft budget, the Government published a memorandum on borrowing policy that includes a section on the first phase of due diligence around the issuing of Scottish Government bonds. A list of conclusions is included, rather than any detail on what that first phase threw up. Is there any more detailed documentation on that in the public domain? If there is, I was unable to find it. If not, could the details of that first phase of due diligence be published? What is in the borrowing memorandum document is very high level.

Were the Scottish Government to move ahead with issuing bonds, it would be a significant step and one that would require significant parliamentary scrutiny. At the moment, there is not enough on the public record to allow effective scrutiny to begin. I recognise that it is only the first phase of due diligence, but I do not think that what is there is sufficient for transparency.

Shona Robison: I take your point. On 4 December, alongside the budget, we published a memorandum detailing borrowing policy and guidelines, which includes an update on progress towards a future Scottish Government bond issuance. I recognise that, as you say, it is quite high level. The initial phase of due diligence has been completed and we need to take a number of things into consideration. For example, market conditions, which are very topical, must be taken into account, and a compelling value-for-money case must be made. The next stage of due diligence work will consider all of that in more detail.

I will update Parliament over the course of the financial year, but we will proceed with caution and take all the issues into account. The current circumstances are one of the issues that will be considered as part of that due diligence work.

Jennie, do you want to add anything?

Jennie Barugh (Scottish Government): It may be helpful to say that we will take that comment and reflection away and consider what will be published at the end of the next phase of due diligence, which we have signalled will take place. We have completed the initial phase, and we will consider what can be put into the public domain at the end of the next phase.

Ross Greer: That would be helpful. Thank you.

John Mason: I will build on what has been said. You said that the indication is that income tax will not change or be increased between now and the election, and neither will council tax be radically changed. Does that leave us with the problem that we just do not have enough tax income for the services that we want to provide? Countries such as Denmark have much higher taxes as a proportion of GDP. Do we need to consider raising taxes?

Shona Robison: The tax strategy looked at whether there was scope, although not in the short term, to get additional powers, through agreement with the UK Government, on wealth taxes, for example. It also looked at working with the Scottish Land Commission on the issue of land—I know that that has been of interest to the committee previously—which could include consideration of a carbon land tax. However, that will not happen in the short term and will not raise revenue in this session of Parliament.

As I highlighted, our tax revenues are very strong but our issues include the complexities of the fiscal framework in relation to net gain compared with the rest of the UK and some of the constraints on things that we might want to do, such as boosting the economy through migration.

Earlier, I set out other levers that we are looking at for fiscal sustainability. I set out seven areas that we are exploring in order to contain costs and prioritise our funding. More detail on that will be set out in the fiscal sustainability plan, alongside the medium-term financial strategy, in the spring. We recognise that areas such as the workforce, reform, prioritisation of front-line services, the public sector landscape and support for back-room functions all offer opportunities to create the headroom to ensure that our resources are spent on our priorities.

John Mason: I realise that some of this is for the longer term, but you mentioned the fiscal framework, and the convener mentioned the economic performance gap. You said that, under the previous UK Government, renegotiation of the fiscal framework was not on the table at Westminster. Has there been any change in attitude at Westminster in that regard? We are competing with London and the south-east, which is incredibly difficult, and the Barnett formula is squeezing us, too, so I feel that we will be on a bad long-term trajectory unless we can reorganise the whole fiscal framework.

Shona Robison: You know my ambition on the fiscal framework. Previously, the scope for change was very limited, albeit that we got some adjustments. We absolutely want there to be a more ambitious review of the fiscal framework, but, despite our communication with the Treasury being better, I do not get the sense that it is keen to have a fundamental look at the framework. We will keep pursuing that issue as well as issues relating to migration policy and many of the other levers that will be really important to the Scottish economy, but that will require us to face in the same direction on those issues, and, so far, that has not been the case.

John Mason: That does not sound wildly optimistic, but that is fair enough.

The two-child limit and the Scottish child payment have been mentioned. I would like you to clarify something—I might have missed this. It would seem simpler just to increase the Scottish child payment, because that would not involve a lot of bureaucracy and we would not need Westminster's permission, whereas, as I understand it, removing the two-child limit would require us to set up a new system and get Westminster to agree to give us information. Why should we not just make the Scottish child payment higher?

13:00

Shona Robison: We felt that we needed to do more to tackle child poverty, particularly given the statutory child poverty targets, and, when we were deciding on the best way to proceed, we looked at a number of options.

It is partly the issue of cliff edges, which the convener touched on earlier. There is a balance to strike, and we are thoughtful about whether the Scottish child payment becomes a cliff edge or a barrier to work or incentivisation. From the information that we have, we understand that the poorest families are most impacted by the two-child cap. By targeting them, we will achieve a bigger shift on the dial on child poverty than we would with a more general approach.

Those are our judgments. I assure you that we looked in detail at what is the best thing to lean into to achieve the biggest impact, and the child poverty organisations were also very much in the same space. Some of them still argue for an increase in the Scottish child payment, but many have focused on the two-child limit because it affects some of the poorest families, and we think that, by mitigating it, we can achieve the biggest shift on the dial in relation to the child poverty targets.

