OFFICIAL REPORT
AITHISG OIFIGEIL

Finance and Public Administration Committee

Tuesday 18 February 2025

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

Tuesday 18 February 2025

CONTENTS

FINANCE AND PUBLIC ADMINISTRATION COMMITTEE

6th 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)
Richard McCallum (Scottish Government)
Lucy O'Carroll (Scottish Government)
Shona Robison (Cabinet Secretary for Finance and Local Government)

CLERK TO THE COMMITTEE

Joanne McNaughton

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Tuesday 18 February 2025

[The Convener opened the meeting at 09:31]

Budget Scrutiny 2025-26

The Convener (Kenneth Gibson): Good morning, and welcome to the sixth meeting in 2025 of the Finance and Public Administration Committee. We will consider the Budget (Scotland) (No 4) Bill at stage 2, but before we turn to formal stage 2 proceedings, we will take evidence on the Scottish Government's response to the committee's report on the Scottish budget for 2025-26.

We are joined by Shona Robison, the Cabinet Secretary for Finance and Local Government. She is accompanied by Scottish Government officials Jennie Barugh, who is director of fiscal sustainability and exchequer development; Richard McCallum, who is director of public spending; and Lucy O'Carroll, who is director of tax. Before we turn to questions, I ask the cabinet secretary to make a short opening statement.

The Cabinet Secretary for Finance and Local Government (Shona Robison): Good morning, everyone. I thank the committee for its budget scrutiny report, which I have considered carefully.

The Government has engaged widely across the Parliament to try to build consensus for a spending programme that will deliver for all of Scotland. The budget has been enhanced by the agreements with the Scottish Liberal Democrats and the Scottish Greens and the further action that we will take in supporting neonates who are affected by drugs; in investment in free school meals and nature restoration; in the introduction of a bus fare cap pilot; and in provision of targeted support for hospices and colleges. That approach of parties working together demonstrates how the Scottish Parliament was designed to work.

I look forward to consideration of amendments on the bill's measures and to members' questions in advance of that in this scrutiny session.

The Convener: One of the issues that the committee has pressed you on, since about December 2023, is the capital infrastructure pipeline. In the response to our committee report, you said that you have

"instructed officials to work on a reset of the infrastructure pipeline to 2026-27 with the intention of publishing this in September following the outcome of the UK Spending Review."

That is nearly halfway through the financial year, and 21 months after the committee sought that. With a 12 per cent increase in capital spend, surely that matter should be at the forefront of the Government's thinking and we should have much more information at this point on what that infrastructure pipeline contains if we are to ensure that it is fully optimised in the forthcoming financial year.

Shona Robison: First, it is important that we are able to set out the pipeline for capital allocations that will draw on the spending review that will be published in June. Although we have a line of sight on immediate capital availability—which, for 2025-26, is all committed—we need a longer line of sight in order to give certainty on projects. Therefore, the capital envelopes that we will get an indication of at the spending review in June will be important in respect of our setting out what projects can be progressed and when.

I am keen to engage with the committee on that. The certainty of multiyear funding for our infrastructure build will be important.

The Convener: That is all connected to the financial year 2025-26, which starts in just a few weeks. Why have we not got sight of that? What is actually contained in the capital pipeline for 2025-26?

Shona Robison: The budget set out a great deal of what is contained in the capital allocation—£768 million for affordable housing, for example, and other capital commitments for 2025-26.

The Convener: I am referring not to portfolios but to specific projects, if you know what I mean. Money might be allocated to transport or whatever, but there is no pipeline that allows us to see what is being prioritised in particular portfolio spends, which is what the committee is keen to see.

We do not want there to be a considerable capital underspend this time next year. I know that it is very difficult for the Government because, with a 12 per cent increase in a year, you could end up with inflation if the capacity of the workforce to deliver what the Government wants does not exist. We do not want a 2 per cent increase in delivery and a 10 per cent increase in costs because of it. We are keen to see the budget being delivered in the most economically effective way.

Shona Robison: In advance of September, I am happy to brigade together, across portfolios, the projects that are in the public domain. One of the largest projects is HMP Glasgow—there is considerable capital investment in that new prison—and I have talked about affordable housing. We could brigade other projects together across portfolios if that would be helpful.

The infrastructure investment plan will give a line of sight for multiyear projects—when they will begin their process, the earlier stages in the business cases and their delivery. We need multiyear capital envelopes in order to give certainty to the public sector in relation to taking forward projects.

In response to your question, convener, if we can provide further information across portfolios, and if it would be helpful to brigade that information in one place in advance of that work, I will be happy to come back to the committee with that.

The Convener: That would be appreciated.

One of the responses that you have given with regard to the medium-term financial strategy is that you want

"to ensure that the public finances are set on a sustainable footing over the medium-term."

I am interested in what the Government means by "a sustainable footing". The Government always balances its books—it must, because that is a legal obligation—but the committee has expressed concerns about, for example, the huge increase in social security spending and the impact on other portfolios, which are being squeezed, as a result. What does the Government mean by "a sustainable footing"?

Shona Robison: You are right to say that the Government always balances its books. That happens on a year-to-year basis, so we have to manage the pressures. There is a whole debate about the constraints on borrowing powers—we are pushing for, and want, more flexibility around the fiscal framework, beyond what we have secured, in order that we are able to manage the headwinds that would come at any Government.

The medium-term strategy gives us an opportunity to consider the fiscal outlook. Given that the UK Government will set out the fiscal outlook in June, the Office for Budget Responsibility will be able to draw from the information that it has put in the public domain, which will set the fiscal outlook for the Scottish Government on the medium-term horizon.

On the spend side, as we have talked about many times at the committee, that will require us to ensure that there is headroom for commitments, whether they are on social security or any other spending. The sustainability delivery plan, which I have said will be published alongside the MTFS, will go a bit further than the outlook in the MTFS and will bring together in one place all the pillars of work across Government, including on the workforce, social security, growing the economy and so on. Public sector reform is another key pillar. That will enable the Parliament and the committee to see how all that work will impact on the ability, over the longer term, to ensure that we have sustainable finances and that we can afford the priorities that the Government has set out, of which social security is a key one.

I hope that, from that, the committee and Parliament will be able to see that we will be making absolutely sure that we can sustain the expenditure going forward.

The Convener: A key initiative is the Cabinet sub-committee on investment and the economy. I understand that you held its first meeting on 10 December, but the next meeting is expected to take place in spring 2025, which seems to leave an awfully long gap. That work is an imperative for the Government, but there does not seem to be a great sense of urgency, given that there will be three or four months between meetings, for example.

Shona Robison: I reassure you that a lot of work will be done between those meetings. Work has been commissioned since the first meeting, back in December, which I attended. We looked at a number of areas that we need to focus on across a number of portfolios, and we commissioned a lot of work to be done in advance of the meeting in the spring. The meetings are, if you like, check-in or gateway points to ensure that the work that we have commissioned to ensure that we are focusing on what we need to focus on is happening at the pace that we expect.

I hope that that gives you some reassurance that it is not the case that nothing happens in between the meetings. Work does indeed happen, and it is the most important work that is going on.

The Convener: One of the responses is about strategies. It says that the

"Strategy and Delivery Directorate will undertake an exercise across portfolios to identify the number of 'live' strategies, to provide a baseline for numbers to be monitored and reduced wherever possible."

When will that exercise conclude? When is the deadline for it?

Shona Robison: That work has been kicked off to ensure that the strategies that are the key reference points are clear and that, where strategies are perhaps more historical and have been overtaken by events, that is made clear through the work that is going on. I think that we were going to return with the outcome of that by the end of June. That is the deadline—the work will be brought back to the committee before the end of this session.

The Convener: That is four months away, and this session of Parliament has only another 13 months to run. A lot of the details in the response are about things that would seem to be fairly reasonable if we had another five years in the parliamentary session. However, from what I can ascertain, there seems to be not a lot of urgency in some of the work. My colleagues might think differently—although I would be surprised if they did—but these things just seem to roll on.

Incidentally, yesterday, the Minister for Public Finance, Ivan McKee, had a summit with a body of leaders about moving forward to look at public service reform and—lo and behold!—to develop a strategy on that. We still have strategies coming out of our ears.

Shona Robison: On the first point, I will look to see whether that work can be concluded more quickly and provided earlier than June.

In response to the second point, I note that Ivan McKee was clear in a media interview yesterday that it is important that the summit was not a stand-alone, one-off event. It followed a lot of work with public sector leaders, so that everybody understands what is being asked of them and so that we are not expecting business as usual.

09:45

We need change and reform, so to incentivise them we have put in place the invest to save fund. I am sure that expectations about bids, about the pace of change and reform, and about the fund's delivery are topics of conversation. I assure you that Ivan McKee is very hands-on and focused on that work and is more involved in considering the details than ministers have been previously. He is working with leaders across the public sector to improve the work's pace.

Although the word “strategy” is mentioned, reform is not a long-term aspiration; it is about releasing savings, doing things differently, sharing services and improving public services within the fiscal envelope that is available to us, so that they deliver for people and help them at an earlier stage rather than just addressing problems. It is about getting more upstream, which is what yesterday's event focused on.

The Convener: You said that you aim to deliver the work before June. I might be a wee bit cynical, but I am not aware of many Government strategies that have come ahead of schedule. The committee is concerned that nothing seems to happen in originally envisaged timescales, which has been a real issue throughout the parliamentary session.

Shona Robison: Let us see whether I can improve on that.

The Convener: That would be great.

Incidentally, when the committee suggested an annual parliamentary debate on public service reform, I was quite surprised that your response was that you would progress such a debate in the coming months, subject to parliamentary business accommodating it.

Given some of the stuff that clogs up the weeks' parliamentary chamber sessions, an annual debate on reform should not be too difficult to organise.

