



House of Commons
Scottish Affairs Committee

Work of the Committee in 2006

First Report of Session 2006–07

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

Mr Mohammad Sarwar MP (*Labour, Glasgow Central*) (Chairman)
Danny Alexander MP, (*Liberal Democrat, Inverness, Nairn, Badenoch & Strathspey*)
Ms Katy Clark MP, (*Labour, North Ayrshire & Arran*)
Mr Ian Davidson MP, (*Labour, Glasgow South West*)
Mr Jim Devine MP (*Labour, Livingston*)
Mr John MacDougall MP, (*Labour, Glenrothes*)
Mr Jim McGovern MP, (*Labour, Dundee West*)
Mr Angus MacNeil MP, (*SNP, Na h-Eileanan An Iar*)
David Mundell MP, (*Conservative, Dumfriesshire, Clydesdale and Tweeddale*)
Mr Charles Walker MP, (*Conservative, Broxbourne*)
Mr Ben Wallace MP, (*Conservative, Lancaster & Wyre*)

The following Member was also a member of the Committee during the year:

Gordon Banks MP, (*Labour, Ochil & South Perthshire*)

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
A list of Reports of the Committee in the current Parliament is at the back of this volume.

Committee staff

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

Contacts

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1 Introduction

1. 2006 has been a particularly productive year for the Scottish Affairs Committee, and the Committee's decision at the start of this Parliament to concentrate on short, sharp inquiries of a wide and varied nature has continued to prove a wise decision.
2. The Annual Reports produced by the Scottish Affairs Committee differ from those produced by the majority of departmental select committees and, as in previous years, we reiterate that, with devolution resulting in many responsibilities of the former Scottish Office being transferred to the Scottish Executive, many of the objectives and tasks for departmental select committees set by the Liaison Committee do not apply very closely to this Committee. Our Report is therefore not structured by reference to the 10 "core tasks",¹ but we do seek to reflect the overarching objectives identified by the Liaison Committee.
3. As they were not asked by the Liaison Committee to do so, most departmental select committees did not produce an Annual Report for the calendar year 2005. In the event, the Scottish Affairs Committee considered it important that the people of Scotland knew what this Committee had achieved during the year, and so produced an Annual Report for 2005.² Although most departmental select committees' Annual Reports published in 2007 will, therefore, detail their actions during both 2005 and 2006, a record of this Committee's actions from when it was appointed in July 2005 until December 2005 is available in our Report from last year.

2 Reports

4. During Session 2005–06 we produced four Reports, all of which were published during calendar year 2006 and two Special Reports, one of which was published during the year.³ In addition, during 2006 the Committee published the oral evidence we had taken *on The Potential Benefits for Scotland of the 2012 Olympics* and on the *Scotland Office Annual Report 2006*. We also published one free-standing memorandum, *Spring Supplementary Estimate 2006: Explanatory Memorandum* by the Scotland Office.
5. Whilst in the past we have expressed some concern over the delay in the Scotland Office responding to our Reports,⁴ we are pleased to report that there have been no such delays in 2006, and the Government has responded to our Reports, which needed a reply, within the requisite amount of time.
6. Our First Report, published on 24 January, *Work of the Committee in 2005*, did not require a Government response. The Committee's Second Report, *Meeting Scotland's Future Energy Needs: the Westfield Development Centre*, published on 29 March, was a

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

2 Scottish Affairs Committee, First Report, Session 2005–06, *Work of the Committee in 2005*, HC (2005–06) 836.

3 Details can be found in the Annex, p 10.

4 See, for example, Scottish Affairs Committee, First Report, Session 2005–06, *Work of the Committee in 2005*, *op cit*, paras 6–7.

record of an informal meeting held at the Centre's advanced fuel technology and gasification plant, and although it did not require a Government response as such, we understand that the Government took up the Committee's suggestion that it meet with the people at Westfield to discuss the innovative work being undertaken at the site.

7. The Third Report, *Putting Citizens First: the Report from the Commission on Boundary Differences and Voting Systems*, was published on 16 May. Essentially, this was an information report, but we made a formal request that a Scottish Grand Committee be held to consider the matter of *Putting Citizens First: Boundaries, Voting and Representation in Scotland*,⁵ and recommended that such a meeting of a Grand Committee be held before the Government made any substantive response to that report. The Secretary of State for Scotland responded positively to our request, and a Westminster Hall debate was held, in Government time, on 20 July.⁶

8. Our Fourth Report, *The Sewel Convention: the Westminster perspective* was published on 19 June; the Government's response was received on 20 July and published on 17 October.