John Mason: Is Westminster being co-operative on that point?

Shona Robison: Broadly—yes. The devil will be in the detail, but Shirley-Anne Somerville has been in communication with the Department for Work and Pensions and directly with Liz Kendall, and I understand that the mood music has been positive.

There are a lot of technicalities to work through, and it is not just about the data. One of the things that had to be negotiated and addressed with regard to the Scottish child payment was ensuring disregard for income. If there is no such disregard for mitigating the two-child cap, there will be no gain for the family. That disregard will have to be agreed. We need data, an agreement on disregard, and legislation; the system will then need to be set up.

However, to answer your question, communication is good and there seems to be a willingness to work with us on that.

John Mason: That is positive. I am sure that we will get updates in due course.

We and the Scottish Fiscal Commission are pleased to have a clear pay policy this year, which is approximately 3 per cent. In its forecast, the SFC has added 1.5 per cent for wages, which is to cover, for example, pay progression. Is that a fair assessment?

Shona Robison: It will be different for different organisations. One of the reasons why pay progression has never been part of pay policy is that different organisations will be in entirely different positions with regard to pay progression. The health service is in a very different position from other parts of the public sector, and the value of pay progression is markedly different from one body to another. Pay progression has never been recognised as part of pay policy, and it has always been assumed that public bodies and organisations will absorb the costs of pay progression within their budgets. Those will be different for each organisation, so it has never been calculated as part of pay policy. I recognise that pay progression is a factor, but it will be different from one organisation to another.

John Mason: Some organisations might need to trim their total numbers of staff to keep within the pay policy.

Shona Robison: The policy of 9 per cent over three years was intended to give scope and latitude for configuration in a way that meets the needs of organisations and that they can afford. Pay policies must be affordable and organisations must be able to deliver them within the allocations that they have been given. With regard to whatever decisions are made on the specifics for each organisation, I note that deficiencies, head count, reform and doing things differently are all part of the way that organisations are expected to manage their pay bills.

John Mason: Are you optimistic that you can hold the line of 3 per cent—or 9 per cent over three years—in the face of any pressures? We do not want rubbish piling up in the streets, so bin collection staff have quite a lot of power. In the past, we have also had to provide extra money for colleges.

Shona Robison: The figure is above inflation, which I hope is recognised. In the case of many of the pay negotiations that I have been involved in over the years, the actual number is one part of the pay policy equation, and it is often part of a package of reforms that include doing things differently and other non-pay benefits. For example, for the civil service, the configuration of the working week was of most importance, and that has a value. Other parts of the public sector will have different priorities at different times.

The run-up to an election year can bring its own flavour, but our pay policy is slightly higher than that of the UK Government, which has landed on 2.8 per cent. What the pay review bodies come up with remains to be seen. That was very much a driver last year, and I hope that they have taken cognisance of the evidence of progress to date. On average, Scottish pay rates are in excess of those in the rest of the UK, and I hope that that starting point and the investment that has already been made will be recognised by the staff side and unions.

Michael Marra: I want to clarify a few points from your previous answers. In answer to Ross Greer, you said that income tax policies would, in essence, be frozen between now and the election. Does that include the thresholds for the intermediate rates? This relates to fiscal drag. Will those rates be frozen again or will they be uprated?

Shona Robison: I think that we have said in the tax strategy that the rates will be frozen for the duration of this parliamentary term. Is that right, Lorraine?

Lorraine King (Scottish Government): We said that the higher, advanced and top rates of tax will be frozen for the remainder of the parliamentary term and that we are committed to above-inflation increases for the starter and basic rates, which has an impact on the intermediate rate because of the way that those rates interact with the other two bands.

Michael Marra: Do you anticipate that that figure will change so that we see more fiscal drag—or will that go? I understand the situation with the top and bottom rates, but the rates in the middle are where the bulk of the tax increase revenue comes from.

Shona Robison: If we were to do the same with above-inflation increases to the lower rates, that would impact on the intermediate rate in a positive way.

Michael Marra: Perhaps you could set that out in writing.

Shona Robison: Yes, I can do that.

Michael Marra: That would be appreciated. On the fiscal sustainability delivery plan, the committee has taken evidence about the general approach to public service reform. Do we expect that to cover public service reform that goes beyond back-office functions? A lot of the work that we have taken evidence on from your colleague Ivan McKee has been about property and realising savings in back-office functions. Do we expect the focus to be on just that, or will there be a broader approach to the longer-term delivery of public services and the shape of those services?

Shona Robison: I will set out as much detail as we are able to at that stage. Artificial intelligence and digital technology offer huge opportunities, and I want to say something about that in the plan. Work is already going on around the use of digital. In the NHS, there is the work on the digital front door, which is starting with NHS Lanarkshire. Digital is also being used in some of the capabilities of our public bodies. For example, the smart use of digital has already avoided the requirement for massive recruitment exercises. I will set out as much detail as I can at that point.