Shona Robison: I commit to our doing so, and I am sure that the Minister for Parliamentary Business will assist us in that process.

The Convener: Excellent. The committee likes certainty.

This afternoon, the Parliament is debating employer national insurance contributions, which is going to be quite tousy. I am not participating, so I shall look on with interest, but I understand that the level of impact that ENIC increases will have on the public sector is an issue. The most precise figure that I have heard regarding the direct cost to the public sector is £549 million. There might be costs over and above that figure, and we know that other sectors, including the private sector, third sector and so on, are affected. I have no doubt that the issue will be covered in great detail this afternoon.

Can you advise the committee on what specifically the sum of the tranche of money from the Westminster Government will be, when you expect it to be confirmed and when it will arrive?

Shona Robison: On your first point, the figure that you used relates to directly employed public sector staff. The point that we have been making—I am sure that it will be made this afternoon—is that there is another cost that is worth £200 million or thereabouts, which affects organisations that are intrinsically part of the public sector fabric. General practice surgeries, social care commissioned services and so on, which work as part of the system, will inevitably also have costs and difficulties.

My worry is that the cost will inevitably end up at the public sector's door one way or another. Whether it is through negotiation of general practitioner contracts or social care contracts, such as for national care homes or local commissioned services, there will be a price to be paid for those additional costs. We must acknowledge that that will have to be worked through.

The figure that the Treasury talked about in its most recent communication is, essentially, not far off the figure that it indicated to us previously—just over £300 million. We have tried to give certainty to the public sector. I did that for local government previously: we will provide 60 per cent coverage, and the cost of doing that is £321 million. The figure that we have received from the Treasury is just above that amount, so it is more or less in line with the assumptions that we made.

We will not give up on that issue with the Treasury. There will be a finance interministerial standing committee—FISC—meeting at the end of next week at which it will be a major agenda item. The Northern Irish and Welsh Governments have similar issues—we are all in slightly different positions, depending on the sizes of our public sectors, but we all have a gap in respect of costs in this area. We will address that issue with the Chief Secretary to the Treasury next week.

The Convener: Those figures are very helpful.

I understand that £144 million is being allocated to local government. However, as yet, local authorities have not received the breakdown of how that will be distributed.

Secondly, councils have said that, collectively, their procurement costs will rise by around £85 million because the people that they procure from have also been hit by the increase in costs and so they are putting their prices up.

Thirdly, a lot of third-sector organisations will be affected—I think that the impact is about £75 million. The impact on universities will be about £45 million. There will also be an impact on the independent care home sector. Those organisations are expecting the Scottish Government to step in and somehow provide funding. What is the situation in those areas?

Shona Robison: On the point about local government, the settlement and distribution group will decide on the distribution of the £144 million. That is how such things normally work. It is fair to say that, across the board, there will not be a percentage that each of the 32 local authorities gets. As you know from your own experience, convener, each local authority has a different configuration. For some of them, almost all of their social care services are commissioned; for others, they are entirely in-house. That will affect what the settlement and distribution group ends up doing. Ministers have no involvement in that whatsoever; it is for the Convention of Scottish Local Authorities and the leaders of the 32 councils to agree on.

On your point about the impact on the third sector, social care services and universities, the challenges are incredibly difficult. The Scottish Government does not have the difference between the £300-odd million coming from the Treasury and the £750 million of costs that those organisations will face—and private businesses will have costs in the same way. We do not have the funding to be able to financially support the sectors: the money has gone out of the door. As I indicated at stage 1 of the budget, we have maximised the funding to our services as much as we can, and I hope that that will provide a degree of resilience.

We can help them in other ways, though. I have been clear with colleagues that we must look at non-cash ways to support the third sector. One way in which we can help the third sector is through multiyear settlements so that organisations know what their funding will be over several years. That approach can help them to plan, retain staff and work through some of those challenges in a way that single-year funding does not. We have asked all the cabinet secretaries to look for ways to do that within their portfolio areas.

The Convener: That would be really helpful. That has been called for for many years, including by the Scottish Government, so it is good that we are making progress.

One thing that you said in your response to our report is that, should money become available, you might try to abolish the two-child limit. How will that be remotely possible, given what we have just talked about? Our universities, the third sector, the independent care sector and all areas in the public sector are under pressure—and not just because of inflation and all the rest of it. Would abolishing the measure be prioritised over, for example, providing money to the organisations in the public sector for which the Government is already responsible?

Shona Robison: There would have to be discussions about the various pressures and how we work through those priorities. The Cabinet and the First Minister will have a view on that. We have said that, if we were able to introduce the two-child limit mitigation a bit earlier in 2026, we would look at how that could be done. What we are not able to do is to introduce it next month or the month after that, for practical and financial reasons—that just could not be done.

It would not be an easy thing to do. We would have to look at the funding that is available, whether any underspends have emerged in other areas and what we would be able to do. You are right to say that there will be other pressures from other sectors with regard to resources that become available in-year and what the relative priority of those is. As a Cabinet, we will discuss that.

The Convener: Lastly, we took evidence from a number of public bodies and the issue of compulsory redundancies came up. Before I ask you about that, I note that you said in your response that you have asked

“the Minister for Public Finance to develop a programme of workforce reforms. This includes workforce trajectories to support the workforce control framework that is being developed for public bodies including recruitment controls, a workforce management policy and related governance arrangements. The framework will be delivered close to the start of the 2025-26 financial year."

We will be keen to see that when it comes out.

The public bodies all suggested that they wanted flexibility with regard to compulsory redundancies. A policy of no compulsory redundancies was brought in 17 years ago, understandably, in response to the financial crash, when people were really worried about their jobs. However, we now have a situation with advancing technologies and changing jobs where we have a lot of square pegs in round holes. Public sector organisations have to reduce budgets. To achieve that, they are using voluntary redundancy to pay people who they do not really want to lose a lot of money to leave and they are stuck with people who they do not necessarily want to keep, because they might have a skills mismatch or whatever. That approach is not really efficient or effective in delivering public services; it is also very expensive.

Will there be any change, if not directly in the public sector then in some of the bodies, to give organisations what they want, which is to have flexibility in their workforce? That seems to be the implication of your response without your actually saying it.

Shona Robison: We want to be fair to public sector employees, and we want to progress any workforce reforms in partnership with the unions. That partnership has been really important in helping to manage change and the way that things are done, to bring stability and to avoid industrial disputes. We want to do that in partnership as far as we can.

As you pointed out, change has already taken place, with around a 39 per cent reduction in the contingent workforce. That has been very much supported by the unions. It is an expensive area of the workforce, because contractors come in with contractor rates. A massive reduction in that has led to our being able to reduce the overall figure, but we need to go further than that.

The invest to save proposition is also partly intended to help with that issue. You mentioned that voluntary severance schemes can be expensive. Some invest to save propositions will, no doubt, come forward that might be in that territory.

On your point about no compulsory redundancy, as far as I am aware, the position of public bodies has always been that they should look to do everything that they can to seek redundancies on a voluntary basis and that they could have compulsory redundancies only when there is absolutely no other option—if all other options have been explored and cannot be pursued. That has always been the case. Public bodies will obviously want to avoid that situation, but that has been an option available to them—in extremis—and that remains the case.

10:00

The Convener: I do not think that anyone is in favour of compulsory redundancies per se, but it is important to optimise the delivery of services. If, in order to continue paying people who, frankly, no longer have the required skills and are effectively not able to deliver the services that are needed, you have to give others over and above what you would like to and say, "Look, if we give you this shedload of money, will you just leave?" We all know that is happening and that it is just inefficient, ineffective, expensive and not really affordable in the long term.

On what you said about the contingent workforce, it is important to put on the record that some £200 million savings have been brought about through the work that the Government is doing, which is very positive. However, we are looking for flexibility. Everybody accepts a one, two or three-year thing during a crisis, but the Government is bringing in policies such as that ludicrous one of not giving ministers a pay rise for 17 years or whatever it is, which, let us be honest, is just bonkers. I see that you are smiling, cabinet secretary, but you know that it is; people are bewildered by it, frankly. The Government must occasionally revisit policies; they should not be written on tablets of stone. That lack of flexibility means that we do not have the efficient delivery of services that we should have.

Shona Robison: I will not comment on the issue of ministerial pay, but—

The Convener: That is all right—many of your colleagues have done so privately. [*Laughter*.]

Shona Robison: I am sure.

Before this goes out of my head, an opportunity exists with digital and artificial intelligence that can transform the way in which services are delivered. In 10 years, things will probably be unrecognisable from how they are now. The question is, what do we do with the workforce whose roles have perhaps been made redundant? One of the opportunities that the public sector needs to consider is upskilling that workforce for other roles that are still required. That might not be the full story, but it is one opportunity. There are good examples of that having happened.

There are also good examples of cost avoidance. I think that it was the National Records of Scotland—no, it was the Scottish Public

Pensions Agency—that used digital to avoid recruitment. It assumed that we would have to recruit a large contingent workforce at huge cost in order to do a fix on pension payments; instead of doing that, it found a digital solution. That is exactly what we need to look at. Recruitment should not be a default in order to fix a problem or deal with the build of something.

The Convener: To be fair, all our public sector organisations—local government, the national health service, whatever—try to do that, but sometimes it is simply not possible.

I will not pursue that any further at this point, because colleagues are keen to come in.

Craig Hoy (South Scotland) (Con): Good morning, cabinet secretary. I want to start my questions by looking at tax. It has been confirmed that there will be no change to income tax rates in the budget, although it will freeze the upper rate thresholds, which is effectively a tax rise for many Scots. Why, at this point in time, has the Government decided not to raise tax rates, which, to a greater or lesser extent, has been your policy in recent budgets?

