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Derek Mackay  
Cabinet Secretary for Finance and Constitution  
Scottish Government

19 October 2016

Dear Cabinet Secretary,

Thank you for the invitation to begin discussions regarding the Scottish Budget for 2017/18. There are significant areas of common ground between some SNP policies and the Scottish Greens' priorities, but also some substantial areas of difference. I recognise that a minority government must work toward some degree of consensus across Parliament, and I hope that our engagement with you will be constructive.

Clearly we all face a degree of uncertainty, as we have discussed in other contexts. Until the UK Autumn Budget Statement and the subsequent publication of the draft Scottish Budget, this discussion can only take place in general terms. I hope that the further information you intend to place in the public domain later this month will assist, however you will understand that we must reserve our view on your specific spending plans until we have seen them.

Our principal concern is for a strong emphasis on anti-poverty measures in the budget. In this letter I would like to address three broad areas: commitments already made on existing government policy, where more information would be helpful; additional proposals which we believe the government should adopt; and how existing and proposed spending plans fit with taxation policy and the potential of new powers to avoid implementing any further cuts to Scottish public services.

#### Existing Scottish Government policy commitments

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We welcome the commitment given by the Cabinet Secretary for Health to roll out the implementation of the NHS Greater Glasgow and Clyde's income maximisation initiative *Healthier, Wealthier Children* to all health boards, as well as the recent commitment by NHS Health Scotland to work with all Boards to develop their income maximisation function for all patients by March 2018. We would ask for your assessment of what the financial implications of the decision to roll out HWC are for this budget, as well as any further detail of timescale and design.

You have a manifesto commitment to increase GP numbers in Scotland, and this is a priority we share, particularly for areas with the greatest health inequalities. However we take the view that achieving this may require a significant increase in the proportion of the overall health budget which is spent on general practice. We would ask whether you agree with this view, and what scale of increase you envisage to meet your existing policy commitments in this area.

We are pleased that Green proposals for a Young Carers' Allowance were welcomed by the First Minister, and that the Government is currently consulting on this. We believe strongly that while there is a case to examine the potential for in-kind support, this would not reduce the need to address the financial situation that young carers find themselves in, and we would ask what provision you intend to make in the 2017/18 budget to fund the commitments which will follow the consultation.

It is now two years since the Scottish Government committed to a National Infrastructure Priority on energy efficiency, yet no funding has been allocated to this priority in the last two budgets beyond pre-existing spending levels. Indeed the budget for 2016/17 saw a reduction, as a result of UK Government changes which the Scottish Government did not choose to compensate for. The scale of what has been proposed on paper in this area is significant, and a high level of ambition is needed given the scale of the challenge. We note the commitment given by the First Minister to invest over £500 million pounds of public money in energy efficiency over four years and would ask what level of funding you intend to allocate for your National Infrastructure Priority in the coming financial year.

Additionally, we wish to highlight a number of issues regarding implementation of this policy: that emphasis should be placed on client control at a local level, in order that the work undertaken meets the needs of residents and occupants, rather than suiting the needs of large contractors; that the issue of ventilation is addressed in the measures funded, in order to address the issues of air quality and health which can arise in better insulated and more airtight homes; and that local sourcing of skills and natural materials is prioritised in order to secure the greatest benefits in terms of jobs and the economy, as well as reducing embodied energy.

Scottish Government policy is for care workers in adult social care, from 1<sup>st</sup> October 2016, to be paid the Living Wage of £8.25 per hour. An uprating of the Living Wage is expected in November 2016 and we would like to seek clarity over government plans to use this budget to pass this uprating on.

The Programme for Government committed £10 million of funding for community energy through the Community and Renewable Energy Scheme. We would like to clarify if this will be available in full in this year's budget.

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Finally, we would ask what progress has been made on Scottish Government plans to incentivise the productive use of land through a levy on vacant or delict land, and for clarity over whether revenue from this source will play any role in this year's budget.

### Additional proposals

In 'headline' terms, we believe that there is an urgent case for the 2017/18 Budget to be an Anti-Poverty Budget.

The impact of the economic situation as it has developed since the financial crash remains severe. It has fallen disproportionately on those least able to defend themselves, and least responsible for the recklessness which caused the crisis. This has added to the significant structural inequalities in the economy, which pre-existed the crash. The impact of the UK's austerity policies and the public sector cuts which have followed have made the situation worse still, and at every stage there has also been a gender imbalance in the impacts, with women and particularly low-paid women bearing the brunt. We believe that the 2017/18 budget should signal an end to this trend, and a new economic direction.

Elements of the Scottish Government's programme, including some of the issues discussed in the previous section, already suggest movement in this direction. Our further proposals would accelerate this movement.

### Childcare

We welcome the Government's existing commitments to childcare. We agree that this should be seen in the context of social infrastructure investment, and that it has the potential to create lasting benefits in both social and economic terms. As demonstrated by the *Commission for Child Care Reform* and the *Independent Review of the Scottish Early Learning and Childcare (ELC) Workforce and Out of School Care (OSC) Workforce*, the quality of this provision is key to its success. It should meet the needs of parents who require flexibility around their working and studying patterns throughout the year. Childcare should also be a well regarded career option, which offers its staff training and professional development as part of fair working conditions. As you have done for care workers in adult social care, we ask that at minimum the Living Wage be extended to staff providing childcare.

### Social security changes

The Scottish Green manifesto included a commitment to use newly devolved welfare powers to top up Child Benefit, and we have also welcomed the proposals which have come from the Child Poverty Action Group and others on this area. While it would represent a significant financial commitment, we believe that this would represent a vital investment in social justice for our society, and is affordable if we have the willingness to use the newly devolved powers. This policy, which it has been estimated could lift 30,000 children out of poverty if a top-up of £5 per week was provided, would represent a substantial commitment from the Scottish Parliament to use our new powers to turn longstanding rhetoric about a fairer society into a reality.

Alongside the use of top-up powers there are other changes to the social security system we would like to see this budget make provision for:

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- A Carers Allowance premium if the carer is caring for more than one person. We believe it is reasonable to ask that the social security system makes some acknowledgement of the extra contribution they make.
- The unlinking of Carers Allowance from DLA. We know an estimated 20% of recipients will lose their eligibility in the transfer from DLA to PIP and that this also risks the eligibility of their carers' (if present) to receive Carer's Allowance. It is important this transition does not risk the well-being of recipient or carer.
- A mobility element to Attendance Allowance (DLA for older people). There is no clear justification for why DLA/PIP have a mobility component and AA does not. The lack of a mobility element in AA means recipients cannot access Blue Badge or Motability scheme contributing to isolation. We recognise this may not be needed in any merger of AA/DLA/PIP but this larger-scale change will be on a longer timescale than this budget.