Michael Marra: On the options around the mitigation of the two-child cap, it is my understanding that the model that you set out to the Scottish Fiscal Commission, which it has costed, has a significant cliff edge. If someone moves past qualification for universal credit, their family's income could drop by £1,000 a month—that could happen if someone earns £1 more than, say, £13,000. Will you write to the committee with information on the options appraisal that you carried out, setting out why you chose that option in preference to some of the others? A commitment to that would be great.

Shona Robison: Okay.

Michael Marra: Thank you.

Moving on, in your statement when you set out the draft budget, you said:

> "we ... will increase total investment in higher education by 3.5 per cent."—[*Official Report*, 4 December 2024; c 27.]

Is that the case?

Shona Robison: If that is what I said, that should be the case. I can feel that there is a "but" coming, though, so let us have the "but".

Michael Marra: Yes, there is a "but". Universities Scotland says that higher education is actually facing a 0.7 per cent real-terms cut to its funding, and it struggles to see where the 3.5 per cent figure comes from. Perhaps you have combined a £12.97 million increase in cash with repurposing money that was already in the system. In that bubble, there was £14.5 million that was a hangover from the Covid situation. Is that how you came to the figure of 3.5 per cent?

Shona Robison: I will come back to you on that, unless one of my officials has the answer now. I want to be correct, so I will come back with the detail on it.

Michael Marra: I would appreciate that. It goes back to the convener's point about the fact that there has been no increase in the amount of student resource for many years. The Institute for Fiscal Studies has said that that has resulted in a 22 per cent real-terms reduction in the amount of funding that is available to our universities. Last week, I was at the Education, Children and Young People Committee to ask questions about the situation at the University of Dundee, with which you will be very familiar. The Minister for Higher and Further Education; and Minister for Veterans refused to recognise that figure. Do you recognise that figure of a 22 per cent real-terms reduction?

Shona Robison: No, it is not a figure that I recognise, but I will cover that issue in the reply that I give to the committee on the figures and the increase. I do not want to get into the details about Dundee, but I do not think that Dundee is representative of some of the issues in the wider sector. I am not saying that there are not issues in the wider sector, but, without getting into all the detail, there are particular issues in Dundee that are in a slightly different area. You will know about all those issues as well as I do.

I do not recognise the figure, but I will cover that point in the letter to the committee.

Michael Marra: I appreciate that. The working on that is pretty simple. It involves taking the amount of inflation over the recent period and setting that against the cash allocation. It seems to me that the figure is entirely robust. I take your point about Dundee—there have been failures in management and leadership there in different ways. However, when you described the situation in answer to the convener, you said that the "main headwinds" are not about Scottish Government funding. I would contend that, given that 22 per cent real-terms reduction, that simply is not the case.

Shona Robison: What period are you talking about when you refer to the uplift in inflation?

Michael Marra: I think that the 22 per cent real-terms reduction is across the past five years, and half of it has been across the past two years. That is my understanding of the allocations that you have made.

Shona Robison: The only general point that I would make is that, before the reset of budgets, the public sector per se, including our institutions and universities, was constrained by the fact that the Scottish Government's budgets were constrained and were not keeping pace with inflation. The point of the Chancellor of the Exchequer's budget reset was to recognise that. If we include in that figure the lack of ability to keep pace with inflation, we could say that about a range of services, because the money was simply not there. Our budgets were not keeping pace with inflation, which is why the reset has been so important—and welcome, I have to say.

13:15

However, if your question is whether universities are getting a fair share of the reset, I will come back to the committee on that point. I am absolutely happy to answer that question.

Michael Marra: I suppose that it relates to my issue about the health of the sector and Dundee being part of the equation. However, if you look at Robert Gordon University, the University of

Aberdeen, the University of Edinburgh, the University of St Andrews and the University of the West of Scotland, there have been headlines across the sector in recent days, and the universities' leaders are clear that the underlying issue is the 22 per cent real-terms reduction from the Scottish Government. That enforces the business model, which means that they will be exposed to fluctuations in international recruitment in the longer term. In the short term, we are talking about £12 million, £14 million, and so on, and they are small numbers in comparison with the size of the overall budget. What is your vision of how we can get a sustainable sector that can pay for itself in the longer term?

Shona Robison: I am not going to try to dodge your question. I will take it away and make sure that the part that the Scottish Government can play is positive. The point that the convener made about the economic value of the university sector is a real one, so I will take your question away and get back on it.

The financial sustainability of our public services, including our universities, is absolutely critical. They are different in terms of what their issues are, their underlying resilience and where the headwinds come from. The universities will be impacted, particularly by the international students issue, and that must be resolved. I do not think that it can stand, and I really hope that it does not. I think that the UK Government's inclination, coming in afresh, is to look again at the issue, but it is concerned about the whole debate on immigration numbers.

Michael Marra: I take your point that the international students figures are a significant issue, but the most recent decrease in international recruitment is partly about two devaluations of the Nigerian currency, and the UK Government can do nothing about that. The Scottish Government, however, can do something about the exposure of our universities to a volatile international recruitment situation.

Shona Robison: I do not accept that there is nothing that the UK Government can do about, for example—

Michael Marra: The Nigerian currency?