Shona Robison: We want to give stability to taxpayers, and so we feel that we have probably gone as far as we should go. We have asked those with the broadest shoulders to pay a bit more, which has helped us with, for example, tackling child poverty. Scotland is the only part of the UK where child poverty rates are falling. That does not happen accidentally; it comes from investment in tackling child poverty, and that investment has come from those with the broadest shoulders paying a bit more, although the majority of Scottish taxpayers will still pay less.

You are right that thresholds will be frozen, but that is the case in the rest of the UK as well. If I remember rightly, the previous UK Government set a policy to freeze the thresholds until 2028, and the current Labour UK Government has continued with that. We believe that the tax strategy that has been laid out strikes the right balance in giving certainty about there being no further changes to tax thresholds until the end of this parliamentary session. That is the right thing to do.

Craig Hoy: It appears that there is a debate within your party and the parties that are supporting the budget—I do not think that it will be a surprise when I say for the record that the Conservatives will not support the budget—about what happens next on tax, particularly for higher earners. In determining not to raise tax rates, what modelling analysis did the Scottish Government undertake in order to come to that position? Will you share that analysis with the committee?

Shona Robison: The tax strategy was based on a lot of consultation with a number of organisations. That included the tax advisory group, which has a number of stakeholders, tax experts, the Fraser of Allander Institute, the Scottish Trades Union Congress and the Joseph Rowntree Foundation. We received a wide variety of views on what the purpose of tax is. Where we got to with the tax strategy is a recognition that, first of all, we have to make sure that people understand the system. We drew on evidence from around the table and empirical evidence from His Majesty's Revenue and Customs and others that looked at the behavioural impact of tax, and we made sure that we took cognisance of all of that.

However, that is not the end of the process. That work continues and we continue to gather evidence, because it is important to do so. That got us to this point.

The issue is that, if tax cuts are proposed, people have to say where spending would be reduced to accommodate them, and that has been lacking in the debate so far.

The strategy, in principle, has been quite warmly received by commentators. It is not something that the UK Government has done regarding the purpose, outlook and vision for tax.

Craig Hoy: The committee welcomed the strategy, but it was a cautious welcome. My concern, and the concern of a number of organisations that fed into the process, is that the Scottish income tax system, in particular, is still unduly complex, with perhaps too many rates. What consideration are you giving to further simplifying the system—not necessarily reducing rates but simplifying and perhaps removing rates of income tax within the Scottish tax landscape?

Shona Robison: We have no plans to do that specifically, but we are cognisant of the need for people to understand the system. Making sure that people understand the system—there is work emanating from the tax strategy to help to do that—will ensure greater levels of compliance. There will be higher levels of compliance if people understand their obligations and how the system works. That is definitely a major pillar of the tax strategy and the work that is being taken forward to help people to comply with their tax obligations.

Craig Hoy: Do you consider that a more complex system has higher compliance costs and that those are passed on to businesses and individual taxpayers?

Shona Robison: For those who are on pay as you earn, the system is the system and they will probably have quite limited interaction with it. For those who are self-employed and businesses navigating their way through the tax system, our agencies and HMRC work closely with Revenue Scotland to make sure that public information for taxpayers, whoever they are, is as clear as possible. Improvements can be made. That was a theme that came out of the tax strategy, and work is being done to simplify the information and make it more straightforward and easier to understand.

Craig Hoy: As part of your strategy, will you take cognisance of comments from organisations such as Scottish Financial Enterprise, which have real concerns about the direction of travel and, in particular, the behavioural responses to the tax measures that you have introduced in recent years? What further investigations and work will you do on behavioural responses through the tax strategy?

Shona Robison: We always take cognisance of any views; we gathered a wide range of views as part of developing the strategy. As I said earlier, we look at behavioural impacts. Studies undertaken by HMRC have shown us that, to date, there is still net inward migration to Scotland, but that does not mean that we should be complacent. We must make sure that we keep monitoring any behavioural impact beyond anecdote.

You mentioned SFE. Financial services are an important part of the Scottish economy. I have heard some of the anecdotes that Craig Hoy has heard, but the success and growth of financial services in Scotland is continuing. Recent investment in Glasgow by major players in the financial services sector is a vote of confidence. They would not be investing if they did not think that they would be able to expand and recruit in Scotland.

There is a balance to be struck in ensuring that we set the right environment for business growth. A lot in the budget does that, but we should not be complacent and we will continue to monitor any behavioural change. We are working closely with HMRC to do that.

Craig Hoy: In the past, HMRC has expressed concern in relation to your policy and whether people are trying to find legitimate ways to reduce their tax bill, including individuals incorporating. The Chartered Institute of Taxation's Scottish technical committee has said that the problem could become more acute as a result of the national insurance increases that have been levied on employers in the recent UK budget, which could lead to false self-employment and employers trying to get people off their books or out of PAYE, which could result in more people incorporating. In those circumstances, the Scottish Government loses that tax revenue. How concerned are you that the combination of the national insurance increase and your legacy tax policies could result in the Government losing revenues through personal incorporation, for example?

Shona Robison: As I have said, the evidence to date shows that more people across all tax bands are still coming to live and work in Scotland. It is important to say that. It is also important that we continue to monitor the emergence of any such direction of travel as you have articulated, and we will do that. Lucy O'Carroll, do you want to come in with any further thoughts?

Lucy O'Carroll (Scottish Government): Obviously, we are very aware of and alive to the issue, and we work closely with colleagues in HMRC on it. The Scottish Government has a service-level agreement with HMRC on income tax and we work closely with it—I work with my counterpart in monitoring that potential issue. That is about the general behavioural effects and specifically being alive to and aware of the incorporation risk post policy change.

10:15

Craig Hoy: Okay—fine. One concern on that issue is that it would be quite easy to close the stable door after the horse has bolted, so it is probably one of those areas that the Government, through its strategy, should be more aware of.

Let us turn to national insurance. Cabinet secretary, you are on record as criticising the UK Government for giving you only a Barnettised sum in relation to employer national insurance contributions. Do you accept that your stated public policy of having a larger public sector with a heavier wage bill is the root cause of the fact that Labour's jobs tax is now having a disproportionately negative effect on the Scottish public finances?

Shona Robison: Before I come on to that, I put on record that we will publish further research on the impacts of income tax policy on businesses and competitiveness in Scotland in this year.

The larger public sector with better paid workers means that we have more nurses, teachers and police officers. I think that it is a good thing that we have more front-line staff who are able to treat us, keep us well and keep us safe, and that—

Craig Hoy: But you would concede that you also have more senior civil servants now and that the number has grown significantly in the past two years.

Shona Robison: We will address that through the workforce plans to reduce the number of directly employed staff in the civil service, but we will do that in a managed and careful way.

The fact that we have a larger public sector with better paid workers is because of an investment that we have made over a number of years. The fact that nurses are better paid in Scotland helps with the recruitment of nurses. Recruiting nurses is really difficult, and paying them less is unlikely to help with recruitment, so we think that those are good investments.

Wales has a larger public sector as well. My simple point about employer national insurance contributions is: should devolved nations be punished or lose out on funding for that because we have invested in public sector services and staff over the years? I do not think that that is a fair proposition, and I do not think that the Welsh think it is, either. That is why we proposed that the actual costs should be covered rather than our just getting a Whitehall Barnett share. We have made our position very clear on that, and we have got to the position that we have got to. The discussion and debate will continue, not least this afternoon.

We believe that investing in our public services has also avoided some of the costly industrial disputes that we have seen south of the border, which have a cost to the public purse as well. These things are choices, and the choices that we have made are the choices that we have made.

Craig Hoy: I did not write down the numbers that you mentioned in talking about the Treasury figures and your estimate, but you said that approximately 40 per cent of the ENICs liabilities will have to be met from within portfolios. How achievable is that, and what sorts of measures will the departments take to meet those costs?

Shona Robison: I think that that is achievable, but not without a cost, because that money could otherwise have gone to pay negotiations or front-line services. Whether it is recruiting more people or doing things differently on the front line, everything has a cost, and that has to be acknowledged first and foremost.

At stage 1 of the budget, we had a choice. Instead of putting money out to portfolios, I could have held it back. However, it is the same money, so, regardless of whether I had held it back or it had gone out to portfolios, there was not a magic bit of money. I decided to give it to portfolios to give them some resilience in the knowledge that we might end up in a place that was far from optimal with regard to employer national insurance contributions. It will not be easy, but, with support from my officials, working with Richard McCallum and his team, portfolios will be supported to manage supporting the cost of 40 per cent of ENICs liabilities.

It will be for local government to manage that, and the 32 local authorities will have their own responses as they set their budgets over the coming weeks.

Craig Hoy: A criticism of the budget and of the Government's approach and strategy is that we are hearing a lot of warm words—we heard a lot of warm words yesterday about the summit—but we are not seeing hard numbers. I question the scale of the ambition around public sector pay and public sector reform. Audit Scotland referred to your concept of "rightsizing" the workforce, which is something that you talk about often. However, as I suspect would be the case in the private sector, for that to be meaningful and to deliver best value, you will have to put numbers to it. In percentage terms, how much smaller do you anticipate the public sector workforce being in future years? In monetary terms, how much are you targeting to save?

Shona Robison: Significant savings of, I think, about £200 million, have already been made through public service reform, and the plan is to save another £380 million. Therefore, there are figures associated with what can be saved, but, going further, the work that Ivan McKee is taking forward with every part of the public sector will generate a plan for each area. To be blunt, the way that things are done in, for example, the health service with regard to front-line emergency services or in the police will not be the same as the way that things are done in less front-facing organisations. It would be a very blunt tool if I were to say that all organisations had to meet a certain percentage of savings, given that the health service needs to ensure that we have more appointments and procedures for patients. Other organisations have opportunities to share services and back-office functions. An across-the-board percentage would be too blunt a tool, but I want to give an absolute assurance that every organisation will have a plan for reduction and how it will do that.