### Public sector pay

Real terms pay levels in the Scottish public sector have suffered significantly over recent years. At the beginning of the financial crisis your predecessor made the case to opposition parties that a pay freeze was the only immediate alternative to public sector redundancies, and there was cross party support for the effort to avoid that. However in later years the Scottish Greens argued that the freeze was going on too long, and we proposed budget changes which would have allowed increases to match inflation.

We are, at least for the time being, in a period of relatively low inflation. But rather than see this as a justification for continued pay restraint, we believe that the current circumstances should be seen as an opportunity to begin repairing the damage which could not be avoided in previous years, and allow public sector pay to regain its value against earlier losses. We also note that the new financial settlement for Scotland means that public sector pay also contributes to income tax revenue in Scotland; any increases in tax revenue as a result of increased public sector pay will reduce the Block Grant Adjustment in future, effectively making public sector employment more affordable than it has been in the past.

We therefore propose that the Government commit to reverse the loss of real value of public sector pay throughout the course of the current Parliament, beginning in 2017/18.

### Education

The Scottish Government's commitment to addressing education attainment is clear, and during the election this appeared to be an area of consensus between the political parties. There is broad agreement that efforts to close the attainment gap need to be improved. We have a particular interest in ensuring that the role of Additional Support for Learning teachers in closing the attainment gap should be a higher priority, and local authorities allowed the resources to meet their duties under the Education (Additional Support for Learning) (Scotland) Act 2004 (as amended).

Education remains, and should remain, a local authority service. Notwithstanding our disagreement about the effective hypothecation of additional Council Tax revenues for a national policy (a financial arrangement which is decided outwith the budget process) there is a clear need to ensure that the overall local government settlement also fits with the ethos of an Anti-Poverty Budget. As you are aware, the work done by the Fraser of Allander Institute suggests that in the context of SNP policy to protect some budgets, local government could be cut by as much as 8% by the end of the current parliament, even after additional resources for

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national childcare policies are taken into account. This kind of reduction must absolutely be avoided, if we are remotely serious about protecting the services which people depend upon every day and in every community.

We believe that it is essential that the Scottish Government gives a clear commitment to increasing investment in local services, both in 2017/18 and through the course of this parliament.

#### Capital investment

While uncertainty remains over the UK Government's 'fiscal reset' it is a distinct possibility that increased capital spending options will be available to the Scottish Government. Analysis by the Low Carbon Infrastructure Taskforce suggests that more than 70% of global public infrastructure investment must be directed at low carbon projects in order to keep global warming below 2 degrees C. The same report estimates 52% of Scotland's current infrastructure pipeline is allocated to low carbon projects.

We believe the Government should make a clear commitment to ensuring at least 70% of public infrastructure investment is low carbon. Given the current economic uncertainties, we believe additional capital spending should focus on smaller-scale projects which can provide shorter term stimulus. Examples of smaller-scale, low-carbon projects we could support are a bus station improvement fund, walking and cycling investment, community energy investment, low energy consumption social housing, and energy efficient extensions and retrofits to public buildings such as childcare centres.

#### Taxation context

The increasingly complex financial arrangements for Scotland are no doubt a challenge. However they are also an opportunity. As you are aware the Scottish Greens set out the view during this year's election that a bold approach to the new powers was needed in order both to protect public services and to reduce inequalities of wealth and income in Scotland. You will already have seen our detailed proposals, but in brief we set out plans which would have raised significant additional revenue while reducing the income tax payable by everyone with an income below the median, and also reducing property tax for the majority of households compared with the current Council Tax. We would have done this while simultaneously increasing the level of fiscal devolution to local council level.

Clearly, having been returned as the largest party and continuing as the government, you will wish to pursue the tax policies from the SNP manifesto for the coming financial year. However as a minority government you will also need to work with others across the chamber. In simple terms, you find yourself in a Parliament alongside three opposition parties which set out various options for raising additional revenue from taxation, and one party which is likely to oppose any means of doing so.

Given the recent years of real terms cuts, the prospect of further cuts to come, and the urgent priorities Scotland faces for investment in the fairer, greener and more successful society we both believe in, I am firmly of the view that the Government must take meaningful steps beyond your manifesto proposals toward a more progressive tax policy which raises revenue from those, like you and me, who can afford to pay.

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The Scottish budget no longer operates within a fixed financial envelope. The decisions which you make as the Scottish Government's Finance Secretary will now determine the ability we have to deliver on the commitments we have all, collectively, made to the Scottish people. We hope that you are resolved to take a bold approach in setting a budget for Scotland, both in terms of tax policy and spending plans, and if so we have no doubt that there will be common ground on which we can work.

Kind regards,

Patrick Harvie MSP

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Cabinet Secretary for Finance and the Constitution  
Derek Mackay MSP



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Patrick Harvie MSP  
Scottish Parliament  
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25 October 2016

Dear Patrick

**SCOTTISH BUDGET 2017-18**

As you will be aware from previous discussions at the Finance Committee and the debate on 04 October, this year's budget process takes place against a background of economic and financial uncertainty and challenge, as the implications of the outcome of the EU Referendum continue to emerge. In parallel, the Scottish Government and Scottish Parliament's fiscal responsibilities are expanding and, collectively, we have an opportunity to demonstrate leadership, competence and a positive vision for the people of Scotland through the budget choices we make.

The Chancellor's Autumn Statement on 23 November will provide greater clarity about the prospects for the Scottish Budget next year and beyond, and I look forward to publishing the Scottish Government's tax and spending proposals once we have that clarity.

I am committed to building consensus and support across Parliament for these plans. Thank you for your letter of 19 October setting out your party's views on the forthcoming budget. I am writing today to invite you to meet with me at this early stage to discuss your letter and begin what I hope will be a constructive and consultative process.

If you would find a meeting helpful, I would be grateful if you could confirm this with my office by Thursday 3rd November.

**DEREK MACKAY**

Cabinet Secretary for Finance and the Constitution  
Derek Mackay MSP



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Willie Rennie MSP  
Scottish Parliament  
EDINBURGH  
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25 October 2016

Dear Willie

## SCOTTISH BUDGET 2017-18

As you will be aware from the Finance Committee debate on 04 October, this year's budget process takes place against a background of economic and financial uncertainty and challenge, as the implications of the outcome of the EU Referendum continue to emerge. In parallel, the Scottish Government and Scottish Parliament's fiscal responsibilities are expanding and, collectively, we have an opportunity to demonstrate leadership, competence and a positive vision for the people of Scotland through the budget choices we make.

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I am committed to building consensus and support across Parliament for these plans. I am writing today to invite you to meet with me at this early stage to discuss your priorities for the Budget and to begin what I hope will be a constructive and consultative process.

If you would find a meeting helpful, I would be grateful if you could confirm this with my office by Thursday 3rd November. I would also welcome any written submissions you might wish to make by this date on key issues and priorities from your perspective. I would be happy to treat them in confidence should you prefer.