Shona Robison: No—issues about partners of students coming to study, and so on, are also important. There is no doubt that people have been put off and have gone elsewhere. The UK Government can certainly also do something about the employer national insurance contributions issue, for example.

I am not trying to dodge responsibility; I am just saying that there are a number of headwinds. I accept that the Scottish Government's funding is a key part of the sustainability of the university sector, but so are research capability—being able to attract research funding—employer national insurance contributions and international students. I am keen to engage with the UK Government on those points. I know that Scottish and northern English universities have particular problems with their ability to attract a number of international students who are perhaps gravitating elsewhere.

I will look at the issue that you have raised and come back with a fuller response. Going forward, I am open to looking at what more we can do within the confines of the resources that are available to us. There are issues that are not just for the universities, but we have to play our part in making sure of the sector's sustainability.

Michael Marra: As has already been highlighted, that is incredibly important to growth in the economy.

On the colleges side, the chief executive of Colleges Scotland said that the

> "Budget fails to recognise the vital role colleges play in driving economic growth"

and that

> "the Scottish Government's continued disinvestment in such a cornerstone of the education and skills sector is deeply troubling."

In the short term, this budget is about doing little harm, some people might say, but in the longer term it is about whether we are disinvesting in our future as a country. Does that trajectory and the shape of the budget not trouble you?

Shona Robison: I would not describe it or recognise it in those terms. Are there challenges for the college sector? Every sector has its challenges. The big challenge, which we touched on earlier, is joining up our skills landscape in a way that better delivers for employers and the economy. Dundee and Angus College is a great example of a college that has really got ahead, reformed and made the changes that it needs to make. It made decisions to invest in some areas and to disinvest in others in anticipation of some of the headwinds over the past few years, when budgets were particularly constrained. That college is in a pretty resilient and forward-looking position. Across the whole college estate across the country, I think that colleges are in different positions, but that shows that it can be done. It is down to local leadership, vision and a real joining up of the skills landscape with others across the city.

Having a daughter who returned to education and went through the college system after having left school at 16—much to my pain at the time—I recognise that the college system is an amazing opportunity for people from all walks of life. I am very aware of its value. If there is more that we can do, I want to do it, but it is partly about joining the dots of the skills system—that must be done.

Michael Marra: I will finish by remaining with Dundee, unsurprisingly, and ask about pupil equity funding. Last week, the Cabinet Secretary for Education and Skills told the Education, Children and Young People Committee that the PEF

"funding stream has become absolutely essential to the way in which schools are now run."—[*Official Report, Education, Children and Young People Committee,* 8 January 2025; c 11.]

There is yet another very significant reduction in PEF money in Dundee, which will result in a reduction of 18.8 full-time equivalent teachers in our schools. That money is meant to be for the most vulnerable young people. Are you disappointed with the way in which Scottish National Party colleagues in Dundee are running the situation?

Shona Robison: Colleagues in various councils are doing their best to deliver services of the highest quality for their citizens. The Cabinet Secretary for Education and Skills wanted to make sure that there is stability in teacher numbers, so we have agreed with COSLA that the £145 million funding uplift, plus the additional money for additional support needs, will enable stabilisation of teaching figures at 2023 levels. Some councils are already beyond that, and councils that are below that level will require to make the investment to bring numbers up to the standard.

I am not going to focus on one particular council's issue. I will look at it, but you are giving me quite a lot of detail—

Michael Marra: I ask you to do so because the PEF money for Dundee was cut by half by your Government, and it was redistributed to other parts of the country. Next Monday night, SNP councillors will propose removing 18.8 full-time equivalent posts from the most vulnerable children in Dundee. Should they withdraw the proposal?

Shona Robison: You will be aware that any distribution formula changes come COSLA: The 32 local authorities decide what the distribution formulas are. We do not arbitrarily change distribution formulas that will change the way that—

Michael Marra: It was agreed with the Government to change the way that PEF money is distributed across the country, from focusing on areas of the highest deprivation to spreading it more widely.

Shona Robison: That was decided by COSLA.

Michael Marra: With the Government in agreement.

Shona Robison: COSLA made that decision. Are you asking me whether, if the 32 local authorities—which are of various political colours, I might add—come to a decision that the Government does not like, we should overrule that?

Michael Marra: I am asking you whether—

Shona Robison: I think that that might be quite controversial.

Michael Marra: I am asking you whether the SNP councillors should withdraw the proposals.

Shona Robison: I could cite to you a number of decisions that Labour councils have made that I do not find particularly appetising, and I am sure that you would not want to criticise the performance of those councils. So, I will not pick out the decision making of a particular council, because that council will have made a range of decisions, some of which you and I will agree with and some of which we might not agree with. You could say that about all 32 councils.

Much to my frustration sometimes, changes to funding formulas are down to the 32 local authorities making decisions about how funding should be provided. The only decision that I have made is about the funding floor, which takes account of census data on shifts in population, which I cannot ignore. Apart from the overall Government settlement, that is one of the areas in which I make decisions.

However, anything about distribution formulas comes down to the vagaries of how COSLA makes its decisions. If I were to step in to that area and say, "I don't like the decision you've made on the distribution formula because it doesn't benefit this council or that council," I would probably get short shrift, and not just from COSLA—I imagine that there would be questions in the chamber of the Parliament about it as well. Those things must be looked at in the round.