We must be cognisant that front-line services will be prioritised in terms of their ability to deliver, and some of those services will potentially still need to grow. Some of the delivery of additional appointments and procedures will be done through existing staff working additional hours, but the NHS might need to recruit further staff to deliver that.

Craig Hoy: You referred to the sum of £30 million for the invest to save fund. Do you have a target for the savings that you hope that that will bring in? Is it a factor of five or something like that?

Shona Robison: Applications for the fund—I think that the deadline is the first week of March—will have to set out those savings, so we will know that once the applications have been scrutinised. They will not all be approved. If they do not cut the mustard in terms of what is going to be delivered, they will not be supported. Which applications will be supported is a work in progress, but, once we know which projects will be supported, we will be able to answer the question what the fund will deliver. We cannot answer that at the moment, because we are—

Craig Hoy: You have not set a target for what the £30 million fund will bring in.

Shona Robison: I am hoping that, when we see the ambition of the projects, we will be able to put a figure on what is going to be delivered, but we need to be as ambitious as possible.

Michelle Thomson (Falkirk East) (SNP): Good morning, cabinet secretary. Thank you for joining us. I note, just as an observation, that the language in the general report did not feel as though it absolutely cut to the heart of the urgency that the committee feels about the need for really good financial planning in the future. I will highlight one sentence in the Government's response:

> "As part of the planning process, my officials will consider the potential to pilot a 'zero-based budgeting approach'".

I would say that

> "consider the potential to pilot"

was probably the most egregious phrase. That wording does not exactly set the heather on fire.

I have a few general questions. We have been clear in expressing our concerns about the publication of strategic financial documents, and there is a sentence in the Government's response that says:

> "I am also aware that setting out multi-year spending plans ahead of a Scottish election could restrict the options of a new administration."

Is that just an excuse for not doing anything? Surely any new Administration would just tear up any plans if it was so minded.

Shona Robison: Let me be clear: the work on the spending review has been kicked off, so we will not be waiting until after the election. That work will then go ahead at pace and I will work with the committee on the timetable for that, as it is a major undertaking. It is important to communicate with the committee and the Parliament on the spending review.

That line in the response was just a recognition that there is an election. Any new Administration, whatever its colour, will want to put its own stamp on spending plans. That line was just to recognise that the spending plans will be the spending plans until somebody decides otherwise. We can set out the detail of what we believe to be the right correlation of spending envelopes for what, and there may well be a shift—which is what a spending review is all about. We will have to take cognisance of the UK spending review, and there is a lot of chat about what the various envelopes might look like in the future.

Michelle Thomson: I understand all of that, but there is something that jumped out at me. Given the sense of urgency that the committee feels, in caring so much that setting out multiyear spending plans could restrict the options of a new Administration, it worries me that the wording provides an excuse not to do enough. We appreciate that there is an election coming up, but surely any Administration, regardless of its colour, should share a sense of urgency and concern equally. The need for some initiatives—public service reform, for example—has certainly been expressed on a cross-party basis, so I thought that that statement in the response was very odd.

Shona Robison: Let me reassure you. Normally, comprehensive spending reviews happen when there is a change of Government. We have seen that with the UK Labour Government conducting a spending review for its priorities. We find ourselves in the final year of this session with the UK Government having undertaken a spending review that has a direct impact on what our spending will be.

I have undertaken that we will start the spending review process. We can complete that, but I am cognisant of the fact that there may be another set of spending changes following the 2026 election. The wording was to acknowledge that that timeframe is perhaps suboptimal, this being the year before an election, potentially with a change of direction to come, depending on the spending priorities of the incoming Administration.

Please let me assure you that the work has already kicked off at pace and we will come back with the timeline of what will be completed by when.

Michelle Thomson: I have another wee point to make. I just want to check the 60 per cent figure for employer NICs, although I appreciate that the numbers are still fluid, as was picked up by the convener earlier. A couple of weeks ago, COSLA was claiming that it had a shortfall of £265 million, with the Scottish Government giving it £144 million. Those figures were quoted a couple of weeks ago, before the recess. Of course, that is only 54 per cent of the costs. I appreciate that there are other factors at play in how the 60 per cent figure is derived.

10:30

Shona Robison: COSLA did its calculations again and came back with a figure of £240 million—that is the reason. We asked it to do that because there were various figures around—COSLA's figures and the Fraser of Allander Institute's figures—and some councils had included things that others had not. COSLA went back and did a baseline study across the 32 local authorities, which came back with the figure of £240 million.

Michelle Thomson: Thank you. That clears that up.

On a point that Craig Hoy made earlier, I was heartened to see data on back-office costs emerging. To my knowledge, it is the first time that we have had a hard figure for those, so that is good. On the comment that we will implement reporting on internal recruitment and monthly head counts in public bodies, I am surprised that that does not happen already, with monthly reports and management information showing the numbers that we have and the variance. I would have expected to see that as standard. Given that we now have a figure for back-office costs, which is heartening, I wonder how many of these data items we do not have.

Shona Robison: Ivan McKee has been on a data-mining mission to address the gaps where data does not exist. You are right in saying that, without data, it is very difficult. Sometimes, it is the data lying underneath that you really need, instead of just the top-level data. We absolutely get that.

There is a tension between public bodies getting on with doing X, Y and Z, and feeling that that is their domain, and, because we are funding them to do this, our need to know that they are delivering in the most efficient way. Everybody has to play their part in ensuring that we are optimising the efficiency of every single organisation, whether through reform, shared services or digital. The interrogation of that perhaps takes place at a deeper level than previously.

Michelle Thomson: For the record, I look forward to hearing more about the specific data, because that underpins everything.

I have a couple of quick questions. In our report, we expressed a view about having a wider review of the fiscal framework, but the Government's response said simply "Noted", which is brief in the extreme.

Shona Robison: Well, it was noted and agreed.

Michelle Thomson: I thought that it would be useful to have some colour on that, because, as I have been fond of reminding people, the Scottish Fiscal Commission's report about getting to net zero makes it clear that the UK Government cannot do that without Scotland and that Scotland cannot do it without the UK Government. Fundamentally, the fiscal framework as it stands is completely inadequate to get us to where we need to be. Therefore, I thought that the response was somewhat perfunctory—you missed the opportunity to set out why you agree with us. Also, if you agree with us, why did you say "Noted" and not "Agreed"?

Shona Robison: I agree that we have a limited set of arrangements through the fiscal framework. A little bit of progress has been made, but, as the committee is well aware, that is only on the margins, and the additional borrowing capacity can be used only to address negative reconciliations and so on. Along with the Welsh and Northern Irish, our aspiration is to have a prudent borrowing capability such as local authorities have. We are on the same page in that respect.

A structure of reviews is supposed to take place every five years but not more than once in any UK or Scottish electoral cycle. That is what was agreed back when the framework was agreed to. The next review is due in 2028, but we have had a change of Government and, if the UK Labour Government were up for it, we would be keen to kick off a review much earlier. We will continue to press for that. If there is new thinking, which I hope there is, we should get on and look at the limitations.

The Welsh, in particular, are very up for that. They have been leading the charge for some time on prudential borrowing powers. As the committee knows, we work closely with the devolved Administrations on what we agree on, and we have put together some areas that we think we should get a hearing on, which we are pushing through the FISC. We will continue to do that.

John Mason (Glasgow Shettleston) (Ind): The most recent review was not a major review. Do you think that it counts as one in the cycle?

Shona Robison: Probably not. We wanted it to be fuller, but we could get only what we could get, and we finally decided that something was better than nothing. It was not a full review; it was the lowest common denominator—what we could agree on. It was not unhelpful, but it was limited.

John Mason: To go back to the national insurance question, we reckon that it will cost £750 million for the public sector and others such as GPs and the third sector. Is that correct?

Shona Robison: Yes.

John Mason: We are getting £321 million, so that is about—

Shona Robison: The £321 million is what I have set out—the 60 per cent. The figure that we have from the Treasury is just above that.

John Mason: So it is thereabouts. That is about 42 per cent of what we reckon we need.

Shona Robison: For the £750 million, yes.

John Mason: In other words, it is less than half. When that 60 per cent goes to, say, health or local government, will it go entirely to their employees or will local authorities, for example, if they buy services from the third sector, be able to share it out? They might not want to do that, but do they have that freedom?

Shona Robison: What they do with the money is up to them. The distribution group will allocate to each of the 32 local authorities. It is then entirely up to them how they use that money.

Your point is well made. Local authorities commission social care services differently, for example. Whether they try to address some of that will be entirely up to them, but I suspect that it will inevitably come to their door anyway.

John Mason: I accept that we have a slightly larger public sector, but the rest of the UK is not getting 100 per cent either, is it? GPs there are not getting anything.

Shona Robison: In England, only Whitehall departments and the directly employed public sector will get the funding. Of course, the UK Government has based its calculations on that, which is why our Barnett share will not cover our costs.

John Mason: Do we know whether local government in England is happy that it is getting 100 per cent?

Shona Robison: I do not think that local government in England is particularly happy at all, per se. I cannot really speak for it, but I have seen an unhappy tone in the media.

The Welsh also have a gap. It may be slightly less than ours, but it is significant.

John Mason: In some longer-term projections, a £701 million negative reconciliation could come up at some point. Does that concern you? The fiscal framework does not allow us to borrow that kind of money.

Shona Robison: I will bring in Jenny Barugh in a second. Bear in mind the fact that, when we faced this before, the actual figure that we ended up with was much less. Given the past position, I am hopeful that the figure will come down significantly before we get to that stage.

On borrowing powers, we recognise the need sometimes to smooth out bumps in the road. There has been an increase to £600 million, which is helpful. However, I hope that the figure that you mentioned will reduce significantly.

