



House of Commons
Scottish Affairs Committee

Work of the Committee in 2005

First Report of Session 2005–06



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Report, together with formal minutes

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The Scottish Affairs Committee

The Scottish Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Scotland Office (including (i) relations with the Scottish Parliament and (ii) administration and expenditure of the office of the Advocate General for Scotland (but excluding individual cases and advice given within government by the Advocate General)).

Current membership

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Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/parliamentary_committees/scottish_affairs_committee.cfm

Committee staff

The current staff of the Committee are Mike Clark (Clerk), Diane Nelson (Committee Assistant) and Camilla Brace (Secretary).

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1 Introduction

1. This year's Annual Report from the Scottish Affairs Committee covers not only two Sessions, as is usual, but two separate Parliaments, due to the General Election held on 5 May 2005. The Committee has undergone an almost total change of membership since the Election, as only 2 members of the previous Committee were reappointed to it. Of the 9 Members new to the Committee, 8 were new to the House itself. It would be remiss of us not to place on record our thanks to our colleagues on the former Committee; in particular, we wish to note the work of the former Chairman, Irene Adams, now raised to the Peerage as Baroness Adams of Craigielea, and of Peter Duncan and John Lyons, neither of whom were returned to the House after the Election.

2. The Committee's concentration during the 2001–05 Parliament on short, sharp inquiries of a wide and varied nature continued to prove popular with both the public and the media. At the start of this Parliament, we agreed that the previous Committee's successful method of working should continue.

3. As we stated in last year's Annual Report¹, devolution has resulted in many responsibilities of the former Scottish Office being transferred to the Scottish Executive, and therefore many of the objectives and tasks for departmental select committees set by the Liaison Committee do not apply to this Committee. Our Report is therefore not structured by reference to the 10 "core tasks",² but we do seek to reflect the overarching objectives identified by the Liaison Committee.

2 Reports

4. During Session 2004–05 we produced two Reports, both of which were published during calendar year 2005.³ In addition, the Committee published one set of evidence on the inquiry into the *Implications for Grangemouth of BP's plans for its petrochemicals business* on a free-standing basis, (having held two evidence sessions the previous year) as it was not thought necessary to produce a Report on that particular inquiry. We also published one free-standing memorandum, *Spring Supplementary Estimate 2005: Explanatory Memorandum by the Scotland Office*.

5. During Session 2005–06 we published one Special Report in the calendar year, and one set of free-standing evidence on the *Scotland Office Annual Report 2005*.

6. In 2003 we reported that the previously unacceptable situation concerning the delay in the Government responding to the Committee's Reports seemed to have been rectified,⁴ and last year reported that this improvement had continued.⁵ However, in July this year we

1 Scottish Affairs Committee, First Report, Session 2004–05, *Work of the Committee in 2004*, HC (2004–05) 277, para 2.

2 See Liaison Committee, First Report, Session 2002–03, *Annual Report 2002–03*, HC (2002–03) 558, Appendix 3.

3 Details can be found in the Annex, p 11.

4 Scottish Affairs Committee, Second Report, Session 2003–04, *Work of the Committee in 2003*, HC (2003–04) 344, para 8.

5 Scottish Affairs Committee, First Report, Session 2004–05, *Work of the Committee in 2004*, HC (2004–05) 277, para 4.

felt it necessary to write to the Scotland Office stating our concern that the Government response to the Committee's Report on *Meeting Scotland's Future Energy Needs*, published on 23 March 2005, would not be available until after the House returned from its Summer Adjournment on 10 October 2005.

7. Whilst we appreciated that the Scotland Office had to consult with, and coordinate the response from, the Department of Trade and Industry, we reminded the Scotland Office that Government Departments are expected to respond to a Select Committee Report within two months of its publication, and considered that the four months since the release of the Report had been ample time in which to respond. We expressed the hope that the delay in responding to our Report did not indicate a return to the previously unacceptable situation.

8. Our other Report published in 2005, *Work of the Committee in 2004*, did not require a Government response.

3 Inquiries

9. During Session 2004–05, the Committee undertook an inquiry into *Meeting Scotland's Future Energy Needs*. All of the evidence sessions on this inquiry were held at Westminster during 2005. The inquiry arose from our November 2004 visit to the United Kingdom Atomic Energy Authority (UKAEA) site at Dounreay, as one of the series of informal briefing meetings we hold regularly in Scotland. In this case, we wanted to ascertain how the UKAEA management and the Dounreay workforce were meeting the challenge of decommissioning the site.