Craig Hoy: When he spoke to the BBC last week, the First Minister described independence as an "urgent priority". Can you point out where in the budget there is any expenditure in the forthcoming year on preparations for independence?

Shona Robison: First of all, the First Minister was quite right to say that. We have never shied away from independence being our key objective and from saying that we think that the constitutional arrangements of the country would be better served by decisions being made by the people who live and work here, in Scotland. I do not think that that is contentious.

The funding that is set out in the budget includes all the priorities that I have outlined in Parliament—the front-line services and so on. The mention of money in the BANS papers—the "Building a New Scotland" series—was by civil servants working in Angus Robertson's team. They do many other things as well; those civil servants work on a number of other objectives, and they happened to produce the BANS series. Some conclusions were made around the culmination of the BANS series and the production thereafter, but there is not a line in the budget that says "Spend on independence."

Craig Hoy: Were you intending to spend any taxpayers' money or any civil service time on preparations for independence in this budget year?

Shona Robison: I was not, beyond what I have just outlined. The BANS series is coming to an end, and there is going to be a publication thereafter.

Is there a line in the budget or an intention to do something new in that space? There is nothing in the budget that would indicate that, beyond the spend on civil service time in Angus Robertson's team, as I have already mentioned. That is how it has been for quite some time.

Craig Hoy: So, if there were a dedicated unit, those civil servants would be redeployed from elsewhere?

Shona Robison: I have just told you that the civil servants who work in Angus Robertson's team also have a number of other responsibilities. We are not disbanding any team; I am just saying that it is a small team that does a number of other things as well, and one of the things that it has done is produce the BANS series. As I understand it, there is some further concluding work to be done on that. If you want further detail on it, I will get something from Angus Robertson to give to you.

Craig Hoy: That would be useful, thank you.

When he opened, the convener talked about in-year budget reallocations and transfers. What are the Scottish Government's currently anticipated in-year transfers between portfolios in 2025-26? Do you have any notion as to what the size of those in-year transfers might be?

Shona Robison: The in-year transfers will mainly be to local authorities. Ellen—have you got the figures for the overall size of them?

Ellen Leaver: For local government, the anticipated range of in-year transfers in 2025-26 is just over £1.4 billion. That is set out in the budget document in table 4.12.

13:30

Craig Hoy: For the benefit of those who might be a bit cynical about the way in which the figures are being presented, can you give us some assurance that they are not set out deceptively so as to artificially increase the health and social care figure at the start of the tax year in order to fit a political narrative when, in fact, we know that a significant in-year transfer will take place—in particular, to local government? What is the reason for the money starting in one pot and ending up in another?

Shona Robison: In some areas, a policy clearly sits in the policy area to which the money is allocated, but delivery will be through local government. For example, the free school meals policy sits with education and the direction of mental health support policy sits with health, but delivery of those policies is a matter for local government. We would not necessarily want 32 local authorities to decide what the policy around mental health interventions should be, because the expertise sits within health. Likewise, with free school meals policy, what is to be delivered in terms of the structure, the costings and the requirements sits with education, and local government, working in partnership, has agreed to deliver it. I could go through a list of other polices and rehearse that position.

Craig Hoy: It is more to do with the principle in the sense that it makes it more difficult for independent analysts and Parliament to examine the Government's public spending priorities when the figures continue to change throughout the year.

Shona Robison: Page 40 sets out the list of those policies. That is transparent.

Craig Hoy: I am sure, however, that you would concede that setting things out in that way makes year-on-year comparisons tricky.

Shona Robison: We have massively increased baselining of funding—a lot of the local government funding has been baselined—and we have made some significant changes around portfolios. Earlier, I mentioned nursing education. The health service decides how many student nurses we will have, and the money is then passed to education to deliver that training. We have to ensure that the money sits in the right area for the policy, because that will determine how much can be done—in that case, how many nursing students can be delivered by education services.

We have tried to set out the funding in as transparent a way as possible, but there are good reasons that make a lot of sense for in-year transfers. As I said to the convener earlier, if there is more that we can do in that space, we will do it, but there are sometimes some good reasons for in-year transfers.

Craig Hoy: Okay. Time is tight, so I will turn to tax. You chose to increase the basic and intermediate thresholds. Why did you choose not to increase the higher-rate tax threshold?

Shona Robison: The previous UK Tory Administration and the current Labour one have also frozen the thresholds for higher rates until 2028-29, I think—Lorraine King will correct me if I am wrong. Essentially, it would not have been affordable for us to do anything else. That is the honest answer.

We have done what we have done, up to the limits of affordability, to support people who are on the lower rates of tax, and the action that we have taken in that respect and in respect of social security is worth about £400 a year to people on low rates of pay. Unfreezing the higher-rate thresholds would not have left money for investments in health, education, the winter fuel payment and so on. Those are choices that have to be made.

Craig Hoy: Ivan McKee has said that any further income tax increases in Scotland would be counterproductive. Do you agree with him? What form would that counterproductivity take?