Jennie Barugh (Scottish Government): Following the review of the fiscal framework, the limit now increases year on year, in line with inflation. By that particular year, and depending on the inflation rate, the limit will have risen to closer to £650 million. The gap would be a bit smaller if the limit stayed at £700 million.

The other point to make is that, as the cabinet secretary said, the forecasts for the reconciliations are very volatile. The 2023 MTFS contained some analysis of the volatility of reconciliations, which showed that they change quite dramatically year on year. So, it is very likely that that number will be different. That is a challenge, and it underpins one of the rationales for further review of the borrowing limit during discussions with the Treasury.

John Mason: In its future forecasts, the Scottish Funding Council was looking 50 years ahead, which I accept is quite a long time. I understand that the Government is looking a maximum of five years ahead, so there does seem to be a gap.

Shona Robison: The sustainability delivery plan will look at a five-year horizon. I accept the point about the need for an acknowledgement that looking beyond that brings into focus some of the demographic challenges that we are all aware of. Although there will be a five-year action plan, there will be an acknowledgement of those longer-term pressures that many countries—not just ours—are facing. We must use the levers that we have, but we also need some levers that we do not have at the moment. For example, migration would be an extremely welcome tool in helping us to recruit into key sectors where we have shortages and to grow the economy.

John Mason: That is fair enough.

I have one question on the subject of council tax—before Ross Greer gets there. You say that you are looking for consensus on council tax, but what is “consensus”? Is it 100 per cent agreement or an agreement between four parties?

Shona Robison: We do not need 100 per cent agreement on council tax reform and we do not have to run off into the sunset holding hands. I am realistic enough to sense that that is unlikely. However, we might be able to agree on elements of reform. If we could build enough consensus around those elements, that would enable us, following the election, to get on with work in those areas where we agree.

Previous attempts at reform have fallen at the hurdles because of a lack of consensus about what the overall replacement for council tax should be. Rather than trying to get everyone to agree on the optimum change, we should be realistic and try instead to get agreement on pillars of change that could lead to improvements.

John Mason: So, there could be an agreement to look at land and property, but there could be quite a lot of variation within that.

Shona Robison: Potentially, yes. I am not going to prejudge, but I am genuinely keen to scope out where we can agree. If we could make progress on those areas of agreement in the next session of Parliament, that would be good for local taxation and for the funding of local government. Suggesting that we do nothing is not a responsible position for any party, so we should be open to seeing what we can agree on.

John Mason: Can we forget about VAT assignment?

Shona Robison: I think that we can forget about it for the foreseeable future.

John Mason: It is great to get that clear answer.

Finally, can you give us any update on bonds?

Shona Robison: That work is on-going and we will keep Parliament updated on it. Jennie Barugh can take it from there and talk about the appointment of the financial adviser, which is the next key stage, following which there will be a judgment on the value for money test and whether we will go forward with the proposal. That will depend on market conditions and what the financial outlook is.

10:45

Jennie Barugh: The cabinet secretary has covered the main points well, and that is the next step. A tender is out for a financial adviser to support the Government with the next phase of due diligence. The bonds and borrowing memorandum that we published alongside the budget provided a brief update of where we have reached to date. The next phase has already started but will be supported by the financial adviser when they come on board. The tender is out, and the anticipation is that we will appoint the financial adviser to start work at some point during April or in early May, if my memory serves me.

John Mason: That is great. Thank you.

Liz Smith (Mid Scotland and Fife) (Con): Cabinet secretary, I want to pursue our dialogue about social security spend. At your most recent appearance before the committee, you made various commitments. I will start with one that you made to Michael Marra when he asked you, in relation to the various aspects of the two-child cap mitigation,

"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?"—[*Official Report, Finance and Public Administration Committee*, 14 January 2025; c 43.]

What has happened to that commitment?

Shona Robison: There are two aspects to that, the first of which relates to the ministerial discussions that took place around the best option for reducing child poverty. There were various things that we could have done, such as increasing the Scottish child payment or using other methods, but we landed on the two-child cap mitigation on the basis of the evidence that third-party organisations had provided that that was the thing that we could do that would have a major impact. There is no scorecard available that compares that option with increasing the Scottish child payment.

The second aspect relates to the options for taking forward the mitigation of the two-child cap. Social Security Scotland is working on options for how to best do that and is working with the Department for Work and Pensions, because there are various options for delivery. Those options are being looked at and will be appraised, and the Cabinet Secretary for Social Justice will update the committee and Parliament at the point at which the best option is selected—

Liz Smith: Forgive me, but the Scottish Government has already made its choices. Michael Marra asked you when we would get an options paper. The key point here, which I have already questioned you and Shirley-Anne Somerville on in the Social Justice and Social Security Committee, is that, if there is evidence that proves that various social security policies would provide better outcomes than other policies when it comes to child poverty, surely it is the duty of the Scottish Government to provide that evidence, in line with the questions that the committee is asking. For example, what specific evidence have you found to show that the delivery of mitigation of the two-child cap would provide better outcomes than, say, an increase in the Scottish child payment? Where is that evidence?

Shona Robison: The evidence that we drew on in the early ministerial discussions was the evidence that was available at that point, which was from third-party organisations that we had met. They gave us evidence that mitigation of the two-child cap would have the biggest impact on child poverty reduction.

Liz Smith: I will push you on that, because I think that it is very important that we see that evidence.

Shona Robison: I think that the evidence was from the Joseph Rowntree Foundation and other organisations. In the discussions that ministers had with those child poverty organisations, they kept coming back to the point that mitigating the two-child cap was the main thing that could be done. Since then, further evidence has been provided—by, I think, the Fraser of Allander Institute—that we might, in fact, have underestimated the number of children who would be lifted out of poverty through the work on the two-child cap.

Liz Smith: I do not doubt that ministers have had discussions on the matter. Our job as the Finance and Public Administration Committee is to look at the effective spend of our public finances and to ensure that the evidence is there to support the choices that are made. My colleague Michael Marra asked for a specific options paper that we could scrutinise to look at what you call investments when it comes to various policies. A good investment will have good results. Therefore, if there are various options that involve different kinds of investment, you will want to weigh up the balance of the effective outcomes, particularly when it comes to action on child poverty, which is the Scottish Government's number 1 priority. I do not think that we have had that information.

Shona Robison: There is no scorecard that I can provide that shows that, if we put money into X, the outcome will be Y. The decision was based on the evidence that was provided to us by others who had done some work on which of the levers that we could pull would have the biggest impact. That evidence was provided to us and we took the decision on the basis of the discussions that we had at that point.

We can provide the committee with the evidence that we got from those organisations in our discussions with them on the work that they had undertaken on the impact of mitigating the two-child cap, but I do not have a scorecard that says that, if we do X, the outcome will be Y. No such scorecard exists. However, the evidence that we garnered from other organisations in our discussions about what more we could do to alleviate child poverty brought us to this point, and that proposition is in the budget as the one that we believe will make the biggest impact on child poverty.

Liz Smith: Let us assume that action on child poverty is the number 1 priority for the Scottish Government—which, as I understand it, it is. Given the state of the public finances, particularly with the considerable uplift in the social security budget—it is a huge increase, especially in a single budget—we cannot afford all the commitments that the Scottish Government has made without finding an awful lot of extra money.

There are two parts to my question. First, where is that extra money coming from? Secondly, on what basis is the Scottish Government making decisions on where the outcomes will be best when it comes to the delivery of social security?

Shona Robison: First, I remind everyone that we have a statutory duty to tackle child poverty, so we have a statutory duty to look at which options we can take to further reduce it. The fact that we are the only part of the UK that is seeing child poverty rates reduce suggests to me that the decisions that we have taken over the years that have impacted on child poverty have been successful because, otherwise, we would not have seen child poverty rates reduce in Scotland when they have not reduced elsewhere in the UK.

The evidence-based approach that we have taken, which is set out in the child poverty delivery plan, has looked at all the levers that we need to pull—the Scottish child payment is the key one, but it is not the only one—in order to get to this point.

The First Minister then challenged us, as part of the budget process, to consider what more we could do. Ministers were charged with feeding into that process. In discussions with the same bodies that were involved in the detail that got us to the child poverty delivery plan, the Scottish child payment and the other measures, they told us that, on the basis of the evidence that they had, which we looked at, the mitigation of the two-child cap was the next lever that would have the biggest impact compared with anything else that we could do. Traditionally, many of those organisations had called for increases in the Scottish child payment. In this case, rather than doing that, they said that mitigating the two-child cap was the lever that would have the biggest impact, because it would target the poorest children.

Since we made the decision and announced it at stage 1 of the budget process, other organisations have come out with further analysis of what they believe the impact of that policy will be. If I am not mistaken, it is the Fraser of Allander Institute that has said that the number of children who will be lifted out of poverty is higher than the 15,000 that we had assumed. That gives me a sense of confidence that we are in the right place with the policy.

On the delivery and the funding of the policy, as I said when I was previously here, we have made available to Social Security Scotland the funding for the technical build and delivery of the system to enable it to put that in place. We will make available the funding for the delivery of the mitigation itself in the 2026-27 budget.

We will prioritise that. We have not got to a point whereby child poverty rates are reducing in Scotland and not reducing elsewhere by default. By making the investments that we have made, we have managed to get to a certain point on our journey to eradicating child poverty. We all have a duty to meet those statutory targets. As the Fraser of Allander Institute has said, the proposed intervention will move us along the route towards meeting those targets.

Liz Smith: The committee asked for an options paper because making such interventions is a very expensive business and, given the state of the public finances at the moment, we cannot afford to do everything that we would like to do, so big choices must be made. The Scottish Government will argue that the choices on its social contract with the people of Scotland are its number 1 priority. However, that social contract can come about only if we have the money coming in to deliver it.