10. At the time we undertook the visit, we did not intend our on-site discussions to develop into a full-scale inquiry. However, it became apparent that there were three issues which had to be addressed formally; (i) the future job prospects for people currently employed at the Dounreay plant when it was finally decommissioned; (ii) the long-term strategy for the management of radioactive waste, in particular, intermediate-level waste; and (iii) how could the shortfall in energy output be met once nuclear power no longer provided Scotland's energy needs?

11. Oral evidence was taken from the United Kingdom Atomic Energy Authority (UKAEA), from the Scottish Renewables Forum (including representatives from Scottish Coal, from Wavegen and from ScottishPower), from Professor James Lovelock and from Scottish and Southern Energy.

12. As background for our inquiry, in February we visited Illinois and California in the United States. In Chicago, the Committee met or visited representatives from the Economic Development Department of Zion (a small city to the north of Chicago which, because of the recent closure of a nuclear power plant in the city, was experiencing problems similar to those which could be faced by Thurso), Exelon Nuclear, to discuss spent fuel and decommissioning strategy, and the Chicago Green Technology Centre (the Mayor's showcase for sustainable architecture and alternative energy sources). The Committee also met officials from the US Department of Energy, the Illinois Department of Commerce and Economic Opportunity and the City of Chicago Department of Energy.

13. In Sacramento, the Committee visited the California Energy Commission, to discuss California State policies and practices in the decommissioning of facilities and renewable energy programs and the Sacramento Municipal Utility District, including a visit to the Rancho Seco nuclear facility to discuss experiences in decommissioning the facility . The Committee also met with representatives of the Northern California Power Agency, Navigant Consulting, Theroux Environmental, Beckley Singleton and the Lawrence Berkeley National Laboratory, organisations specialising in renewable energy technologies. In San Francisco we met with the San Francisco Public Utilities Commission.

14. The Committee published its Report on 23 March 2005, with the Government's response being received on 10 October and published on 24 October. The Committee's conclusions and recommendations (**in bold**), together with the Government's comments (*in italics*), are summarized below.

15. Before any final, irreversible, decisions on what sorts of power generation were the most appropriate for Scotland were taken, the Government should undertake an audit of the energy resources currently available, and to use that audit as a basis to work out the energy requirements that would be needed in the future.

The debate was not about renewables vs. conventional as both would be needed. The energy audit must be on the basis that all current forms of energy would be necessary.

The Government remained committed to the framework for UK energy policy set out in the 2003 Energy White Paper, in which a commitment was made to keep progress towards its energy policy goals under review through, for example, the work of the Joint Energy Security of Supply Working Group and the Climate Change Programme Review.

In delivering carbon reductions, developing energy efficiency and renewable energy were priorities, but the Government agreed that no one single form of generation would be the solution to future energy needs.

16. It was unwise to assume that “emerging technologies” could meet a quarter of the renewable proportion of Scotland's energy needs, and urged further research and development to ascertain their viability.

Scotland had good renewables resources (i.e. biomass, solar, wave and tidal) which were important to achieving the UK 2010 target for 10% of the UK's energy supply to come from renewables. However, it was not yet possible to assume that emerging renewables could meet a quarter of the renewables proportion of Scotland's energy needs.

17. Coal must have a part to play in meeting Scotland's future energy needs; therefore, coal-burning power stations in the UK must be fitted with the equipment necessary to capture carbon dioxide and sulphur. The Government should show its commitment to the UK coal industry by underwriting the cost of providing and installing such equipment at coal-burning power stations.

The Chancellor announced that the Climate Change Programme Review would investigate the potential for incentives to encourage the deployment of Carbon Capture

and Storage Technologies.

18. Nuclear fusion could be a major source of power in the future, although more research may be required.

Nuclear fusion had the potential to provide a new long-term source of energy and, as there were no greenhouse gas emissions from fusion during its operation, it was an energy source that would not contribute to global warming. Nuclear fusion would also create manageable waste and little risk to public health and safety; however, a commercial power plant was still a long way off, because of the scientific and technological challenges posed by harnessing the energy created from a fusion reaction.

19. The Scottish Executive must clarify its position and state whether the “40 per cent renewables” refers to generation or consumption.

This was a matter for the Scottish Executive.

20. A fundamental, and immediate, review of the transmission charging regime must take place.

Management of the electricity market, including charges to meet the costs of providing the high voltage transmission grid, entailed balancing the interests of different generators and the range of interests of those who distribute and use electricity. Oversight of the electricity market was the responsibility of the independent Regulator, Ofgem.

