



The Scottish Parliament
Pàrlamaid na h-Alba

Published 18 March 2021
SP Paper 1003
4th Report, 2021 (Session 5)

Finance and Constitution Committee Comataidh Ionmhais is Bun-reachd

Annual Report 2020-21



Published in Scotland by the Scottish Parliamentary Corporate Body.

All documents are available on the Scottish Parliament website at:
<http://www.parliament.scot/abouttheparliament/91279.aspx>

For information on the Scottish Parliament contact Public Information on:
Telephone: 0131 348 5000
Textphone: 0800 092 7100
Email: sp.info@parliament.scot

Contents

Introduction	1
Membership Changes	2
Meetings	3
Constitution	5
UK Withdrawal from the European Union (Continuity) (Scotland) Bill	5
Trade Bill 2020 (Legislative Consent Memorandum)	5
United Kingdom Internal Market Bill (Legislative Consent Memorandum)	5
Budget scrutiny	7
Pre-budget Scrutiny 2021-22	7
Budget Scrutiny 2021-22	7
Review of the Fiscal Framework	7
Scrutiny of Financial Memoranda	8
Equalities	9
Legacy Expert Panel	10

Finance and Constitution Committee

To consider and report on the following (and any additional matter added under Rule 6.1.5A)—

- (a) any report or other document laid before the Parliament by members of the Scottish Government containing proposals for, or budgets of, public revenue or expenditure or proposals for the making of a Scottish rate resolution, taking into account any report or recommendations concerning such documents made to them by any other committee with power to consider such documents or any part of them;
- (b) any report made by a committee setting out proposals concerning public revenue or expenditure;
- (c) Budget Bills; and
- (d) any other matter relating to or affecting the revenue or expenditure of the Scottish Administration or other monies payable into or expenditure payable out of the Scottish Consolidated Fund.
- (e) Constitutional matters falling within the responsibility of the Cabinet Secretary for the Constitution, Europe and External Affairs.



finance.constitution@parliament.scot



0131 348 5215

Committee Membership



Convener
Bruce Crawford
Scottish National Party



Deputy Convener
Murdo Fraser
Scottish Conservative
and Unionist Party



Alasdair Allan
Scottish National Party



Tom Arthur
Scottish National Party



Jackie Baillie
Scottish Labour



Alexander Burnett
Scottish Conservative
and Unionist Party



Patrick Harvie
Scottish Green Party



Dean Lockhart
Scottish Conservative
and Unionist Party



Fulton MacGregor
Scottish National Party



John Mason
Scottish National Party



Anas Sarwar
Scottish Labour

Introduction

1. This report covers the work of the Finance and Constitution Committee during the parliamentary year from 12 May 2020 to 25 March 2021.
2. Throughout this challenging year, the Finance and Constitution Committee ("the Committee") has focused on matters largely related to the implications for Scotland and the devolution settlement of Brexit, the impact of COVID-19 on the public finances, budgetary scrutiny and the Fiscal Framework. This has been the third year of the new Budget scrutiny process under which the Committee has undertaken pre-budget scrutiny in addition to scrutiny of the 2021-22 budget itself.
3. In respect of the constitutional part of its remit, the Committee considered primary legislation in the shape of the UK Withdrawal from the European Union (Continuity) (Scotland) Bill along with Legislative Consent Memoranda for the UK Internal Market Bill and the Trade Bill 2020. The Committee has also undertaken scrutiny of proposals for the replacement of EU Structural and Integration Funds and has periodically considered progress with Common Frameworks.

Membership Changes

4. The Committee is made up of eleven Members; however there have been changes to the membership in the past year. Previous Members of the Committee during the reporting year were—

- George Adam (SNP) (25 February 2020 – 6 October 2020);
- Donald Cameron (Con) (25 February 2020 – 20 August 2020)
- Angela Constance (SNP) (6 September 2018 – 22 December 2020)
- Alex Rowley (Lab) (10 September 2019 – 25 November 2020)

Meetings

5. The Committee met on thirty-one occasions.
6. All meetings took place virtually as a result of the COVID-19 pandemic and varied between meetings held completely in private, in private and in public, or held completely in public.



of time committee
met in public



31

Committee meetings



101

Number of people
who gave evidence



Reports published



SSIs considered

Constitution

7. A significant portion of Committee business has centred around the constitution and the implications of Brexit for the devolution settlement.

UK Withdrawal from the European Union (Continuity) (Scotland) Bill

8. The Scottish Government introduced the [UK Withdrawal from the European Union \(Continuity\) \(Scotland\) Bill](#) on 18 June 2020. The key purpose of the Bill was to “enable the Scottish Ministers to make provision in secondary legislation to allow Scots law to be able to ‘keep pace’ with EU law in devolved areas, where appropriate.”
9. The Committee received [eleven responses](#) to its call for written evidence and took evidence on the Bill at Stage 1 during August and September before publishing its [Stage 1 Report](#) on 7 October.
10. The Committee considered the Bill at Stage 2 on 25 November and the Bill as amended was passed by Parliament at Stage 3 on 23 December.