3 Inquiries

9. The Committee's first inquiry during the year was into *Meeting Scotland's Future Energy Needs: the Westfield Development Centre*, which followed up the Committee's inquiry in the previous Parliament into *Meeting Scotland's Future Energy Needs*.

10. For this inquiry, we did not take formal evidence, but instead drew on an informal meeting held at the Westfield Development Centre in Fife, where we were given presentations by Mr Joe Noble, Chief Executive of Scottish Enterprise Fife, Mr Chris Parr, Managing Director of Tullis Russell, Mr Dacre Purchase, Managing Director of Scottish Coal, Mr Peter Dobson of Scottish and Southern Energy's Generation Division, and Mr Harry Graves, Managing Director, and Mr David McDougall, Finance Director, of Fife Energy Limited.

11. We considered the Westfield site could make a valuable contribution to Scotland's energy supply, and we shared their management's disappointment that the Minister for Energy had, so far, been unable to visit the site or to invite the Westfield personnel to London. As stated in paragraph 6 above, however, we understand that our Report obtained its objective by persuading the Department of Trade and Industry to speak to the Centre.

12. The inquiry into *Putting Citizens First: the Report from the Commission on Boundary Differences and Voting Systems* arose from the Report from Commission on Boundary Differences and Voting Systems ("the Arbuthnott Commission"), which was published on 19 January. The Commission had been established by the Secretary of State for Scotland in May 2004 to consider the consequences of having four separate voting systems for elections in Scotland and having different constituency boundaries for elections to Westminster and to Holyrood.

5 Published by The Stationery Office, Edinburgh, January 2006, ISBN 0 10 888179 2.

6 *Official Report*, 20 July 2006, cols. 141WH-190WH.

13. The Committee took evidence from Professor Sir John Arbuthnott and Dr Nicola McEwen of the Arbuthnott Commission, and our Report highlighted several matters which we considered needing clarifying before the Government responded to the Commission's report.

14. The Committee's other inquiry completed during the year was into *The Sewel Convention: the Westminster perspective*. Sewel motions, now officially called "legislative consent motions", express the consent of the Scottish Parliament to Westminster legislating for the UK on matters which might be legislated at Holyrood, although as section 28(7) of the Scotland Act makes clear, such consent is not a statutory requirement.⁷ Towards the end of 2005, we announced that we would be holding an inquiry, not into Sewel motions *per se*, but rather how Members of Parliament could be better made aware that a particular Bill before the House of Commons had been subject to a Sewel motion in the Scottish Parliament, and other possible changes to Westminster procedures suggested by the Procedures Committee of the Scottish Parliament in its own report.

15. In March, we held four evidence sessions. In Edinburgh, we took evidence from Mr Donald Gorrie MSP, the Convener, Ms Karen Gillon MSP, the Deputy Convener, Mr Alex Johnstone MSP, and Mr Andrew Mylne, the Committee Clerk, of the Procedures Committee of the Scottish Parliament; at Westminster, we took evidence from Ms Margaret Curran MSP, Minister for Parliamentary Business, Mr Murray Sinclair, Head, Constitution and Parliamentary Secretariat, and Mr Paul Allen, Head, Constitutional Policy Unit, the Scottish Executive and from Mr David Cairns MP, the Parliamentary Under-Secretary of State for Scotland, Dr Jim Wildgoose, the Head of Scotland Office, and Mr Glenn Preston, Head of the Scotland Office's Constitutional Branch; from Mr Roger Sands, the (then) Clerk of the House of Commons, and Mr Frank Cranmer, the (then) Clerk of Bills, House of Commons; and from Mr Barry K Winetrobe, Reader in Law, Napier University.

16. The Committee published its Report on 19 June,⁸ and launched it at a press conference held in Edinburgh. We were delighted that the Convener of the Scottish Parliament's Procedures Committee, Donald Gorrie MSP, was able to accept our invitation to participate actively in the press conference. This was the first time an MSP had taken part—and we believe it was the first time a Member of any devolved legislature had taken part in any select committee's press conference. The Government replied positively to the recommendations contained in the Report. We set out the Government's responses to those recommendations below.