In preparing to introduce the single GB-wide electricity market under BETTA from April 2005, the National Grid Company, as operator of the transmission grid, and Ofgem consulted widely on the approach to setting charges fair to all concerned.

21. The best way of ensuring the maintenance of Scotland’s energy supply was by conserving energy, and the Committee commended the Government’s Energy Efficiency campaign.

The Government welcomed the Committee’s recognition of its campaign.

22. The Committee commended those companies who, under the Energy Efficiency Commitment, were helping priority households to lower their energy costs by providing free loft and cavity wall insulation, and those builders who were incorporating, solar panels, for example, as standard in or on their new build homes and office blocks.

The Government recognised the significant role of the Energy Efficiency Commitment (EEC) in contributing to the Climate Change Programme by cutting greenhouse gas emissions. In providing particular help to low-income consumers, it is expected that the EEC will also assist in the alleviation of fuel poverty.

23. The Government should continue to improve through national regulations, the standard of building construction, both commercial and residential to ensure that maximum energy efficiency was realised, and provide tax incentives, eg reductions in VAT, to encourage a rigorous energy audit before any substantial development, so that

the developer worked towards a zero or minimal net energy demand. This should be extended to existing homes.

Under the EU Energy Performance of Buildings Directive, the energy certification of all buildings would become mandatory whenever they are constructed, sold, or rented out. This Directive enters into force in January 2006. In Scotland, implementation would be overseen by the Scottish Building Standards Agency.

24. The Committee agreed with the House of Lords Science and Technology Committee's conclusions on the management of nuclear waste, and stated that neither the Committee on Radioactive Waste Management (CoRWM) nor the Government should be allowed to miss the July 2006 target date for a final decision on how such waste should be managed.

Radioactive Waste Policy was devolved, although CoRWM was jointly appointed by Scottish Ministers along with the Secretary of State for Environment, Food and Rural Affairs and Environment Ministers for Wales and Northern Ireland. The Government's response to the House of Lords Science and Technology Committee's December 2004 report on Radioactive Waste Management said that the need to have CoRWM's recommendations by July 2006 had been repeatedly stressed to the Committee.

25. The UKAEA was doing all it could to assist its Dounreay workforce who were facing an unsure future, and that the Government should listen to any proposals put forward by UKAEA or the Nuclear Decommissioning Authority (NDA) to ensure that the workforce were given all possible support. Dounreay contributed approximately £80 million into the Highlands through salaries, pensions, contracts and sub-contracts. Caithness and the rest of the Highland Region must be assisted also to overcome the problems which could ensue in a few years' time.

NDA would work closely with local communities around all its sites to alleviate the socio-economic impact of decommissioning and ultimate closure of those sites. The NDA would continue to fund the work that BNFL and UKAEA were formerly doing. The DTI and the Scottish Executive expect NDA to provide advice on how this important work should be taken forward in the longer term.

26. The Committee was able to secure a Westminster Hall Debate on its Report and the Government's response.⁶ This took place on 1 December, and was highly successful, with approximately two dozen Members attending the debate, and 14 speaking (not including interventions). It is likely that this success was due, at least partly, to the fortuitous timing of the debate taking place just two days after the Prime Minister had announced a major energy review. In his winding-up speech, the Parliamentary Under-Secretary of State for Scotland paid the Committee this tribute:

6 See *Official Report*, 1 December 2005, cols. 151WH-200WH.

“...undoubtedly the issues it addressed and identified with great perspicacity also contributed, in the wider body politic, to the review’s announcement”.⁷

27. It is clear that this was an inquiry of major importance, with implications for the whole of the UK, not just Scotland. We intend to keep the matter under review, and may well return to the subject at a later date.

28. The first major inquiry this Parliament has been into *The Potential Benefits for Scotland of the 2012 Olympics*. Oral evidence has been taken from British Olympic Association and the London Organising Committee for the Olympic Games, the Convention of Scottish Local Authorities, **sportscotland** and EventScotland, Scottish Enterprise, the Rt Hon Richard Caborn MP, Minister of State, Department for Culture, Media and Sport and Ms Patricia Ferguson MSP, Minister for Tourism, Culture and Sport, the Scottish Executive. This inquiry will continue into 2006.

29. Partly in response to a report from Procedures Committee of the Scottish Parliament on the Sewel Convention,⁸ (ie, the convention that the UK Parliament would not normally legislate with regard to devolved matters in Scotland without the consent of the Scottish Parliament), we agreed also to hold an inquiry, to begin at the start of 2006, into *The Sewel Convention: the Westminster perspective*.