Trade Bill 2020 (Legislative Consent Memorandum)

11. The Trade Bill 2020 was laid in the UK Parliament on 19 March 2020 with the aim of “providing key measures that are required as the UK Government develops its trade policy for the UK now that it has left the EU” including powers to “roll-over” existing trade agreements. The Scottish Government lodged a [Legislative Consent Memorandum](#) on the Bill on 18 August in which it stated that, to avoid the risk of potential disruption to businesses in Scotland and despite some concerns about the coverage and content of the Bill, it recommended that the Scottish Parliament consent to the Bill.
12. After taking evidence from the UK Minister of State for Trade Policy and the Scottish Government Minister for Trade, Investment and Innovation in September, the Committee published [its report](#) on 7 October.

United Kingdom Internal Market Bill (Legislative Consent Memorandum)

13. The UK Internal Market Bill was laid in the UK Parliament on 9 September 2020 with the intention of making provision “in connection with the internal market for goods and services in the United Kingdom.” The Scottish Government lodged a [Legislative Consent Memorandum](#) on the Bill on 29 September in which it recommended that the Scottish Parliament reject the Bill’s proposals.
14. After taking evidence from stakeholders then from the Chancellor of the Duchy of

Lancaster and the Cabinet Secretary for Constitution, Europe and External Affairs, the Committee reported its conclusions in a [letter dated 6 October 2020](#).

Budget scrutiny

15. This is the third year of the new Budget scrutiny process and the Committee continued to take forward the recommendations from the Budget Process Review Group and provided subject Committees with [revised guidance](#) on the new process.

Pre-budget Scrutiny 2021-22

16. In May 2020, in advance of the Summer Budget Revision, the Committee issued a call for views on the impact of COVID-19 on the public finances and the operation of the Fiscal Framework and received eight [responses](#). The Committee took oral evidence in May and June to explore issues around fiscal flexibilities and powers used to manage the volatility and uncertainty for the public finances arising from COVID-19.
17. The Committee also continued to monitor the operation of the fiscal framework more generally and, in particular, the reconciliation of outturn data for the devolved taxes with forecasts and the impact on the Scottish Budget.
18. Another focus of the Committee's budget scrutiny was the replacement of European Union Structural Funds in Scotland, post-Brexit. The Committee considered the implications for the Scottish Budget of the UK Government's proposal for a UK Shared Prosperity Fund and the Scottish Government's proposed Scottish Shared Prosperity Fund.
19. The Committee took evidence on its pre-budget scrutiny in October and November 2020 and published its [report](#) in December 2020. The Scottish Government [responded](#) to the report in January 2021.

Budget Scrutiny 2021-22

20. The Scottish Government published its [Budget for 2021-22](#) documents on 28 January 2021, including its third [Medium-Term Financial Strategy](#). The Committee took evidence in January and February 2021 and published its [report](#) on the Scottish Government's Budget 2020-21 on 23 February 2021. The Scottish Government [responded](#) to the report on 2 March 2021 and the Scottish Fiscal Commission [responded](#) to the report on 3 March 2021.
21. The Committee then considered the Bill at Stage 2 on 8 March 2021 and the Bill was passed at Stage 3 on 9 March 2021.

Review of the Fiscal Framework

22. The Fiscal Framework states that it will be reviewed following the Scottish Parliament elections in 2021. The review will be informed by an independent report with recommendations presented to both the UK and Scottish Governments by the end of 2021. To inform the scope and terms of reference of the body tasked with

delivering the independent report, the Finance and Constitution Committee together with the Cabinet Secretary for Finance and the Social Security Committee submitted a [joint report](#) to HM Treasury.

Scrutiny of Financial Memoranda

23. The Committee scrutinises Financial Memoranda (FM) that set out the estimated financial implications of legislation. Each Bill that is introduced in the Parliament must be accompanied by a FM.
24. Throughout the course of this year, the Committee issued a call for views on 17 FMs in total.

Equalities

25. In its [budget report](#) the Committee recognised that it is highly likely that COVID-19 has exacerbated existing structural inequalities with particularly severe consequences for people on low or precarious incomes and have fewer employment rights. We concluded that a fair economic recovery from COVID-19 would require proactive measures to reduce wealth and income inequality, and a particular focus on supporting lower income, less educated and younger workers into the labour market.
26. The Committee recommended that the role of tax policy in achieving a just, sustainable and strong economy should be considered and that a fundamental examination of what the Scottish tax system is designed to achieve must be undertaken. This should include a national conversation jointly led by the Government and Parliament and which includes a wide range of voices across Scotland.

Legacy Expert Panel

27. The Committee commissioned [a panel of fiscal, economic and constitutional experts](#) tasked with identifying the main scrutiny challenges that would arise in its remit during the next session.
28. The expert panel [reported its findings](#) to the Committee in February 2021. The Committee endorsed the Panel's recommendations and [wrote to the Presiding Officer](#) to commend the relevant recommendations for consideration by the Parliament. The Presiding Officer responded on 9 March 2021.