17. The Government welcomed the Committee's recommendation that the Clerk of the Scottish Parliament should formally communicate the outcome of that Parliament's consideration of Sewel motions to the Clerks of the two Houses of Parliament, saying that, "combined with the recommendation to "tag" relevant Bills, [it] should serve to increase

7 See section 28(7) of the Scotland Act which states "This section does not affect the power of the Parliament of the United Kingdom to make laws for Scotland".

8 Scottish Affairs Committee, Fourth Report, Session 2005–06, *The Sewel Convention: the Westminster perspective*, HC (2005–06) 883.

the awareness at Westminster of those Bills that include provisions that trigger the Sewel Convention and therefore require the consent of the Scottish Parliament.”⁹

18. The Government welcomed our recommendation to "tag" the Order Paper in the relevant House to alert Members that the Scottish Parliament had agreed a legislative consent motion in respect of provisions in a UK Bill. The Government also welcomed the recommendation that the text of the resolution be made available in the Vote Office.¹⁰

19. In response to our recommendation on improving a Bill's Explanatory Notes, the Government said it intended “to introduce a new section in Explanatory Notes that will state explicitly if the Scottish Parliament's consent is required for provisions in a Bill, when this is known at the time of Introduction. The relevant provisions will also be identified. This will supplement the existing Territorial Extent statement to be included in Explanatory Notes, by explaining which provisions, will trigger the Sewel Convention. The addition to Explanatory Notes should provide a greater degree of clarity to readers.”¹¹

20. The Government was also “happy to accept the Committee's recommendation to include a list of Bills with the Secretary of State for Scotland's Written Ministerial Statement that are identified at the time of the Queen's Speech as including provisions which trigger the Sewel Convention”. However, it pointed out that “such a list will not necessarily be exhaustive [since] ... the Legislative Programme needs to retain flexibility and additional measures can be brought in to meet emerging priorities.”¹²

21. As we considered current procedures were working well, the Committee recommended no change to how the House dealt with those Private Members' Bills (PMBs) which might apply to devolved matters. The Government welcomed “the Committee's acknowledgement of the of the success of the procedures in place for PMBs.”¹³

22. The Government response was less positive, however, about the Committee's comments less directly related to the workings of the Sewel Convention. In particular, the Government was unconvinced of the merits of a “Super” Scottish Grand Committee (comprising MPs, MSPs and Scottish MEPs), saying it “could put at risk the distinction between legislatures' responsibilities and would potentially blur lines of accountability”.¹⁴ In response to the Committee's comments on the West Lothian Question, the Government reiterated its commitment to devolution and to retaining a single class of MP in the House of Commons.¹⁵

23. The Committee's first recommendation was one to which the Scottish Parliament had to respond favourably; this they have now done, and we understand, at the time of agreeing this Report, that the Clerk of the Scottish Parliament and the Clerk of Bills have almost

9 Scottish Affairs Committee, Second Special Report, Session 2005–06, *The Sewel Convention: the Westminster perspective: Government Response to the Committee's Fourth Report of Session 2005–06*, HC (2005–06) 1634, para 2.

10 *Ibid*, para 3.

11 *Ibid*, para. 6.

12 *Ibid*, paras 7–8.

13 *Ibid*, para 9.

14 *Ibid*, para 12.

15 *Ibid*, para 14.

finalised the arrangements to introduce these new arrangements. We believe, however, that it would be appropriate for the House of Commons to have an opportunity formally to endorse these arrangements, which represent a significant step in inter-institutional arrangements between the legislatures, rather than the executives, and we hope that the Leader of the House finds time to provide an opportunity for this to be done.

24. It is highly unusual for a departmental select committee to propose new working procedures for the House—it must be almost unique to have them accepted—so we wish to record our appreciation to both the Government and to the Scottish Parliament for their constructive responses to our Report.

25. The Committee has also taken evidence on *The effects of tax increases on the oil industry*, from Mr Malcolm Webb, Chief Executive, and Mr Mike Tholen, Economics and Commercial Director, UK Offshore Operators Association (at a session held in Aberdeen), from Mr Dave Blackwood, Director, BP North Sea and Dr Rebecca Brown, Finance Manager, Apache North Sea Ltd and from Ms Judith Knott, Head of Corporate Taxation Team, HM Treasury, Ms Jo Wakeman, Head of North Sea Branch, Corporate Taxation Team, HM Treasury, and Mr Edward Zamboni, Assistant Director and Head of Large Business and International Analysis, HM Revenue & Customs.