Shona Robison: We have decided not to make any further changes to rates and bands, in order to give stability to taxpayers.

We recognise that the tax base and the tax take in Scotland have been very important in enabling us to fund many of the things that we are funding, including delivery of public services. We have £1.7 billion that we would not have if we had made tax decisions similar to those that were made for the rest of the UK. We know that we can go only so far at a time when household budgets are still under some constraint, so, in the light of all that, we made the decision that what was most important for the rest of this parliamentary session was some stability and certainty. The tax strategy sets that out with the commitment that there will be no changes in rates and bands.

Craig Hoy: Let us turn to business taxation. In its submission, the Scottish Retail Consortium is critical of what you have described as the prospect that councils will be given more revenue-generating powers and wealth taxation. Indeed, the SRC says that that is "somewhat ominous". Can you give some indication of what those additional revenue-generating powers and wealth taxation might be?

Shona Robison: The Scottish Retail Consortium also said that

"there is much ... that retailers can get behind"

in the budget, and it called for people to support it.

Craig Hoy: [*Inaudible.*]

Shona Robison: Well, I know—so can I.

Those things are absolutely a balance. The support that we give to retail—the small business bonus scheme, a lower poundage, the work that we are doing on retail crime, the fact that we are not proceeding with the public health supplement and so on, all of which have been welcomed by the sector—is considerable. We want to ensure that we are supporting the sector as far as we can within the resources that we have.

As part of the consultation on any further powers for local government, we would expect to hear from the business and retail sectors about where that is an issue, and we would take decisions in the round. I feel that the response from the Scottish Retail Consortium is quite pragmatic. It had a big concern about the public health supplement coming at the wrong time, so our not proceeding with it has shown that we have listened, which is a good thing.

Craig Hoy: One area where you have not listened relates to hospitality. You and I have discussed at length the rates relief policy that you have adopted. This year, you have maintained 100 per cent relief for hospitality businesses in island and remote areas but have passed only 40 per cent on to hospitality businesses with a rateable value below £51,000. Why does a remote pub qualify for 100 per cent rates relief when a rural pub that might be experiencing exactly the same challenges qualifies for only 40 per cent? Why is a pub with a rateable value of £50,000 different from a pub with a rateable value of, let us say, £70,000? Have the whole policy and support mechanisms not become intensely arbitrary?

Shona Robison: No. The policies support at least 92 per cent of premises, so the bulk of them will benefit from one of the policies. The reason why I was persuaded to support hospitality in that way was that, out of all sectors, it is still recovering from Covid. Brexit has had a major impact, too, particularly on establishments that are in island communities—the effects of the cost of food and transport, inflation and other impacts on overheads are particularly felt by island hospitality businesses.

Hospitality businesses can very much be at the heart of our communities in the islands and, indeed, of rural communities, which is the point that you made. That is why we have decided to support the sector and deliver the policy in the way that we have.

The basic rate captures the vast majority of local pubs and restaurants but excludes some of the very large premises and chains that have a resilience that those smaller businesses perhaps do not. The policies capture 92 per cent of hospitality premises—that means not just pubs, cafes and restaurants, but bed and breakfasts. It is a balanced approach.

In the light of competing priorities and the need to have a balanced and fair budget, we have done what we can to support as many hospitality premises as we can in a way that is affordable. Going further would have meant that we could not spend money on winter fuel payments, for example. There is a balance.

Craig Hoy: I have one final quick question in relation to the public sector workforce. It is almost a "Play Your Cards Right" question. At the end of 2025-26, do you anticipate the core civil service workforce being larger or smaller than at the beginning of the year?

Shona Robison: Our aim is to reduce the civil service workforce through our recruitment controls, and we are working hard to do that. We started with the contingent—in other words, temporary—workforce, which we have reduced by about 40 per cent. Extended enhanced recruitment controls are in place to try to contain the workforce and reduce its size. I do not have a figure, but I expect the trajectory to be downwards.

Liz Smith: I will turn our attention to social security budgets. The child disability payment budget is £450 million at the moment, and the costs are to go up to £618 million in 2025-26, which is an increase of 37 per cent. Will you outline why there is such an extensive increase in that budget?

Shona Robison: Again, I can do so at a high level and perhaps come back with further evidence from social security colleagues. The social security system, which was supported by all parties, was designed to be fairer, easier to access and more humane. That has encouraged families to apply for child disability payment rather than discouraging them.

Another issue is relative levels of disability. I will correct this if I am wrong, but I think that there are slightly higher rates of disability in the population for various reasons—perhaps that applies more on the adult disability side.

Liz Smith: With respect, cabinet secretary, I note that the increase in the adult disability payment budget is 11 per cent, whereas the child disability payment increase is 37 per cent, which is far in excess of 11 per cent and is also far in excess of what has happened south of the border. I am interested in why that huge growth in payment is to happen over the course of just a year. What is the reason for that?

Shona Robison: I will need to come back to you with details from social security colleagues, but I suspect that the heart of the issue is that it is a system that families feel more encouraged to access rather than being discouraged.