**DEREK MACKAY**



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Patrick Harvie  
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2 February 2017

Dear Patrick

Thank you for taking the time over recent weeks to set out your party's priorities in this year's Scottish budget.

At a time of minority government I believe it is incumbent both on the government and opposition parties to engage in open, honest and responsible discussions in the best interests of our public services, our economy and our communities. I therefore welcome the constructive approach the Scottish Green Party has taken.

This year's draft budget delivers £700m of additional investment in public services and economic growth including increased funding for the NHS and frontline policing, a package of measures that will support our economy, substantial investment in infrastructure, including in affordable housing and energy efficiency, and increased investment in educational attainment and early years and childcare.

In our discussions around the priorities you have identified, we have covered both the income and expenditure sides of the budget. As a result of those discussions, and the constructive approach you have taken, I can set out the following proposal as the basis of an agreement between the Scottish Government and the Scottish Green Party.

In our spending discussions we have focussed largely on the issue of local government funding. As you know we have ensured that there are additional resources for local services by enabling local authorities to keep the £111 million raised through changes in council tax multipliers, directly providing £120 million of funding for attainment and an additional £107 million for health and social care integration.

You have sought further funding for local authorities to be provided either from central government or through additional taxation measures.

Specifically, our discussions have centred around proposals for the Local Government Settlement to receive an additional £160 million of investment. This would be the most significant change to any draft budget at a time of minority government since devolution.

In arriving at this additional proposal we have discussed how it can be funded. You were clear that your preference was for this to be found through increases in Income Tax, including an increase in the Higher Rate.

I have been clear throughout that this government is not prepared at this time of economic uncertainty, increasing inflation and rising prices to increase tax rates.

I have instead sought to meet additional spending commitments from within government resources.

As a result of my latest assessment of the financial assumptions that underpin next year's budget, I am able to identify an additional £130m from within central government resources that could be made available to local authorities.

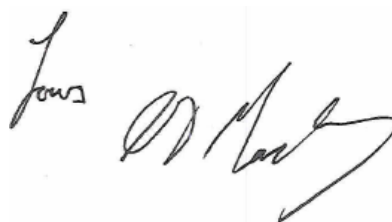
This additional funding would provide a further £30 million of capital and a further £100 million of resource to be distributed to councils for them to spend at their discretion on local priorities. This is a considerable investment that I believe demonstrates the scale of our commitment to achieving the support of parliament for this year's budget.

As you know we remain committed to the taxation policies we set out in March to provide stability and protect low income households in particular by freezing tax rates. During the election we made clear that we would not pass on the Conservative government's tax cut for the top 10% of earners in Scotland, instead, we decided to limit the increase in the higher rate to inflation raising an additional £79 million for the Scottish budget.

Taxation has been the area on which we have found it hardest to reach agreement and I accept that we remain some distance apart. However following our discussions, I propose that the Scottish Government will lodge a Scottish Rate Resolution that will freeze the higher rate threshold in cash terms relative to 2016/17. While this will not result in an increase in the higher rate of tax, I estimate this will generate around £30 million of additional revenues. If the Scottish Rate Resolution is endorsed by the Parliament this additional revenue will be allocated to local government providing a total additional investment of £160m .

Reaching agreement requires compromise on both sides and I offer these proposals on the understanding that they will secure the support of the Scottish Green Party at Stages 1,2 and 3 of the budget and for the Local Government Finance Order and will enable you to allow the Scottish Rate Resolution proposed by this government to come into force.

I am grateful for the way in which you and your party have engaged in this process and I welcome your confirmation of this agreement.



**DEREK MACKAY**



**Patrick Harvie MSP**

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Derek Mackay  
Cabinet Secretary for Finance and Constitution  
Scottish Government

2<sup>nd</sup> February 2017

Dear Cabinet Secretary,

Thank you for your letter, following our discussions on the Scottish Budget.

As you know, Scottish Green MSPs were elected on a manifesto to campaign on fair funding for public services. We committed to taking a constructive approach where possible, but to be critical and challenging where needed.

From the beginning of this budget process it was clear that the decision to cut Local Authority budgets would be an extremely damaging outcome of the Government's finance decisions.

Local Authorities deliver services that matter to people every day and are vital to tackling poverty and reducing inequality. Councils run our primary and secondary schools, provide social care and home care to thousands and deliver essential services like transport, libraries, social work, additional support for learning teachers, rape

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crisis centres, funerals and cremations, healthy food in schools, adult education, swimming pools, sports facilities. This list goes on.

While we acknowledge what you have described as forms of “additional support”, we believe that any fair assessment of the situation shows a very significant real terms cut to the core budgets being provided for councils. We believe cuts to these local services are unnecessary and unacceptable. The Scottish Government’s budget has gone up, and the Parliament now has the power to set its own income tax rates and bands. Our manifesto described our progressive tax proposals to reduce tax on lower earners while raising more from those most able to pay.

Without ever demanding that you accept our whole manifesto, we have persistently made the case to you for tax changes in this direction, and we remain strongly of the view that a more progressive use of taxation is justified, and will be necessary.

However we also acknowledge the lengths you have gone to, in reaching the minimum figure we believe is necessary to increase the funding settlement for local government. While we would prefer to see this generated from fair taxation, your provision of the additional £160m will make a significant difference in protecting services in every community in Scotland.

No party gained a majority in the Scottish Parliament elections, and therefore no party has the right to implement its manifesto in full. In this light, we recognise that the offer you have made represents the largest single inter-party budget revision since devolution.

One of our central objectives in these budget negotiations was to ensure that public services are protected and we believe that £160m will allow Local Authorities to safeguard very significant services.

A second objective was to set Scotland on a course of progressive tax changes that help tackle poverty and inequality in our society. In this regard we remain a very long way apart; you recognise this in your letter.

Your decision to abandon your proposed inflation-based increase to the higher rate threshold, which would have resulted in a small tax cut for high earners, represents the most modest adjustment possible in your tax plans. Maintaining the higher rate threshold at £43,000 and refusing even to consider a 1p increase to the higher rate itself, does not match our ambitions. Its effect is to maintain the status quo, and we are convinced that this position cannot be sustained throughout the current parliament.

Given the central importance of protecting local services, on balance we are able to confirm that the changes you have offered are sufficient to allow us to support the Budget Bill at stage 1. Assuming that the appropriate amendments are made to the

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Budget at stage 2 and to the Local Government Finance settlement, we will again support the Bill at stage 3 and the Local Government Finance Order.

Given our continued differences on income tax, we will not be able to vote in favour of your rate resolution, however to ensure that the budget is able to pass including the additional funding for local government, we will not oppose the resolution.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Patrick Harvie'.