30. The inquiry will not consider Sewel Motions *per se*, but rather how Members of Parliament can be better made aware that a particular Bill before the House of Commons has been subject to a Sewel Motion in the Scottish Parliament – for example, perhaps by a more formal communication between Holyrood and Westminster – and how such Motions are scrutinised at Westminster, and to consider the possible changes to Westminster procedures promulgated by the Procedures Committee.

4 Expenditure

31. The annual oral evidence session with Ministers on the Scotland Office Departmental Report⁹ was held on 19 October. Due to the delay in taking evidence from Ministers because of the General Election, the Committee was able to submit written detailed expenditure questions arising from the Departmental Report before their appearance, and the Scotland Office’s responses were, therefore, available in time for the evidence session. The replies to our questions were published with the Minutes of Evidence.¹⁰

32. Last year was the first year Government Departments had produced Explanatory Memoranda on the relevant sections of the Winter Supplementary Estimate, and the Committee also considered the Memorandum from the Scotland Office, which set out the Department of Constitutional Affairs’ revised provisions relating to the administrative costs of the Scotland Office and the grant to the Scottish Executive. As it would not

7 *Ibid*, col 199WH.

8 *The Sewel Convention*, Procedures Committee, 7th Report, 2005, Scottish Parliament Paper 428, October 2005

9 Cm 6554.

10 HC (2004–05) 580–i pp. 1–11.

otherwise have been printed, the Committee decided that it be appended to last year's Report.

33. For the same reason, the Committee decided that the Explanatory Memorandum from the Scotland Office on the Spring Supplementary Estimate 2005 should also be made available, and therefore published it, together with an exchange of correspondence with the Head of the Scotland Office, as a free-standing Memorandum.¹¹

34. We consider the Committee's initiative in publishing the Explanatory Memoranda is one which might usefully be followed by all Departmental Select Committees; we will certainly continue to do so. This year's Explanatory Memorandum by the Scotland Office on the Winter Supplementary Estimate is, therefore, appended to this Report.¹²

5 Relations with the Scottish Parliament

35. Our remit under S.O. No. 152 includes relations with the Scottish Parliament, a responsibility we consider to be of high importance. The previous Committee had held a useful meeting with the Conveners' Liaison Group of the Scottish Parliament in 2002, and this Committee agreed that it should do likewise and meet with the current Conveners' Group to exchange views and information and discuss matters of mutual concern.

36. However, the response from the Chair of the Conveners' Group suggested instead that it might be more useful for us to meet with individual Holyrood committees whose work programmes might include topics of mutual interest.

37. The Scottish Parliament's Procedures Committee, in its Report on *The Sewel Convention*, has suggested some possible procedural changes at Westminster "in a spirit of constructive inter-Parliamentary dialogue"¹³. It is in such a spirit that we will pursue our inquiry, mentioned in paragraphs 29 & 30 above, into Sewel business in the House of Commons.

38. However, our inquiry, and our work generally, would be assisted if we could persuade the Scottish Parliament's Conveners' Group to engage with us in a regular pattern of meetings, similar to those adopted in the last Parliament whereby the Welsh Affairs Committee held a meeting with the equivalent body, the Panel of Chairs of the National Assembly for Wales, every six months.

6 Public Bodies

39. The Scotland Office sponsors one Public Body, the Boundary Commission for Scotland, which reviews Scottish Parliamentary constituencies. The Committee did not meet with the Commission during 2005.

11 HC (2004-05) 546.

12 See p 13.

13 *The Sewel Convention*, Procedures Committee, 7th Report, 2005, Scottish Parliament Paper 428, October 2005, para. 203.

7 Visits

40. The Committee continues to place much emphasis and value on our visits to Scotland; however, because of the Election, we were able to undertake only one such visit during 2005—to the grid system operation in Kirkintilloch.

Annex

Reports, Evidence and Memoranda published in 2005

Reports

First Report	Work of the Committee in 2004	HC (2004-05) 277
Second Report	Meeting Scotland's Future Energy Needs	HC (2004-05) 259-I & II
First Special Report	Meeting Scotland's Future Energy Needs: Government Response to the Committee's Second Report of Session 2004-05	HC (2005-06) 579

Minutes of Evidence

Minutes of Evidence	Implications for Grangemouth of BP's Plans for its Petrochemicals Business (Incorporating HC 905-I & II. Session 2003-04)	HC (2004-05) 278
Minutes of Evidence	Scotland Office Annual Report 2005	HC (2005-06) 580-i

Memoranda

Memorandum	Spring Supplementary Estimate 2005: Explanatory Memorandum by the Scotland Office	HC (2004-05) 546
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Formal minutes

Tuesday 17 January 2006

Members present:

Mr Mohammad Sarwar, in the Chair

Gordon Banks

Ms Katy Clark

Mr Ian Davidson

Mr John MacDougall

Mr Angus MacNeill

David Mundell

Mr Charles Walker

The Committee deliberated.