Liz Smith: Does the same principle not apply to adult disability payment? The Scottish Government has been clear that the same principles are supposed to apply for both disability benefits. Your answer does not explain the huge difference between the 11 per cent and 37 per cent increases.

Shona Robison: I think that I should come back to you with more detail than I can provide today.

Liz Smith: That would be helpful, because one of the most important things that we must do when welfare benefits are developed is measure their effectiveness. There is relatively good cross-party agreement that the Scottish child payment has worked well, been quick, been easy to access and had a pretty convincing record on targeting those who are most in need. I would argue that the evidence for the child payment is much more positive than it is for other benefits.

As we are in a very tight fiscal situation—you have referred to that—we have to be sure that the benefits that are being paid out are effective, yet we seem to have a considerable gap in the data that would allow us to understand which payments are the most effective. Why do we know that the Scottish child payment has worked well when that is not so clear for other benefits? Do you accept that that is a big issue for the Scottish Government, particularly if it is trying to mitigate policies from the Westminster Government at the same time?

13:45

Shona Robison: The child disability payment is paid to much smaller numbers of people than the adult disability payment is, as it is for children who have profound and challenging disabilities. The figure requires some explanation, and further detail needs to be set out. I do not have that to hand, but I will come back to you.

You are right that we should always look at the evidence base on the impact of a benefit payment. I hope that we are monitoring this, and I will cover it in my answer in writing, but I would expect the child disability payment to be supporting families out of poverty and supporting them with their mental health. It is intended to help with all the things that you would expect it to help families with when their costs of living are higher than those of other families. The evidence should be there and I expect that it is being gathered, but I will check and come back to you.

Liz Smith: Generally speaking, there is good cross-party agreement on the principles. The real issue is deciding how effective payments are and addressing the specific problems that have manifested in the welfare system.

The Scottish Government has made its views known strongly, for good reasons or bad reasons, about the mitigation of the two-child cap—that is not new, and it has been on-going for some time. Why did you decide to introduce mitigation for the two-child cap now, which did not meet the Scottish Fiscal Commission's deadline for working on the budget? Why did the SFC have to come back last week to say that its projections were for £155 million in 2026-27, which would increase to £198 million in 2029-30?

Shona Robison: I will come on to that after I make a final point on child disability payment and disability payments and support more generally. Such benefits should be robust and consistent and should meet the test that they provide support for families who are under extraordinary pressure in their day-to-day lives because of a child's or adult's disability. The determination processes should recognise that. I will come back to you with an answer about why there has been a big increase in the child disability payment budget—there will be a rationale for that.

As for the two-child cap, we touched on the decision-making process earlier. As we worked through the shape of the budget, the First Minister felt, bluntly, that we were not going as far as we needed to go on tackling child poverty. He challenged us all to look again at what more could be done. There were various options, which we touched on earlier, such as increasing the Scottish child payment or doing something that would be more impactful and more targeted. Having looked at the options that were in front of us and at some of the evidence that child poverty organisations presented, we kept being brought back to the two-child cap.

I apologised to the Scottish Fiscal Commission for our communication at the point when we decided what we were going to do. If I had been asking the SFC to cost that for implementation in 2025-26, there would have been a pretty significant issue. However, given that the costings are for 2026-27, the SFC has been able to provide the costs in good time for the final stages of the budget in February. As I have said, the situation is not ideal. All things being equal, we would have wanted to give the SFC a heads-up earlier.

On the costings, in my interviews on the day of the budget statement, I talked about a range between £100 million and £150 million, which was based on figures that had not been through the Scottish Fiscal Commission's costing analysis. I accept that £155 million is at the upper end of that range, but we now know the costings that we are working with when making provision in the 2026-27 budget. That is an honest laying-out of the various steps in how we got there.

Liz Smith: I will finish with the direct question that I asked your colleague Shirley-Anne Somerville last Thursday. The Scottish Government is arguing that its policy choices are about investment, and I presume that the return on that investment will be due not in the forthcoming budget but in years ahead. Where is the money coming from to fund the substantial increase in social security?

Shona Robison: In general terms, this is about priorities, so we have—

Liz Smith: Where is the money coming from? I accept that it is about priorities, with which I might disagree, but where is the money coming from to fund the immediate considerable uplift?

Shona Robison: Are you talking about the 2026-27 budget in relation to the two-child cap?

Liz Smith: Yes, and in the foreseeable future, because the Scottish Fiscal Commission has provided forecasts right up to 2029-30.

Shona Robison: That will be done, first, through the prioritisation of that policy, but also through the other steps that I laid out on fiscal sustainability. Do I accept that, for all our policies, we have to create headroom through changes in the way in which we deliver services? Yes, I do. Earlier, I set out seven such areas, which I will return to in more detail in the fiscal sustainability plan. The work on workforce, public service reform, efficiencies, doing things differently and health and social care reform will all help to reduce costs and ensure that we deliver and prioritise investment not just in social security but in front-line services.

Liz Smith: So, there will be no tax changes or changes to public expenditure to fund the policies.

Shona Robison: I have already set out our tax position: we will not change tax rates or bands for the duration of this parliamentary session. Obviously, I cannot speak for an Administration beyond May 2026.