I would argue strongly—as, I think, would the committee—that the public finances are under considerable strain. Therefore, if choices must be made, surely we need an options paper to show where you think the outcomes will be most effective. That is why the committee asked for that.

Shona Robison: Not investing in tackling child poverty is a very expensive thing to do. You do not reap the rewards that come with making such investment. In the absence of such investment, when children grow up, they are not able to become the productive citizens that we would want them to be, contributing to the economy and the success of our country. That is why, over a number of years, we have taken the decisions that we have taken.

We chose the two-child limit mitigation based on the evidence that had been presented to us that that was the most effective intervention that we could make, beyond any other intervention. That was the basis for the decision that we took, which is now in front of Parliament. That has since been confirmed in many ways by the further analysis that has been done.

The Fraser of Allander Institute modelling shows that about 20,000 children would be kept out of poverty by mitigating the two-child limit, which is slightly higher than the Scottish Government's estimate of 15,000. That reduction would mean a decrease of two percentage points in the relative poverty rate, which members across the Parliament have legally agreed to reduce. I have not seen any other alternative that would reduce the relative child poverty rate by two percentage points. Nothing has been brought before us, and no organisations have produced alternatives. I have not seen anything from anyone else that will deliver that.

That is why we have taken the decision that we have taken. We will prioritise the investment that will need to be made in 2026-27 onwards in order to deliver that, because we have a legal duty to reduce those rates—it is not simply something that it would be nice to do.

Liz Smith: I will finish with a specific question and a suggestion. I have asked this question of you before, and of Shirley-Anne Somerville, in the Social Justice and Social Security Committee. There have been significant increases in adult disability payments and child disability payments. I have been trying to drill down into why that is. It seems that the Scottish Government's argument is that the case load is considerably greater in Scotland than it is in other parts of the UK. Are you comfortable with that?

Shona Robison: As you had previously raised those issues, I went away and did a bit of digging before I came back here today. Some of the issues and questions that you have raised are absolutely legitimate.

First, I reassure you and others that Social Security Scotland carefully reviews the cases of all adult disability payment clients to ensure that the right decisions are made. Parliament unanimously agreed that it was to be a light-touch process, which meant that clients would not be asked for unnecessary information or for details that were already available. We all agreed to that—there was no dissent.

11:00

Despite its light-touch approach, Social Security Scotland seeks additional information from sources, including medical professionals and its clients, when required. An important point that I want to put on record is that the majority of cases that have been reviewed since the adult disability payment was introduced have been the cases of clients whose awards had been transferred to Social Security Scotland from the Department for Work and Pensions. In most cases, their existing awards accurately reflected their needs. However, it is worth noting that many of those reviews were for people who were not due for a scheduled review, but who had reported that their needs had increased, which triggered the transfer of the award to Social Security Scotland and a review by it. That makes a comparison between the two groups a bit misleading. I am happy to come back to the committee with further information on that.

With regard to the suggestion that more people might be coming forward for such benefits in Scotland, rather than the issue being to do with the review point, Parliament unanimously agreed that we would have a benefits take-up strategy to promote the take-up of benefits. As the DWP does not do that, of course that will lead to more people coming forward and claiming.

Liz Smith: I do not think that that explains the difference between the DWP and Social Security Scotland.

Shona Robison: I will write to the committee with the information that I have garnered. I have had some detailed discussions with social security colleagues about that, because I wanted to reassure myself.

Liz Smith: That would be helpful.

Ross Greer (West Scotland) (Green): John Mason correctly predicted where I would be interested in going with my line of questioning. First, I have a question about record keeping. Ahead of the meeting, in preparation to ask questions about council tax, I looked for the commission on local tax reform's website, which was set up in 2015. The domain has expired and the website does not exist any more, so I am a bit concerned that many of the documents that were associated with the commission have been lost. I was able to find a copy of its report on gov.scot, but it appears that it is there only in response to a freedom of information request. Could the Government commit to reviewing all the documents that were produced by the commission and ensure that those documents are uploaded to gov.scot, so that we have some continuity?

Shona Robison: Yes. I am happy to take that away.

Ross Greer: That will be useful. Thank you.

On the substantive point, John Mason was asking about what the Government would define as consensus on the matter. The final line of the commission's report in 2015 said:

"This is an opportunity that must not be missed."

From your response to John Mason, it sounds as though you believe that that opportunity was missed in 2015 because of a lack of consensus. However, many of the recommendations in the report had consensus. I accept that there was not agreement between the four parties that were part of the commission—the Conservatives did not participate—and no single unanimous view on what system would replace council tax. However, we all agreed on some of the other recommendations. For example, one of the final recommendations was:

"Further work should be done over the next parliamentary term to assess both general and targeted land value taxes, and their introduction should be given consideration as part of a broadened system of local taxation."

There was consensus on a range of recommendations, such as those on further policy development work. Do you have any reflections on why that work did not take place?

Shona Robison: I point to the fact that the Scottish Land Commission is charged with looking at the potential for land taxes. It has the expertise to help us to understand the complexity of land taxation, and what could be done and what would need to be done with regard to the availability of data and so on. It may be later than 2015, but progress is being made on that.

It is incredibly difficult to build political consensus on these issues. Everybody agrees that something needs to be done—that there are people who are paying too much in terms of their council tax bands and people who are paying too little. It is a system that just does not produce enough funding for local government, and it is far from ideal, as everybody says, but the question is what we do about it. The issue then becomes difficult and very politicised.

It is better to do something than to do nothing, even if that is starting at the quite low level of making some reforms to a system that may not be perfect in any way. However, the idea that we will be able to completely change the system of council tax any time soon, when we do not have a majority for that, could prevent us from making tangible improvements.

Some improvements have already been made, such as empowering local authorities to incentivise and disincentivise second homes and helping them to manage that. In that spirit, are there other areas on which we could reach agreement to hit the ground running from 2026 and to help make some significant improvements to a system that we all agree is far from perfect but could be made better than it is? That is the exam question, and the answer will become clear only once that engagement is under way.

Ross Greer: One of the points that the Government rejected in response to the commission on local tax reform in 2015 was on a revaluation exercise. At that point, the property values that council tax is based on were 24 years out of date—they are now 34 years out of date. In the Government's view, why has there not been the space, the opportunity or the political bandwidth—whatever it is—to conduct a revaluation exercise in the intervening period?

It seems—correct me if I am wrong—that we all agree that substantial reform will require revaluation. If we are ever to get to the point of replacing or substantially changing council tax, there is no point in the system continuing to be based on valuations from 1991. Given the agreement on that principle, what has prevented us, in the course of the past decade, from starting a revaluation exercise?

Shona Robison: To be blunt and honest, that is probably because there would be winners and losers in that situation. Any change will have to take account of the fact that we cannot have a cliff edge for people. If we did, we would not get off first base. If we are going to try to do something that will have a cliff edge, it will become politicised and there will be leaflets going through folk's doors about how their council tax will increase. We have all been there. Let us just get that on the table—no one will want to do that.

Progress could perhaps be made around points of sale, for example. That would be a slower rate of progress, but it would be better to have some progress than to have no progress. If we keep debating a cliff-edge revaluation, we—or somebody else—will probably be sitting in this committee in 10 years' time, having the same discussion.

Let us wind back and ask, "What progress could we make that is really hard to disagree with?" That might be the lowest common denominator, but I would quite like to get on with something rather than wait for a consensus that is not going to appear.

Ross Greer: I agree with you that the key issue and the elephant in the room is that there would be winners and losers from a revaluation. The direction of travel, as set out in the commission's recommendations, is that the losers from any change—those who do quite well in the current system—will generally be wealthier people with more social and political capital. That is the reality.

However, no one has ever proposed a cliff-edge revaluation. The commission in 2015 was very clear that any change would require substantial transitional arrangements. For at least 10 years, there has been something approaching a consensus that any substantial change would include a long-term transitional arrangement so that there would be no cliff edge. Given that there would not be a cliff edge—we have already agreed that that should not take place—is it not a source of regret that, 10 years later, we are not any closer to revaluation, never mind replacing the system?

Shona Robison: It is a source of regret that there has been no reform, which has needed to happen, and we are back to having the same debates.

My offer is to work with all the parties to find areas where progress can be made—if it is fairly limited, that is still better than nothing. We will see where we get to in the various discussions.

Ross Greer: I agree with that and welcome the offer. However, in 2015, the commission on local tax reform undertook an exercise that had not been done before—that level of depth, detail and substantive policy development was unprecedented—and my worry is that, 10 years later, we are in danger of repeating that work in the first part of the process that you announced a few weeks ago.

Can you confirm that the next stage that you mentioned, which relates to commissioning experts to give us a starting point for public discussion, policy development work and so on, will not repeat what the 2015 commission did? When you look at the policy development work that has been done since then, you see that very little has changed.

Shona Robison: I am sure that we can draw on a lot of the work that was done in 2015. As I said at the start, if information can be pulled out and made public, I am happy to do that. We do not want to reinvent the wheel.

Ross Greer: That would be very helpful. The only part of the process that has a timescale associated with it is the town hall element of the public engagement, which will happen in the autumn. We are used to those in the public sector saying that autumn can take us up to Christmas eve, but the engagement will happen this year, which is fair enough.

Can you lay out the overall timescale for the other specific elements? For example, for the first part of the process, when do you expect the commissioned experts to come back with something, and when would that be published? Would the open public consultation exercise be held over the summer, or would it run concurrently with the town halls exercise in the autumn? It would be good to get as much detail as possible.

Shona Robison: I will come back to you, because some of those points are still to be agreed with COSLA.

Ross Greer: That would be useful. Thank you.

The last time that we had this discussion at committee, you mentioned that Councillor Hagmann was going to lead on cross-party engagement efforts.