**Patrick Harvie MSP**

**Email from Patrick Harvie MSP to Cabinet Secretary for Finance and the Constitution**

1 December 2016

Subject: References in our discussion this morning

Dear Cabinet Secretary,

For clarity, I thought I would just give you the reference to the charts I mentioned in this morning's discussion. They can be found in figures 18 and 19, pages 23 and 24, of the following publication from the Resolution Foundation:

<http://resolutionfoundation.org/publications/bending-the-rules-autumn-statement-response/>

Kind regards,

Patrick Harvie

**Email from Patrick Harvie MSP to Cabinet Secretary for Finance and the Constitution**

8 December 2016

Subject: Budget and Taxation

Dear Cabinet Secretary,

I am writing with some final thoughts, further to our recent discussion about the Scottish budget. In particular we ended the discussion with some exploration of how far the Scottish Government intends to depart from the tax proposals set out in the SNP manifesto. Once again I would make the case to you that there is ample room for movement on tax policy, partly on the basis that a minority government must always seek to work with others, but also for the very obvious reason that a great deal has changed this year and that any government must respond to events.

If the Scottish Government is willing to compromise, opposition parties must be as well. I do not expect you suddenly to agree with every aspect of the case we have made this year, but for clarity I present our proposals again below, with some observations about the potential for common ground.

As you know the Scottish Greens' taxation proposals are founded on funding high quality public services, tackling inequality, raising revenue fairly (asking the

wealthiest to pay more), and local control of local taxes. These policies are efficient, transparent and fair, are accompanied by a just and predictable transition period when change is required, and by fiscal freedom at a local level.

We believe that the Scottish Government should use its local and national tax powers to design a tax system that is based on these principles. As households across Scotland now face wage freezes and cuts, benefit cuts, the prospect of rising inflation and rising living costs, and rising rates of unemployment – all of which will most acutely impact on those in lower income deciles – it is more important than ever that the Scottish Government makes the most of its income tax and benefit top up/creation powers to redistribute resources fairly.

Tax policies which raise additional revenue are especially important in the context of the new Block Grant Adjustment. For income tax devolution to work in Scotland's interest, Scotland's per capita income tax revenue must grow in relation to rUK.

Scottish Greens support a broad and incremental "tax shift" from incomes to wealth, and from central to local. The powers devolved to the Scottish Parliament do not cover the sources of wealth typically associated with the wealthiest in society: stocks, shares and large amounts of private pension wealth. This represents a significant constraint on the action we can take to tackle wealth inequality. It also leaves the Scottish Parliament with tax options that affect people with lower incomes more than people with high incomes. Splitting the Basic Rate, to give those on below-average wages more take-home pay, would represent a positive use of the Scottish Government's new income tax powers.

Tax rate proposals UK tax bands (at 2017–18, with modifications to the Basic Rate band)

Personal Allowance – 0% £0-£11,500

First Rate – 18% (currently 20%) £11,500-£19,000

Second Rate – 22% £19,000-£43,000

Higher Rate – 43%(currently 40%) £43,000-£150,000

Additional Rate – 60% (currently 45%) Over £150,000, with the personal allowance withdrawal starting at £100,000.

Under this plan, everyone earning less than £26,500 per year would see their income tax reduce, while the highest earners would be asked to contribute more. Median income in Scotland in 2013/14 was £24,000.

At the time of the election we calculated that these changes would raise an additional £331 million per annum compared with the SNP's proposals and would also lower existing income inequality. The SNP's income tax proposals lower GINI by 0.1% - Scottish Green Party plans would lower GINI by four times that.

While we see a strong case for this proposal as a coherent whole, you may feel that some elements are more possible to consider than others. There is no reason in principle why our approach to the Basic Rate is dependent upon our specific proposals for the Higher and Additional Rates, or vice versa.

You may also take the view that other changes to thresholds should be considered; I would note at this point that any increase to the Higher Rate threshold would represent a tax cut to the wealthy, which is something you have rightly condemned as an element of UK Government policy. Fairer changes such as a lowering of the threshold might be worth exploring. This would of course not achieve the same progressive effect as changes to the rates themselves. However it would be one way of 'clawing back' the benefit high earners have gained from changes to the personal allowance, without removing any of that benefit from people on more modest incomes.

As you know we also have detailed plans on local taxation, which I do not propose to repeat here. However the Scottish Budget will set the context which local authorities will face in the coming financial year, and the case remains strong for giving them the greatest degree of fiscal flexibility. Rate-capping will not achieve that, and will force them to look at more regressive measures such as fees and charges instead.

Projections of the likely cuts to local government over coming years vary. However some estimates, based on the assumption that SNP manifesto proposals on tax are implemented without change, suggest cuts in the order of £250m per year. I remain convinced that it is possible to generate the revenue necessary to protect these services, and to do so in ways which are fair and achieve a more equal society.

I wrote to you on 19 October this year to set out some initial thoughts on the Scottish Budget. In this letter, I asked for additional information on a number of points:

- Your assessment of what the financial implications of the decision to roll out NHS Greater Glasgow and Clyde's income maximisation initiative Healthier, Wealthier Children are for this budget, as well as any further detail of timescale and design.
- Whether you agree that in order to fulfil your manifesto commitment to increase GP numbers in Scotland, a significant increase in the proportion of the overall health budget which is spent on general practice will be required. We would ask what scale of increase you envisage to meet your existing policy commitments in this area.
- What provision you intend to make to fund a Young Carers benefit (however you indicated in our meeting that this would be for later budgets).



- What level of funding you intend to allocate for your National Infrastructure Priority on energy efficiency in the coming financial year.
- We would like to seek clarity over government plans to use this budget to pass on the November 2016 uprating of the Living Wage to care workers in adult social care.
- We would like to clarify if the Programme for Government's committed £10 million of funding for community energy through the Community and Renewable Energy Scheme will be available in full in this year's budget.
- What progress has been made on Scottish Government plans to incentivise the productive use of land through a levy on vacant or derelict land, and would ask for clarity over whether revenue from this source will play any role in this year's budget.

While we discussed these issues in general terms at our recent meeting, it would be helpful to know whether fuller answers will be available.

I look forward to hearing your statement next week, and I very much hope that your instincts and those of the Scottish Government will be to work with the most progressive forces in the Scottish Parliament, rather than with those who would copy the UK's policies, or who would seek to impose the burden of protecting public services on the shoulders of all Basic Rate taxpayer including low earners.

Sincerely,

Patrick Harvie

**Email from Cabinet Secretary for Finance and the Constitution to Willie Rennie MSP**

09 January 2017

Subject: Meeting with the Cabinet Secretary

Dear Mr Rennie

The Cabinet Secretary would like to have a further discussion this week in Parliament with you. Mr Mackay has availability tomorrow afternoon (Tuesday) – would this be possible?