26. In May, we announced that we would be undertaking a major inquiry into *Poverty in Scotland*. We stated that the inquiry would address issues such as:

- What is poverty?
- The extent of poverty
- Contributing factors
- Impact of Government policy on poverty.

27. The inquiry would cover poverty in both urban and rural areas of Scotland and would also include the availability of affordable money and the activities of loan sharks, as well as major Government programmes, such as *Welfare to Work*.¹⁶

28. In December, we started the inquiry off by visiting the Highland Region and taking formal evidence in Inverness from Mr Cameron Stark, honorary clinical senior lecturer, Centre for Rural Health, Mr Fraser Parr, Chairperson, Inverness Trades Council, and Mr Sandy Brady, Highlands & Islands Enterprise and from Ms Carron McDiarmid, Head of Policy and Performance, Highland Council, Ms Carol Greer, Advisory Officer, Citizens Advice Scotland, and Ms Philomena de Lima, Development Officer, UHI Policy Web.

16 See Press Notice No. 16, 22 May 2006.

4 Expenditure

29. The annual oral evidence session with Ministers on the Scotland Office Departmental Report¹⁷ was this year held on 4 July.¹⁸ As is usual, the oral evidence concentrated mainly on policy and administration matters, with the Committee sending the Scotland Office a set of detailed written questions dealing with expenditure matters. The Department's responses to those questions were appended to the published oral evidence.¹⁹

30. Since 2004, Government Departments have produced Explanatory Memoranda on the relevant sections of the Winter Supplementary Estimate and of the Spring Supplementary Estimate, and the Committee receives a memorandum from the Scotland Office setting out the Department for Constitutional Affairs' revised provisions relating to the administrative costs of the Scotland Office and the grant to the Scottish Executive.

31. As the Committee considered that such Memoranda would not otherwise be readily available, we took the initiative that the Explanatory Memorandum by the Scotland Office on the Winter Supplementary Estimate should be appended to the relevant Annual Report,²⁰ and that the Explanatory Memorandum on the Spring Supplementary Estimate should be published as a free-standing Memorandum.²¹ We have followed that practice this year by publishing the Explanatory Memorandum on the Spring Supplementary Estimate 2006 on 16 May²² and appending the Winter Supplementary Estimate 2006–07 to this Report.²³

5 Relations with the Scottish Parliament

32. Our remit under S.O. No. 152 includes relations with the Scottish Parliament, a responsibility we consider to be of high importance. We consider that, due to the liaison during our "Sewel" inquiry, 2006 has been a most constructive year, and particular thanks must go to Donald Gorrie MSP and his colleagues on the Procedures Committee, and to Trish Godman MSP and her colleagues on the Conveners' Group.

33. It is our intention to build on the good working relationship formed in 2006 by establishing early contact with the new Parliament following the May 2007 Election.

17 Cm 6834.

18 HC (2005–06) 1440-i.

19 *Ibid*, pp 17–20.

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

21 Scottish Affairs Committee, First Report, Session 2005–06, *Work of the Committee in 2005*, HC (2005–06) 836, para 3.

22 HC (2005–06) 1106.

23 See p 12.

6 Public Bodies

34. 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 2006.

7 Visits

35. The Committee places much emphasis and value on our visits in Scotland, not only to take formal oral evidence, but also for informal meetings. During 2006, we took formal evidence in Edinburgh as well as holding both informal meetings and taking formal evidence in Aberdeen and in Inverness. As stated in paragraph 16 above, we also held a press conference in Edinburgh.

36. Although our visit to the Westfield Development Centre in Fife was informal, as stated in paragraph 10 above, the discussions held there lead to our Second Report. In addition, we also paid informal visits in Glasgow (on two occasions), on Orkney and Shetland and in the Highland Region.

Annex

Reports, Evidence and Memoranda published in 2006

Reports

First Report	Work of the Committee in 2005	HC (2005–06) 836
Second Report	Meeting Scotland’s Future Energy Needs: the Westfield Development Centre	HC (2005–06) 1010
Third Report	<i>Putting Citizens First</i> : the Report from the Commission on Boundary Differences and Voting Systems	HC (2005–06) 924
Fourth Report	The Sewel Convention: the Westminster perspective	HC (2005–06) 983
Second Special Report	The Sewel Convention: the Westminster perspective: Government Response to the Committee’s Fourth Report of Session 2005–06	HC (2005–06) 1634