Shona Robison: I might have misspoken when I said that. "Misspoken" might be too strong a term, but I would rephrase it. It is more that Councillor Hagmann has been engaging with Opposition spokespeople on COSLA's behalf, which is absolutely fine. We will do the next phase, which is about building consensus, jointly. I hope that makes sense.

Ross Greer: That makes sense. The question that I was leading up to was about when Mr Hoy, Mr Marra and I should expect invites to cross-party discussions.

Shona Robison: We will get those discussions under way as soon as we can. Once stage 3 of the budget is out of the way, I will turn my sights to getting some dates in the diary.

Ross Greer: Thank you very much.

The Convener: You hit the nail on the head when you pointed out that, frankly, revaluation is electorally toxic because of the impact of loss aversion on those whose council taxes would rise.

At Westminster, Labour has a majority of more than 150 and I am not seeing any big moves to change the system down there, which it could do without facing anything like the difficulty that we have here. It would face the same issues that any Government would face, as we do in Scotland.

Michael Marra (North East Scotland) (Lab): I will start in the area that Liz Smith touched on, and I thank you for your evidence on that so far.

In your evidence, you stated that you did not see any other options in front of you in regard to the mitigation of the two-child cap. At your previous committee appearance, I asked you to write to the committee to set out why you chose that option in preference to the others in the options appraisal that you carried out, and you said, “Okay” to that.

In our report, we again set that out and said:

“The Committee welcomes the Cabinet Secretary’s commitment to provide a copy of the options appraisal setting out why it chose this specific model for mitigating the two-child cap and looks forward to considering this in due course.”

In your response, you said:

“Ministers have considered a range of possible approaches to mitigation, balancing cost, the pace at which payment arrangements can be put in place and ... the need to get the systems up and running safely.”

Was there a range of options or not?

Shona Robison: There was no scorecard that said, “This is the range of options and this is compared with that.” There were ministerial discussions on a number of occasions about what evidence other organisations, including child poverty organisations, had brought to us. I mentioned some of them earlier. As one, they said that other things could be done but that that was the one thing that would make the biggest impact. Ministers were being challenged by the First Minister to look at what more could be done to tackle child poverty, and that was the one option that emerged with support from all the child poverty organisations.

11:15

Michael Marra: Did you receive civil service advice on that decision? You have listed some very specific things, including possible approaches to mitigation, balancing cost, pace and payment arrangements. Those are very specific things and I would have thought that the civil service would have given you some advice on them.

Shona Robison: The advice that came back was about costings and the likely impact on the number of children who would be kept out of poverty. The 15,000 figure has been superseded to some degree by the Fraser of Allander Institute saying that it could be higher than that and that

“20,000 children would be kept out of poverty”.

At the time, that work was presented to us in terms of the costings. The SFC has now given us its analysis of the costings, which is at the higher end of what we had thought.

Michael Marra: That relates to the recommendation that you took to the civil service. It gave you the costings. However, you told us in your response that you considered a range of possible approaches. Did the civil service provide you with information about other approaches or was it just one approach?

Shona Robison: No other approaches emerged during that discussion.

Michael Marra: I am sorry, but these are your words in your letter to us:

“Ministers have considered a range of possible approaches”.

You did not receive any civil service advice on other approaches, just the one that you alighted on—is that correct?

Shona Robison: The one that we asked to be taken forward was the one that we got the detailed information on, although we did debate and discuss other options that were based on the evidence brought to us by a range of child poverty organisations.

Michael Marra: The cost of that, as modelled by the Scottish Fiscal Commission, is £155 million rising to £198 million, which is one fifth of a billion pounds. Is it typical of the way that you would take a decision in Government that you take one proposal to the civil service and it gives you some kind of answer? It does not give you any other options. You do not set out the proposal, which is that you rightly want to lift children out of poverty and to meet statutory child poverty targets. You do not go to the civil service with a range of options or have the civil servants provide you with a range of options. You just go with one thing and it comes back and says—

Shona Robison: No. If there is a range of options to be had, a range of options would be put in front of us. No other options were available that would have the same impact on child poverty. Nothing else emerged in the discussions with child poverty organisations that was going to have that impact. We were given a very clear steer by child poverty organisations that this policy was the one thing that would make the difference in reducing child poverty levels. They had previously pointed towards an increase in the Scottish child payment, which would have been the other obvious option, but they said to us that, rather than do that, with all of the issues around cliff edges and its rubbing up against disincentivising employment and so on, targeting the poorest kids through the mitigation of the two-child cap was the single intervention that we could make that would have the biggest impact. It emerged in a way that there was—

Michael Marra: Can you clarify who “they” are in this? Is it the third sector organisations or the civil service?

Shona Robison: It is the third sector organisations that we took advice from. Bearing in mind the fact that we have a statutory duty to reduce child poverty rates, the First Minister asked us to go further in tackling child poverty and so he charged us to go further in discussions with those child poverty organisations. Mitigating the two-child cap was their clear recommendation to us.

After ministers discussed that at some length, we asked for costings and how many children would be lifted out of poverty and so on, and that is what is in front of Parliament, for it to vote for or not to vote for.

Michael Marra: I understand that. I suppose that I am interested in the policy-making process and the relationship with the civil service around that. The Scottish Fiscal Commission has repeatedly set out its concerns—it did so in its long-term forecast—about the size of the social security bill, which is a considerable worry to it. Has the civil service at no point come back to you about the instruction that you have given it or expressed any concerns about the fiscal risks that are involved? Has there been no discussion of a ministerial direction?

Shona Robison: No. No ministerial direction has been required. In the context of civil service, every policy and spend will be reminders of the overall fiscal position and sustainability. That happens with every policy. However, Michael, your party wanted us to do it from this April, which would have had an even bigger cost, about which the Scottish Fiscal Commission might have had something to say. I think that we are all agreed on the policy.

Michael Marra: Yes, absolutely. One of my concerns is pace and how long it is taking. Children are living in poverty right now, and we want that action to take place as soon as possible. In your response to our report, you said that you considered different options around pace, but you are not setting out any other options to me. You have said one thing here, which is the evidence that you have just given. Were the civil servants involved in the discussions?

Shona Robison: Before I bring in the civil servants, I will say that we are talking about two different things here. One issue is about options around how the policy is delivered. Social Security Scotland is looking at different options around that, in collaboration with the DWP in relation to data. Various options are being explored around whether it is a top-up to benefit, for example.

We are talking about two different things: the first is how we arrived at the policy decision; the second is how Social Security Scotland is implementing it, and there are options there. The Cabinet Secretary for Social Justice has said that she will come back to Parliament when that work is brought to a conclusion and set out what they are, but that work is not concluded yet.

Michael Marra: I hear that.

Richard McCallum (Scottish Government): Social security colleagues will have worked out the costings of the policy, which the principal accountable officer—the permanent secretary—will sign off as part of the overall budget discussions. He will look at that policy decision in the round—not just in relation to in social security, but across the whole spend in Government—as he needs to be assured that that judgment and decision are affordable and manageable in the budget that has been set out. A due process has been gone through not just for every decision but for every budget. The principal accountable officer must be assured, by his accountable officers, that the policy is deliverable and affordable in the context that is set out.

Michael Marra: You are the director of public spending for the Scottish Government, Mr McCallum, so you will have a direct insight into this. Is bringing the policy solution and then asking the civil service to cost it up and do it a typical way of developing a policy? Is a more typical way not to go to the civil service and have a discussion about the minister’s intent and what they are seeking to achieve, and for the civil service to then come back with options and say, “These are what we think are the best ways to do it, minister,” so that you can make a decision on that, because you are the Government?

Richard McCallum: Social security colleagues will work through the detail but they will have been working through those policy options and considering the most effective mitigations as part of their on-going work. There was a specific ask about the two-child cap, which is why the numbers were worked up.

Michael Marra: You said that, as part of their on-going work, they will have prepared options for the mitigation. Will social security civil servants have those?

Richard McCallum: No. They do on-going analysis of the evidence from different benefits that are in place and look at the impact of benefit measures across the UK and more widely. They do analysis across a range of areas. There was a specific piece of work on the two-child cap, but, in general, social security continually and consistently looks at the impact and effect of different benefits measures across all benefits, not just in relation to the two-child cap.

Shona Robison: That is on-going work. It is not in relation to the budget specifically.

Michael Marra: Okay. I will move on.

We have covered some national insurance issues. There are shared concerns about the impact on the public sector and the private sector. Across the board, it is a real challenge. What would your alternative be for raising the £5.2 billion of extra funding that has come into the budget for Scotland? How should that money have been raised?

Shona Robison: Do you mean if we were making such decisions here or if we were sitting around the UK Cabinet table?

Michael Marra: What approach should the UK Cabinet have taken?

Shona Robison: It could have looked at various things, such as wealth taxes—it could have looked at raising funds in a variety of ways. The Chancellor of the Exchequer boxed herself in, leaving very limited room for manoeuvre. I suspect that she would not have wanted to do what she has done, having boxed herself in. She probably did not want to do it, but because she would not unpick the constraints that she had put on herself, she had, by her own actions, left herself with very little room for manoeuvre.

Within the policy—if there had been an absolute decision around the UK Cabinet table that the Government had to use ENICs and that there was no other way—the Cabinet members could have chosen to do that differently. For example, they could have chosen to make sure that the public sector across the UK was fully funded, but they chose not to do that. They could have given exemptions to third sector organisations. They could have looked—

Michael Marra: All of that is—

Shona Robison: Let me finish my point.

UK Cabinet members could have looked at organisations that are part of the public sector fabric. They could have included exemptions for GP surgeries. I know that they were looking at hospices, for example, so they seem to be able to do things for particular areas when they choose to do so.