Kind regards

Cabinet Secretary for Finance and the Constitution

**Email from Willie Rennie MSP to Cabinet Secretary for Finance and the Constitution**

09 January 2017

Subject: Meeting with the Cabinet Secretary

I could do 4pm if that fits. Willie

**Email from Cabinet Secretary for Finance and the Constitution to Willie Rennie MSP**

09 January 2017

Subject: Meeting with the Cabinet Secretary

Mr Rennie

That would be ideal. The meeting will be held in his room (t4.07) and Mr FitzPatrick will also attend.

If you have any questions then let me know.

Thank you

Cabinet Secretary for Finance and the Constitution

**Email from Willie Rennie MSP to Cabinet Secretary for Finance and the Constitution**

16 January 2017

Subject: Budget Proposal from the Scottish Liberal Democrats

Derek,

We have had meetings on the 2017-18 Scottish Budget prior to publication and since then, most recently last week. I want to use this letter to set out the position of the Scottish Liberal Democrats in advance of the Stage 1 vote on the Budget Bill.

The result of the election has left you as a minority.

I have looked at the priorities and proposals made by my party in the election. I want to be clear with you about what my colleagues and I believe needs to be changed in the Draft Budget. In short we will need new measures on mental health, restored college funding, a fully supported pupil premium, new money to support the police, together with less costly transport links to the northern isles.

Given the turbulence that has affected the Scottish economy, and the weekly warnings about skills shortages, business confidence and educational attainment the

Scottish Liberal Democrats are right to prioritise a strong long-term economy for Scotland. It remains our belief that the range of issues we have discussed with you remain important to develop a strong, diverse economy with increased economic participation.

You have explained to me how you have adapted and structured your Draft Budget to meet some of those priorities. This note sets out where we accept elements of that but I need to be completely clear with you where the Budget continues to fall substantially short.

The centrepiece of our election campaign was a £500m annual investment in education. As you will have heard me say on many occasions, Scotland used to rank amongst the best in the world for education, now we are average. The decline will have a real effect, when the lack of investment in education reduces the number of high-skill and high-wage jobs in Scotland. My party's proposals invest in education and learning from childcare, to the pupil premium, to restoration of funding to colleges. We showed in May that this could be paid for by our Penny for Education proposal, not through the withdrawal of funding to other services.

Our proposal for a pupil premium will give schools the resources to raise attainment by children from disadvantaged backgrounds. We allocated £190m in our manifesto to allow additional funding of £1400 for eligible primary school pupils and £900 for secondary. This was on top of the Attainment Fund that existed at the time of the election. Since the election you have announced a welcome change of policy away from your previous position of limiting funding to only certain local authorities and towards our idea of an entitlement that reaches right across Scotland. The amount of your proposed investment still falls short of the amount that would match the similar pupil premium operating in England. The outcomes from the investment in England have been substantial and worthwhile. It doesn't seem right to us to underfund the provision in Scotland and risk not achieving the gains. This £70 million shortfall will need to be addressed if the Budget is to gain our support.

On colleges, we remain seriously concerned at the shortages of skills in important sectors. College funding next year will be £93m below the peak funding achieved in 2010-11 under the terms of your Draft Budget. The erosion of the college sector should not be allowed to stand next year. The decline has impacted on women and older students disproportionately. We believe that it is important to return investment back to former funding levels and meet future skills needs. Improved college funding will need to be part of the final Budget.

On childcare, at our discussion in December you set out how the Scottish Government will be piloting different models for implementing its policy of additional free childcare provision from the age of 2. My party supports your overall aim. We believe that the policy will be difficult to deliver. We are very concerned about the reports of the difficulty of accessing current provision in some parts of Scotland. I am

prepared to accept your assurance that the policy is being implemented in a phased way to allow for proper evaluation of the best way to bring it in. This is a different route to that proposed by my party in May. We felt that much more investment would be needed earlier. I am prepared to accept that your route does not need that particular slice of our additional funding for the year 2017-18.

The Scottish Government has failed to meet the challenge of mental ill health. The government's strategy expired more than a year ago. The proposals in the Draft Budget do not get anywhere near meeting the need. This is a big issue for the economy and employers, who lose millions of days from staff absences. It is serious and heart-breaking for individuals and families. In May we proposed to increase the mental health budget line for 2017-18 to allow for the expansion of provision of services.

Given the daily reports of immediate problems in the Scottish NHS, together with concerns about its long term sustainability, our proposed investment in mental health is essential. Changing the way we deal with mental health will take the pressure off GPs, A&E and the police who are left, too often, as the only point of call for mental health.

Our mental health plan would double CAMHS spend to match England. We would also invest in dedicated mental health professionals in A&E departments, GP surgeries and in police divisions. These are substantial new services that signal a transformation in the seriousness with which mental ill health is treated.

I met SAMH last week and they too believe that doubling the CAMHS budget will allow for more Tier 1 and Tier 2 treatment for young people, and this has also been endorsed by the Parliament's health committee.

In short, we cannot support a Budget that does not deliver substantial additional resources for mental health, above the resources identified in the Draft Budget. It will need investment of at least £1.2bn in mental health next year together with a mental health strategy that develops the new services I have mentioned.

For the wider economy we do need to insist that the Scottish Government honours its commitments on ferry fares to the northern isles. We believe that fares can and should be halved in order to support the economy of the northern isles and to match the increase subsidies given to west coast routes in recent times. The reinstatement of the business use of the Air Discount Scheme is also essential.

We are also concerned at the provision of Alcohol and Drug Partnerships. Their budget was cut and then funding amalgamated into the overall health board budgets a year ago. Services are falling short in many areas. As part of the budget process we would want to gain some assurance and certainty that health boards will provide the right investment in these important services.

I should also report that we have looked at the points you made to me when we met last week on the police budget. I would wish to place on record that the Scottish Liberal Democrat manifesto retained the £55m change fund and added a further £20m to the indexed police budget. This is because we do not believe the change programme has succeeded. So your present Draft Budget is at least £20m short of what we think is important to promote a successful police service.

What I have set out above is not a long list of every item that would benefit from more spending. It is a tight and prioritised list that has the long term future of the Scottish economy at its heart.

This list is smaller than that which we proposed in our manifesto but the challenge for you remains substantial. I have indicated where we have accepted your reasoning on childcare. I believe that the proposals I have made here are ones that can be accepted by the Scottish Government and, given the economic challenges ahead, should be incorporated into a revised Scottish Budget.

I stand ready to discuss these matters with you further. I have been clear in this letter that our support for the Budget can only be considered if significant and substantial change is included for colleges, the pupil premium, mental health, the police and the island economies.