Minutes of Evidence

Minutes of Evidence	Scotland Office Annual Report 2006	HC (2005–06) 1440-i
Minutes of Evidence	The potential benefits for Scotland of the 2012 Olympics	HC (2005–06) 658 i-vi

Memoranda

Memorandum	Spring Supplementary Estimate 2006: Explanatory Memorandum by the Scotland Office	HC (2005–06) 1106
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Formal Minutes

Tuesday 6 February 2007

Members present:

Mr Mohammad Sarwar, in the Chair

Danny Alexander

Ms Katy Clark

Mr Ian Davidson

Mr Jim McGovern

David Mundell

Mr Charles Walker

The Committee deliberated.

Draft Report (Work of the Committee in 2006), 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– 36 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.

Ordered, That the Chairman do make the Report to the House.

The Committee deliberated further.

[Adjourned till Tuesday 20 February at 9.45 am.]

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 (net of depreciation & impairments) will be increased by £147,768,000 from £24,805,766,000 to £24,953,534,000. This includes:

- (i) take up of EYF by the Scottish Executive of £150,000,000 (£100,000,000 resource, £25,000,000 non cash and £25,000,000 capital) to fund spending commitments in the current financial year
- (ii) £78,508,000 in reserve claims and transfers as detailed below.

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

- (i) A reserve claim transfer of £57,000,000 for the Council Tax Benefit Adjustment mechanism;
- (ii) A transfer of £19,880,000 from the Department for Transport for the indexation of Network Rail Funding;
- (iii) A transfer of £1,244,000 from the Department of Trade and Industry for Waste Electrical and Electronic Equipment Directive;
- (iv) A transfer of £384,000 from the Department for the Environment, Food and Rural Affairs for Scotland element of Bio-energy Infrastructure Scheme.
- (v) an increase in depreciation of £80,740.

Changes to the AME:

- (i) additional provision of £45,299,000 for NHS and Teachers Pension Schemes;
- (ii) additional provision of £6,593,000 for Roads Capital Charges; and
- (iii) additional provision of £900,000 for Central Government subsidy to local authority housing.

Non-budget items:

- (i) additional provision of £55,138,000 for Housing Stock Transfers in respect of Western Isles Debt Redemption; and
- (ii) a reduction of £99,752,000 for changes in funding from other sources and cash to accrual adjustments.

As a result of these changes there is an increase in the Net Cash Requirement of £236,686,000.

The grant to the Scottish Consolidated Fund increases by £236,686,000 from £22,653,392,000 to £22,890,078,000.

A Grant reconciliation table is attached at Annex A.

21 November 2006

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	25,145.313	228.508	25,373.821
Transfers			
add:			
End Year Flexibility		150.000	
Reserve claim		57.000	
Trans from DfT		19.880	
Trans from DTI		1.244	
Trans from DEFRA		0.384	
Expenditure Classified as AME	2,565.537	52.792	2,618.329
Add:			
NHS & Teachers Pensions Scheme		45.299	
Roads Capital Charges		6.593	
Cent Gov subsidy to local auth housing		0.900	
Non Domestic Rates Income	1,883.769	0.000	1,883.769
Total Managed Expenditure	29,594.619	281.300	29,875.919
add:			
Repayments of principle of existing (pre 1 April 1999) debt to National Loans Fund	10.000	0.000	10.000
Housing Stock Transfers	0.000	55.138	55.138
	10.000	55.138	65.138
less:			
Supported Borrowing by Local Authorities	297.713	0.000	297.713
Non Domestic Rates Income	1,883.769	0.000	1,883.769
National Insurance Fund			
Payments towards Scottish National Health Service	1,405.546	0.000	1,405.546
Non Voted expenditure	11.500	0.000	11.500
	3,598.528	0.000	3,598.528
Cash to accruals adjustments			
depreciation	319.547	80.740	400.287
cost of capital	842.860	6.593	849.453
movement on working capital	0.010	0.000	0.010
transfers and net movements on provisions	25.000	0.000	25.000
Resource to cash adjustments for NDPBs	59.306	0.000	59.306
Impairments	20.000	0.000	20.000
Resource to cash adjustments for NHS and Teachers Pensions	2,085,976	-0.801	2,085,175
Student Loans Debt Sale Subsidy	0.000	13.220	13.220
	3,352,699	99.752	3,452,451
Grant payable to Scottish Consolidated Fund	22,653,392	236.686	22,890.078