Draft Report (Work of the Committee in 2005), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1– 40 read and agreed to.

Annex agreed to.

A Paper was ordered to be appended to the Report.

Resolved, That the Report be the First Report of the Committee to the House.

The Committee deliberated further.

[Adjourned till Tuesday 31 January at 4.00 pm.]

Appendix

Memorandum submitted by the Scotland Office

This memorandum provides information in relation to the Winter Supplementary Estimate for the Scotland Office. The provision for the Scotland Office (including the Grant to the Scottish Executive) is carried as a separate Request for Resources on the Main Estimates for the Department for Constitutional Affairs.

Supplementary Expenditure Details

In the Supplementary, the Scotland DEL will be increased by £59,014,000 from £23,306,369,000 to £23,365,383,000. This includes:

- (i) take up of resource EYF by the Scottish Executive of £34,814,000 (all near cash) to fund spending commitments in the current financial year
- (ii) other transfers to and from other departments as detailed below.

A number of changes in the DEL arise from transfers to and from other departments. Details are:

- (i) Transfers of £21,107,000 from HM Treasury in respect of Budget 2005 consequentials. This is made up of a transfer of £1,107,000 from the Invest To Save Budget allocation and a transfer of £20,000,000 to assist with the costs of the G8 summit.
- (ii) A transfer of £3,750,000 from the Department for Transport in respect of the transfer of Strategic Rail Authority functions to Scottish Ministers.
- (iii) Transfers of £600,000 to the Department for Work and Pensions. This is made up of a transfer of £215,000 in respect of the Council Tax Benefit Administration Subsidy and £385,000 for the Housing Benefit Administration Subsidy.
- (iv) A transfer of £47,000 to the Department of Health for the Scottish contribution to High Security Infectious Diseases Units.
- (v) A transfer of £10,000 to the Home Office in respect of security at Holyroodhouse.

As a result of these changes there is an increase in the Net Cash Requirement of £59,014,000.

The grant to the Scottish Consolidated Fund increases by £59,014,000 from £20,876,903,000 to £20,935,917,000 (which will be rounded in the Supplementary Estimate to £20,936m).

A Grant reconciliation table is attached at Annex A.

21 November 2005

Annex A

GRANT PAYABLE TO THE SCOTTISH CONSOLIDATED FUND

£ million	Position at Main Estimate	Winter Supplementary Changes	Position following Winter Supplementary
Expenditure Classified as DEL	23,306.369		23,365.383
Transfers			
add:			
End Year Flexibility		34.814	
Invest to Save Budget		1.107	
G8		20.000	
Trans from DfT (SRA)		3.750	
less:			
Trans to DH (infectious diseases)		-0.047	
Trans to DWP (CTB)		-0.215	
Trans to DWP (HB)		-0.385	
Trans to HO(Holyroodhouse Security)		-0.010	
Expenditure Classified as AME	2,394.838	0.000	2,394.838
Non Domestic Rates Income	2,008.817	0.000	2,008.817
Total Managed Expenditure	27,710.024	59.014	27,769.038
add:			
Repayments of principle of existing (pre 1 April 1999) debt to National Loans Fund	10.000		10.000
Student Loans	181.346		181.346
	191.346		191.346
less:			
Supported Borrowing by Local Authorities	345.467		345.467
Non Domestic Rates Income	2,008.817		2,008.817
European Structural Funds Receipts (ESF & ERDF)	148.277		148.277
National Insurance Fund			
Payments towards Scottish National Health Service	1,405.546		1,405.546
Rural Payments Agency receipts supporting expenditure in DEL	9.068		9.068
Rural Payments Agency receipts supporting expenditure in AME	436.240		436.240
Non Voted expenditure	11.500		11.500
	4,364.915		4,364.915
Cash to accruals adjustments			
depreciation	295.648		295.648
cost of capital	662.027		662.027
movement on working capital	0.010		0.010
transfers and net movements on provisions	16.000		16.000
Resource to cash adjustments for NDPBs	22.072		22.072
Impairments	20.000		20.000
Resource to cash adjustments for NHS and Teachers Pensions	1,643.795		1,643.795
	2,659.552		2,659.552
Grant payable to Scottish Consolidated Fund	20,876.903	59.014	20,935.917