Yours sincerely

Willie Rennie

Leader, Scottish Liberal Democrats

## **Email from Patrick Harvie MSP to Cabinet Secretary for Finance and the Constitution**

18 January 2017

Subject: Budget Discussions

Dear Cabinet Secretary,

When we met with you last week, you indicated an intention to write with further information on some points we had raised, however I don't think we've received anything yet.

As I understand it we now have less than a week until the Budget Bill is published, and around two weeks or so until the first vote, but the engagement we have had so far has not led to any substantive progress.

I don't see any value in being coy about the negotiations which inevitably need to take place in a period of minority government; it may be that you are already

confident of parliamentary support, in which case you may feel that further discussion is not needed. However if this is not the case then I hope that matters are not left to the last minute, as this has not been a successful approach in the past.

Kind regards,

Patrick

**Email from Cabinet Secretary for Finance and the Constitution to Patrick Harvie MSP**

18 January 2017

Subject: Budget and taxation

Dear Patrick,

Thank you for your email of 8 December 2016 and for the two meetings that we have now had to discuss the Draft Budget 2017-18.

I am grateful for your willingness to engage in a constructive dialogue about the Scottish Government's Draft Budget 2017-18 proposals. I have found our discussions to date very helpful in understanding the areas of the budget that you are most interested in and I want to make absolutely clear that I will continue to engage with you on all aspects of our budget proposals. I have set out below some initial responses to the points that you raised in your recent email.

I understand the position that the Scottish Green Party are advancing in relation to income tax. As we have discussed in our recent meetings, our draft Budget proposals on income tax are consistent with those in our 2016 Manifesto. These are designed to provide additional investment for the public services we all rely on, while protecting basic rate taxpayers' incomes, and also asking those on higher incomes to forego the substantial tax cut being handed out by the UK Government. Our proposals deliver fairness for taxpayers and a clear alternative to the UK Government's austerity approach. By proposing to hold the income tax higher rate threshold constant in real terms, and by maintaining our progressive position on Land and Buildings Transaction Tax in the face of some vocal criticism from the property sector, I believe we are combining fairness and progressivity while also taking account of potential behavioural effects in a way that minimises risks to overall funding for Scotland.

You highlight that the Scottish Greens would use your alternative approach to taxation to protect local government services. The 2017-18 Draft Budget, which includes revenues generated as a result of the Scottish Government's approach to taxation, has treated local government fairly despite the cuts to the Scottish Budget from the UK Government. The 2017-18 local government finance settlement figures, taken together with the opportunity to raise additional Council Tax, provide a

package of measures that confer additional spending power to support local government services of £241 million or 2.3% (based on the LG Finance settlement presentation). All local authorities will receive their fair share of the available funding which is distributed using a needs-based formula which has been agreed ahead of the 2017-18 settlement with COSLA on behalf of its member councils.

In addition, we considered representations on our proposals to use increased Council Tax on Band E-H properties to pave the way for funding for schools. Our Draft Budget confirms £120 million for the Attainment Fund which will be met directly from resources available to the Scottish Government at a national level. This means that all Council Tax collected by each local authority will remain with that local authority for them to spend – including from the changes to Council Tax on Band E-H properties and from any Council choosing to increase Council Tax.

In your email you also raised a number of specific questions on a variety of policy areas and aspects of the Scottish Budget - I have addressed each of those in turn below.

### Healthier Wealthier Children

As the Minister for Public Health and Sport confirmed to the Parliament in October 2016, the Healthier, Wealthier Children approach will be rolled out through our commitment to enable NHS Scotland to support income maximisation, because it is known that many families with young children and pregnant women are not aware of the benefits they are entitled too. The Scottish Government is committed to supporting the roll-out of the project and the potential to build it in through NHS workforce plans. Our multidisciplinary approach to primary care, with link workers and others, is well suited to tackling health inequalities and income maximisation.

At present no specific provision has been set aside in the 2017-18 Draft Budget for the roll out of Healthier, Wealthier Children, but Scottish Government officials are actively working with NHS Health Scotland to develop a funding proposal for 2017-18 aimed at building capacity in the NHS workforce and advice services across all Board areas - developing greater expertise on financial inclusion - with a view to delivering the key principles and outcomes of Healthier, Wealthier Children across Scotland.

### GP Numbers

Scotland continues to have more GPs per head of population in Scotland than rest of UK - with 1 for every 1,083 patients, compared with 1 for every 1,335 in England, and 1,372 in Wales and 1,445 in Northern Ireland. However, the Scottish Government recognises that there is a need to redesign the way in which care is provided in the community to ensure that GP services are sustainable in the future. That is why we are committed to transforming primary care and GP services -

increasing the role that other health professionals play in delivering care and enabling GPs to focus on those patients specifically in need of their expertise.

Investment in GP services has gone up every year under this Government, and we are committed to an increasing share of the NHS budget going to primary care in each year of this parliament. In addition, Scottish Ministers have committed to invest over £2m in a GP Recruitment and Retention Fund to support the recruitment, retention and return of GPs in NHS Scotland.

The 2017-18 Draft Budget includes investment of £72 million in improvements to primary care and GP services, going towards an additional £500 million being invested in primary care by the end of this Parliament. This will represent increased spending on primary care services to 11% of the frontline NHS budget, building a genuine Community Health Service, with general practice at its heart. This investment means, for the first time, that half of frontline NHS spending will go to our Community Health Service, delivering primary care, mental health support, GP services, community care and social care.

### Young Carers Benefit

In May 2016, Scottish Ministers confirmed that they would consider the introduction of a Young Carer's Allowance to give young people extra financial support. At present, the Scottish Government is working with carers to explore options to best support them, including financial and non-financial options. It is only by meeting and hearing from carers first hand that we can really get an appreciation of the specific challenges they face and how their lives could be improved.

Our Social Security consultation recently closed and we will carefully consider the responses as we develop our policy across the full range of the benefits being devolved, including Attendance Allowance and Carer's Allowance. We are working towards publishing the analysis report on the consultation in early 2017.

In terms of timing for benefit delivery, our primary legislation is due for introduction by this summer and we will then have a wide range of regulations to draft and lay. As you have indicated in your email, benefit delivery isn't something that we would expect to see in the year of the 2017-18 Draft Budget.

I am also aware that you raised Social Security at First Minister's Questions on 12 January 2017 and that the First Minister has given you a commitment to set up a meeting with the Cabinet Secretary for Communities, Social Security and Equalities to obtain a fuller understanding of the work that the Scottish Government are doing to get an accurate assessment of the number of people who will be affected by the UK Government's benefits cap.

### Energy Efficiency



Since 2009, we have allocated over £650 million to energy efficiency measures and as announced in this year's Programme for Government (PfG), we will make available half a billion pounds over the next four years to tackle fuel poverty and improve energy efficiency. The PfG also announced £10 million more for domestic energy efficiency in 2016-17 helping make Scotland's homes cheaper to heat and reducing the costs of energy bills for householders and a further £10 million to make our public sector buildings more energy efficient – bringing our support for business and public sector low carbon infrastructure and energy efficiency to over £45 million (in 2016-17) creating and safeguarding jobs as well as ensuring long-term savings to the public purse.