On one hand, the funding that we have received with the reset of budgets is very welcome, but it feels, on the other, as though the money from ENICs is going out through the back door. It is an opportunity cost for the public sector: the money cannot go on pay or on investing in public services on the front line.

Michael Marra: Much of what you have just said is about further expenditure. My question was about how that money would be raised. The First Minister said that

> "the UK Government should have increased income tax"—[*Official Report*, 14 November 2024; c 13.]

to the level that we have in Scotland. The Fraser of Allander Institute published its analysis of that on 17 January and said that, if what the First Minister had suggested had been done, Scotland's block grant would have lost £636 million.

Shona Robison: I do not believe that the chancellor had no options that could have avoided the impact that the employer national insurance contribution hike will have. Whether through income tax or wealth taxes, various options were available to the chancellor that she would probably have preferred, but she boxed herself in to not being able to use them, and this is the result.

Michael Marra: You have made that point.

Shona Robison: If you were to ask the chancellor whether she thinks that it has been a success, she would probably express huge concerns about what is now unfolding. These are debates that will, no doubt, be had this afternoon, but as far as I am concerned, the ENICs increase is a tax on the public sector and businesses that will have an impact for quite some time. As a lever, it seems to fly in the face of the policy objective of economic growth.

Michael Marra: Do you agree with the First Minister?

Shona Robison: Of course. I do not disagree with the First Minister—

Michael Marra: So, you would have cut £636 million?

Shona Robison: No, Michael. The First Minister did not say that, at all. He never said that he would cut £636 million.

Michael Marra: On 14 November, during First Minister's question time—

Shona Robison: This might be a kind of student debating point but, at the end of the day, the First Minister—

Michael Marra: It was a quote from the *Official Report*, cabinet secretary.

Shona Robison: A range of options was available to the chancellor—she chose not to take any of those but chose instead to hike employer national insurance contributions. The problem needs to be owned rather than deflected on to others—as you seek to do, Michael.

11:30

Michael Marra: To be fair, cabinet secretary, we are having a debate on the matter this afternoon, as you have said, and there have been several of those in Parliament.

Shona Robison: I am sure that you will contribute.

Michael Marra: At the start of my questions, I reflected my shared concern about the impact of the tax rise on parts of the public and private sectors.

Shona Robison: Would you have made different choices?

Michael Marra: Here is my question to you. Your First Minister has set out what he thought should happen and the Fraser of Allander Institute has said that that would cost £636 million. That analysis was published on 17 January, but you do not have an alternative.

Shona Robison: The First Minister said that a range of options was available to the chancellor. Everyone accepts that, but she chose not to take those options but instead to hike employer national insurance contributions. That is something that you have just said you think is problematic, so I presume that you would have liked the chancellor to use another option and that you think that something else should have been done.

A range of options were open to the chancellor and could have resulted in a better outcome than the one that we have. That is the position. No one supports a reduction in funding for Scottish public services.

Michael Marra: That is good to hear.

Shona Robison: As you well know, that is not what the First Minister said.

Michael Marra: That is good to hear.

I will close on public sector reform. We have heard about the money that is to be saved and about Minister McKee's work in that area and the summit that he held this week. You have already set out some useful figures showing projected additional savings of £380 million in the years to come, which is good to hear. Ivan McKee said that the framework for some of that will be delivered near the start of the 2025-26 financial year.

What is the difference between what we are seeing now and the resource spending review that the Government stopped? What do you think is the difference between those two programmes? One was published three years ago. You previously told us, and have said again today, that that was a bit of a blunt tool, so what do you think is the difference between the programme that was put in front of Parliament three years ago and the process that is now being undertaken?

Shona Robison: The key difference is the granular detail of what the plan will involve. That relates to a point that Michelle Thomson made about data. Ivan McKee is going much more into the detail of the figures relating to each and every public body, and every public body will be tasked with making its own plans for savings and reform down to a level of detail that might have been absent when there was a higher-level requirement for efficiency savings across the board, or for policies that were quite broad in nature. The difference is that each and every public body will be required to deliver a plan for efficiency, reform, sharing services and doing things differently. Doing nothing will not be an option, and the reform will be far more directed.

Michael Marra: The committee has been quite clear about our desire to see a directed plan that follows a strategy. The committee is unanimous on that, as is shown in what we have published.

The resource spending review asked for

"investment in systems and processes, with targeted workforce growth in priority areas",

and said that

"We do not propose a uniform approach due to varying trends in demand for different services."

The resource spending review acknowledged that there was no global figure for reduction, but that there were specific plans for different areas, which is the same as what is being described now. So, my core question is this: have we just wasted the three years between the publication of that document and where we are now?

Shona Robison: I do not accept that. The figure of £200 million that was referred to earlier is a saving that has been generated by doing things differently. There has been an absolutely clear direction of travel. The public sector must reform and must do things differently.

What is different is that we are now getting into the granular detail of how each part of the public sector will contribute to that and be held to account. The invest to save fund is a way of incentivising and turbocharging some of that work. The point that I made earlier about avoiding use of blunt tools was about the health service. If we are going to be able to deliver additional appointments and procedures—as we must—that will require additional workforce or better and more efficient use of the existing workforce. Productivity in the NHS is a key part of that.

We have a minister who is focusing on a new level of detail and—to quote a phrase—getting underneath the bonnet to look at what is happening in each organisation in a way that they may not have seen before. That is what is happening now, and it will help to deliver the pace that we need.

Michael Marra: Do you wish that that had happened when the resource spending review was published?

Shona Robison: The resource spending review set a direction of travel, but we are now getting beyond that high-level direction of travel in order to force the pace. Perhaps we have recognised that things were not happening at a pace that we were satisfied with and that we had to do things differently, which is what Ivan McKee is doing.

The Convener: I will put my tuppence-worth in regarding ENICs by saying that the Government did not have to raise as much tax as it decided to raise. As you said, it could have brought in a wealth tax or an online-sales tax to boost the high street. It could have taxed gambling, gaming or big tech, or it could have reversed the tax cuts on banks. It is important to look at the package and to see where the best balance would be.

We will take a five-minute break before coming back for stage 2 of the budget bill.

11:36

Meeting suspended.

11:46

On resuming—

Budget (Scotland) (No 4) Bill: Stage 2

The Convener: Under our second agenda item, we will consider the Budget (Scotland) (No 4) Bill at stage 2. We are still joined by the Cabinet Secretary for Finance and Local Government. Officials who are present for this item are unable to participate in formal stage 2 proceedings, as is set out in standing orders.

Committee members should have with them a copy of the bill as introduced, the marshalled list of amendments and the groupings of amendments document, which sets out the groupings of amendments in the order in which they will be debated.

As members are aware, only the Scottish Government can lodge amendments to budget bills. The cabinet secretary has lodged six amendments to be considered today. Should there be a division, voting will be done by a show of hands. It is important that members keep their hands clearly raised until the clerks have recorded the vote. The committee is required to indicate formally that it has considered and agreed to each section of the bill, so I will put a question on each section at the appropriate point.

Section 1 agreed to.

Schedule 1—The Scottish Administration

The Convener: Amendment 1, in the name of the cabinet secretary, is grouped with amendments 2 to 6.

Shona Robison: The six proposed amendments will update the bill to reflect the changes that I communicated to the committee in my letter of 28 January 2025. The changes arise from the Scottish Government's having reached separate agreements with the Scottish Liberal Democrats and the Scottish Green Party on supporting the budget, which will deliver on shared priorities and ensure stability for Scotland's public services.

Taken together, amendments 1 to 4 will amend schedule 1 to increase the maximum spend across four ministerial portfolios. They will authorise a combined total of £16.7 million of additional funding for the health and social care portfolio, the education and skills portfolio, the transport portfolio and the net zero and energy portfolio.

Amendment 1 will increase the health and social care portfolio allocation by £3.5 million. That will provide £2.5 million for drug and neonatal services and a further £1 million for hospice investment.

Amendment 2 will increase the education and skills portfolio allocation by £7.2 million. That will provide the college sector with £3.5 million for the offshore wind skills programme and the college care skills programme. It will also provide £0.7 million for continuation of support for Corseford College and £3 million for the extension of free school meals eligibility in secondary schools, with a test-of-change phase for secondary 1 to 3 pupils who are in receipt of the Scottish child payment in eight local authority areas.

Amendment 3 will increase the transport portfolio allocation by £3 million to establish a £2 bus fare cap pilot in a regional transport partnership area.

Amendment 4 will increase the net zero and energy portfolio allocation by £3 million to provide further investment in nature restoration activities.

To take account of that additional authorised spend, amendment 5 will amend schedule 1 to increase by £16.7 million the total amount of resources that the Scottish Administration will be authorised to use.

Finally, amendment 6 will amend section 4 as a consequence of amendments 1 to 5. It will increase the Scottish Administration’s overall cash authorisation by £16.7 million so that the Government can draw down the necessary funds to cover the additional spend that I have set out.

I urge members to support the amendments in the group.

I move amendment 1.

The Convener: No members have indicated that they wish to comment, so I invite the cabinet secretary to wind up.

Shona Robison: I have nothing to add.

Amendment 1 agreed to.

Amendments 2 to 5 moved—[Shona Robison]—and agreed to.

Schedule 1, as amended, agreed to.

Section 2 agreed to.

Schedule 2 agreed to.

Section 3 agreed to.

Schedule 3 agreed to.

Section 4—Overall cash authorisations

Amendment 6 moved—[Shona Robison]—and agreed to.

Section 4, as amended, agreed to.

Sections 5 to 11 agreed to.

Long title agreed to.

The Convener: That concludes stage 2 consideration of the bill. I thank the cabinet secretary. The stage 3 debate is due to take place next Tuesday.

That concludes the public part of our meeting. Our next agenda item, which will be taken in private, is consideration of a proposed contingent liability.

11:51

Meeting continued in private until 12:26.

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

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