I would not usually express this in these terms, because there are constraints, but, given the scale of the Scottish Government's overall budget, we are still talking about a very small element of it. Does that mean that we do not have to make changes elsewhere? No. We should make those changes anyway. We should be driving efficiencies, and we have to change the size and shape of the workforce, for all the reasons that we understand in relation to sustainability and affordability. Reforming public services through delivering them in a different way is the right thing to do, regardless of whether we need to create headroom for social security support, because that will be more efficient and will deliver a better service to the public. I will come back to that in some detail in the fiscal sustainability delivery plan, alongside the MTFS.

Michelle Thomson (Falkirk East) (SNP): Good morning—in fact, good afternoon. It has been a long morning for everybody.

I have some general questions. First, in relation to where we are with the budget process and the final vote, discussions are still under way with at least some of the other parties. I appreciate that you will not be able to give the details of the discussions, but I am interested in getting a flavour of the type and extent of changes that you anticipate. Can you give us any more insight?

Shona Robison: The discussions are on-going and I have the next round of them on Thursday. I will be corrected if I am wrong, but I think that that will be the fourth engagement that we have had.

Some of the engagement, not just with parties but with stakeholders, was reflected in what was contained in the budget statement. There is always a balance to be struck between what you put in the budget statement and what might be held back because of the budget issues that you anticipate. We very much front loaded the budget statement with the key planks of our investment and priorities.

The discussions are very positive. I will not divulge the detail, but you will have heard Opposition politicians talk in the chamber about their priorities, so the areas on which they might want us to go a bit further will be no surprise. It is not about fundamental unpacking of and replacing the budget statement. The work is around the edges—for example, if there is a view that we need to go a bit further on something. Those are the types of discussions that we are having. They are very positive, which is a good thing. I have said from the start that I want to try to build the broadest support for the budget that I can. That would be a good thing in the current political climate.

Michelle Thomson: I will not press any further on that. I suppose that the main reason I was asking was because I am heartened by the renewed focus on growth in this budget and the sentiment that has led to that. I anticipate that the asks will be in spend, and therefore I am asking whether protecting the focus on growth can continue.

Shona Robison: Let me give you an assurance that we will not be unpicking the investments that we are making, whether in green energy, enterprise or any of the other supports that we are putting in place. We recognise the importance of growth. Investment in infrastructure is the biggest growth enabler, and we are now able to invest in affordable housing because of the change in the capital budget trajectory. Obviously, we hope that that will continue through the spending review. There is a question mark there, because we will need to wait and see. However, that investment is important because it is an absolute lever for growth. There will not be any unpicking of those investments. It is really very much around the margins.

Michelle Thomson: You probably guessed that I might pick up on a couple of those things. You mentioned housing. There is a big increase in the budget for affordable housing. I very much welcome that. Can the benefits of that—the multifactor economic benefits of house building in particular—be brought about quickly enough? It is not just about building more houses quickly; it is also about attracting private capital and about the sense of ambition and the mood music that the Government is giving out. Can that be done quickly enough, so that we will start to see real figures emerging in terms of actual delivery against projections? Will that more quickly attract organisations to the table for, for example, the critical issue of build to rent?

Shona Robison: A lot of it is about certainty and confidence, is it not? The feedback, not just from the housing sector but from some investors, is that this is a really important move to give that confidence and certainty. That brings me back to the point about the spending review. The best certainty that we can give is multiyear certainty. We have to wait until the spending review in June to see what the trajectory of capital is looking like. I have worries about the current market and what the chancellor may or may not do, given that she will box herself into very limited room for manoeuvre. I would be concerned if the outcome of that was a different trajectory on resource and capital, but we will see in June. She is likely to say something in March, too. I have some concern.

Some of that investment will be longer term, because starting to build new housing has a lead-in time. However, it is also for things like voids. We need to get motoring with registered social landlords and councils and get those voids turned around. I saw that a council—I cannot remember which one—was employing additional tradespeople to help to get those voids turned around. We are sitting with thousands of voids and we have families in temporary accommodation. We really need to get those properties turned around. That can happen in the short term, as can off-market acquisitions. New build is important, but one of the issues will be the cost of new build. Construction inflation has meant that unit costs are now way in excess of what they were, so we have to be realistic.

The Convener: I am sorry, folks, but I will have to call a halt or we will be in breach of the standing orders. I apologise. All that I can do at this point is thank the cabinet secretary for her evidence. We will consider the evidence received and publish a report on the Scottish budget before the end of this month.

Meeting closed at 14:00.

This is a draft *Official Report* and is subject to correction between publication and archiving, which will take place no later than 35 working days after the date of the meeting. The most up-to-date version is available here:
https://www.parliament.scot/chamber-and-committees/official-report

Members and other meeting participants who wish to suggest corrections to their contributions should contact the Official Report.

Official Report
Room T2.20
Scottish Parliament
Edinburgh
EH99 1SP

Email: official.report@parliament.scot
Telephone: 0131 348 5447

The deadline for corrections to this edition is:

Wednesday 12 February 2025

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

The Scottish Parliament
Pàrlamaid na h-Alba