The 2017-18 Draft Budget allocates over £140 million of planned investment in energy efficiency measures as a significant first step - over 25% - towards delivering our commitment to invest over £500 million in energy efficiency over this Parliamentary term.

### Social Care – Living Wage

The Draft Budget passes on resource consequential of £304 million in full to the Health Portfolio, taking health resource spending to a record level of £12.7 billion. This includes plans to secure a total of £8 billion of resources for Integration Authorities, giving them real power to ensure that people have access to the right care, at the right time and in the right place, by changing the way key services are delivered, with greater emphasis on supporting people in their own homes and communities and more appropriate use of hospitals and care homes.

In order to support the commitment to shift the balance of care, additional NHS investment of £107 million in 2017-18 will support Integration Authorities to deliver improved outcomes in social care and deliver the Living Wage for social care workers. This will increase total additional NHS investment in Integration Authorities to £487 million in 2017-18 (£107 million additional funding in 2017-18 added to the £250 million announced in 2016-17 and £130 million previously baselined).

The additional funding of £107 million includes £100 million to support the continued delivery of the Living Wage and sustainability within the sector. This resource enables the increased rate of £8.45 per hour to be paid, from at least the 1st of May 2017, to care workers supporting adults in care homes and care at home/housing support settings (including resources to cover sleepovers) and will now include, where it hasn't already, adult day care workers and personal assistants through arrangements made where care is provided.

We have established a record of providing high quality healthcare and our focus on quality and improvement remains at the heart of everything we do in the NHS, but our health and social care systems must continually evolve to meet the changing

needs of our people – to help address health inequalities and improve the health of the population. Like other healthcare systems around the world, we face the challenge of an ageing population, with people living with multiple conditions, and expectations arising from new drugs, treatments and technologies. This is why our twin approach of investment and reform of health and social care services is absolutely crucial.

#### Community and Renewable Energy Scheme

In this year's PfG we committed to providing £10 million of funding to be made available for community energy through the Community and Renewable Energy Scheme (CARES) which has helped so many communities invest in renewable energy already. The Draft Budget allocates £10.5 million to CARES in 2017-18, exceeding the commitment made in the Programme for Government.

Using CARES, we will deploy funds to support community energy, including the local energy challenge fund which is driving innovation in local energy projects. In addition, our draft Energy Strategy, which will be published shortly, will reaffirm our support for community and locally owned energy with new targets of 1 GW by 2020 and 2 GW by 2030 and a commitment for at least half of newly consented renewable energy projects to have an element of shared ownership.

#### Vacant & Derelict Land

At our meeting in November we discussed vacant and derelict land and I indicated that the Scottish Ministers were consulting on enabling councils to levy a tax on development, and vacant and derelict, land to reduce land banking and increase supply of homes. As part of that process, the Minister for Local Government and Housing hosted a round table session with a range of stakeholders in October 2016.

[REDACTED]

The Scottish Government are now reflecting on the engagement to date, but have made no decisions at this stage and as a result no associated revenues will play a part in the 2017-18 budget. Any new levy would likely require primary legislation to bring it into effect and we would need to allow the appropriate time for the proper development and scrutiny of any such legislation before any revenues could be collected to support public spending. I would also note that vacant and derelict property continues to be rateable, subject to any reliefs and exemptions, including the longstanding rating exemption for unoccupied land without any buildings – and that we have committed to respond swiftly to the external review of rates (led by Ken Barclay) when it concludes this summer.

I trust that my response provides you with the additional information that you are seeking and I look forward to our on-going discussions on the Scottish Government's Draft Budget proposals.

Yours sincerely,

Derek Mackay

Cabinet Secretary for Finance and the Constitution

**Email from Patrick Harvie MSP to Cabinet Secretary for Finance and the Constitution**

20 January 2017

Subject: Budget Discussions

Dear Cabinet Secretary,

Further to our brief discussion today, I agreed to summarise where we stand and some options we believe offer scope for compromise.

As discussed, we are most concerned to see a tax change that raises more revenue from high earners, and a subsequent increase in non-ringfenced revenue funding for local authorities.

We see a number of possible options for this. An increase in the Higher Rate itself was not, so far as we can see, ruled out by the SNP manifesto (see extract below). A freeze in the Higher Rate threshold was promised, however we believe that this has been overtaken by events, in particular the UK change to the personal allowance; the benefit of which extends to high earners. The principle involved here is clear – if you take the view that a tax cut for high earners is not justified, then it is reasonable to claw back from Higher Rate taxpayers a tax cut which the UK Government has given them, and you can do this without increasing the tax at the Basic Rate.

A penny on the Higher Rate, and a lowering of the threshold by £1,000, appear to us to raise roughly £80m each – a total of £160m.

SPICe's comparison of this draft budget with last year's draft budget (which is more favourable than a comparison with the actual spend in 2016/2017) demonstrates that the cut to non-ringfenced revenue funding for local authorities (i.e. GRG+NDRI) is £-290.8m in cash terms. We accept this is partly offset by the council tax multiplier change which is estimated to raise £110m, but that still leaves a significant gap to fill in the order of £180m. Our proposals above come close to achieving this.

I hope that this provides sufficient basis to allow progress in our discussions next week.

Regards,

Patrick

**Email from Patrick Harvie MSP to Cabinet Secretary for Finance and the Constitution**

24 January 2017

Subject: Budget and taxation

Dear Cabinet Secretary,

I'm just email to double check that you received my email from Friday morning, following up on last week's discussions.

Kind regards,

Patrick

**Email from Cabinet Secretary for Finance and the Constitution to Patrick Harvie MSP**

24 January 2017

Subject: Budget and taxation

Dear Mr Harvie

This email was received and I passed it to the Cabinet Secretary.

Thank you

Cabinet Secretary for Finance and the Constitution

**Email from Patrick Harvie MSP to Cabinet Secretary for Finance and the Constitution**

30 January 2017

Subject: Budget and taxation

Thanks for getting in touch. I can be free between 2:40 and 4pm on Wednesday. However I had been expecting a meeting to be arranged on Tuesday; Wednesday is leaving things every late indeed.

If Mr Mackay isn't able to meet until Wednesday I think it's important that we are given some response in writing, to our proposal from January 20th, by tomorrow. That proposal was nearly two weeks before the Stage 1 vote, and to have no answer until the day before that vote is extremely unhelpful.

We sent that email on the 20th because Mr Mackay had asked very directly for an honest minimum position. We simply need to know if it's agreed.

Cheers,

Patrick

**Email from Cabinet Secretary for Finance and the Constitution to Patrick Harvie MSP**

30 January 2017

Subject: Budget and taxation

Dear Mr Harvie

The Cabinet Secretary would like to have a further discussion with you on Wednesday afternoon. Is this possible?

Thank you

Cabinet Secretary for Finance and the Constitution

**Email from Cabinet Secretary for Finance and the Constitution to Patrick Harvie MSP**

30 January 2017

Subject: Budget and taxation

Dear Mr Harvie

I believe you have spoken to the Cabinet Secretary. Apologies for the confusion on the day as the Cabinet Secretary would like to meet tomorrow afternoon. Is this convenient?

Thank you and sorry for the earlier email.

Cabinet Secretary for Finance and the Constitution

**Email from Patrick Harvie MSP to Cabinet Secretary for Finance and the Constitution**

30 January 2017

Subject: Budget and taxation

Yes, many thanks for that. I'm free from appx 3:30 till 5pm.

Patrick

**Email from Cabinet Secretary for Finance and the Constitution to Patrick Harvie MSP**

30 January 2017

Subject: Budget and taxation

Thank you. I have put it in for 1530 in the Cabinet Secretary's diary. The meeting will be held in his room (T4.07)

If you require anything else then please let me know.

Cabinet Secretary for Finance and the Constitution

**Email from Cabinet Secretary for Finance and the Constitution to Patrick Harvie MSP**

31 January 2017

Subject: Budget and taxation

Mr Harvie

Thank you for the email and I have passed this on to the Cabinet Secretary. Mr Mackay would like a further discussion tomorrow. Is this convenient and if so what would be the best time? The only meeting he is busy with tomorrow is at 3pm.

Kind regards

Cabinet Secretary for Finance and the Constitution

**Email from Patrick Harvie MSP to Cabinet Secretary for Finance and the Constitution**

31 January 2017

Subject: Budget and taxation

Many thanks. Would it be possible to meet after Finance Committee? I expect it to end around noon.

Patrick

**Email from Cabinet Secretary for Finance and the Constitution to Patrick Harvie MSP**

31 January 2017

Subject: Budget and taxation

Mr Harvie

Thank you for coming back so quickly. I have put it in for 1200 in his diary. If there is a problem I will let you know.

Kind regards

Cabinet Secretary for Finance and the Constitution

**Email from Cabinet Secretary for Finance and the Constitution to Patrick Harvie MSP**

31 January 2017

Subject: Budget and taxation

Mr Harvie

Apologies. Would 1300 be acceptable?

Thank you

Cabinet Secretary for Finance and the Constitution

**Email from Patrick Harvie MSP to Cabinet Secretary for Finance and the Constitution**

31 January 2017

Subject: Budget and taxation

I have another meeting at 1pm, but when I get into the office tomorrow morning I'll do my best to move it.

Patrick

**Email from Cabinet Secretary for Finance and the Constitution to Patrick Harvie MSP**

31 January 2017

Subject: Budget and taxation

Thank you

Cabinet Secretary for Finance and the Constitution

**Email from Patrick Harvie MSP to Cabinet Secretary for Finance and the Constitution**

31 January 2017

Subject: Budget and taxation

Dear Cabinet Secretary,

Thank you again for your time this afternoon. I have had the chance for a discussion with the First Minister, and while we also continue to discuss the situation within our Group I have to say that we remain disappointed at your reaction to our proposals. I believe it is in both our interests, and clearly in the interest of the country, that agreement is reached between us. I hope that this can be achieved between now and Thursday.

As you know, you asked some weeks ago for a minimum proposition from us, and we responded with proposals which would achieve an additional £160m for local government, coming from modest changes to the higher rate of income tax and its threshold. Your response today aims to find £100m, with a further £29m resulting from a freeze to the higher rate threshold instead of implementing an inflation-based increase. We look forward to hearing some detail on the sources of the £100m figure, and the distributional impact on councils.

We are disappointed that you do not see both opportunity and reason to introduce some greater progressivity in income tax rates than is in place in the current tax year. For illustrative purposes, a 1% increase in the higher rate would only increase the tax bill for someone on a £50,000 salary by some £70pa. Even someone on an MSP's salary would end up paying barely any more than they have already gained



from the UK's changes to the personal allowance. I cannot accept that such figures are unaffordable for people on these kind of incomes, however this change would make a significant difference in providing the resources needed to protect our local public services.

I urge you again to consider this modest change, even if you feel that you are unable to reduce the threshold. To refuse would be to place councils in a position of having to increase an unfair, non-progressive tax like Council Tax, when you have available an alternative of raising the revenue fairly. I ask you to consider the scale of what you are asking, in seeking our support for a budget on that basis.

I would repeat our view that a £160m increase to the local government revenue grant is necessary. If you are able to reach this figure without recourse to further income tax changes, then agreement might be possible. If not, we remain of the view that this modest adjustment to the rate for high earners is justified and necessary.

I am, of course, available for further discussion tomorrow.

Regards,

Patrick

**Email from Patrick Harvie MSP to Cabinet Secretary for Finance and the Constitution**

1 February 2017

Subject: Budget and taxation

Hi,

1pm should be fine for the meeting with Derek.

Patrick



## REASONS FOR NOT PROVIDING INFORMATION

### An exemption applies, subject to the public interest test

An exemption under section 30(b)(ii) of FOISA (free and frank exchange of views) applies to some of the information requested. This exemption applies because disclosure would, or would be likely to, inhibit substantially the free and frank exchange of views for the purposes of deliberation. This exemption recognises the need for Ministers to have a private space within which to discuss issues and options with external stakeholders before the Scottish Government reaches a settled public view. Disclosing the content of these discussions with Patrick Harvie MSP on elements of the budget propositions will substantially inhibit such discussions in the future, because these stakeholders will be reluctant to provide their views fully and frankly if they believe that those views are likely to be made public, particularly while these discussions relate to a sensitive or controversial issue such as taxation.

This exemption is subject to the 'public interest test'. Therefore, taking account of all the circumstances of this case, we have considered if the public interest in disclosing the information outweighs the public interest in applying the exemption. We have found that, on balance, the public interest lies in favour of upholding the exemption. We recognise that there is a public interest in disclosing information as part of open, transparent and accountable government, and to inform public debate. However, there is a greater public interest in allowing Ministers and officials a private space within which to communicate with appropriate external stakeholders as part of the process of exploring and refining the Government's Budget Bill proposals, until the Government as a whole can adopt a decision that is sound and likely to be effective. This private space is essential to enable all options to be properly considered, so that good decisions can be taken based on fully informed advice and evidence, such as that provided by opposition parties. Premature disclosure is likely to undermine the full and frank discussion of issues between the Scottish Government and these stakeholders, which in turn will undermine the quality of the decision making process, which would not be in the public interest.