



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

FINANCE COMMITTEE

Wednesday 8 October 2014

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FINANCE COMMITTEE

25th Meeting 2014, Session 4

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Gavin Brown (Lothian) (Con)
Malcolm Chisholm (Edinburgh Northern and Leith) (Lab)
*Jamie Hepburn (Cumbernauld and Kilsyth) (SNP)
*Michael McMahon (Uddingston and Bellshill) (Lab)
*Jean Urquhart (Highlands and Islands) (Ind)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Professor David Bell (University of Stirling)
Lynn Brown (Glasgow City Council)
Roddy Burns (Moray Council)
Iona Colvin (North Ayrshire Council and NHS Ayrshire and Arran)
David Eiser (University of Stirling)
Dr Amanda Fox (Scottish Government)
Laura Friel (North Ayrshire Council)
Pamela Gowans (NHS Grampian)
Jim Gray (Glasgow City Council)
Heather Holmes (Scottish Government)
Ian Turner (Scottish Government)

LOCATION

The Adam Smith Room (CR5)

Scottish Parliament

Finance Committee

Wednesday 8 October 2014

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Kenneth Gibson): Welcome to the 25th meeting in 2014 of the Finance Committee. I remind everyone to turn off mobile phones and other electronic devices.

We have received apologies from Malcolm Chisholm.

Our first item of business is to decide whether to take item 5 in private. Do members agree to do so?

Members indicated agreement.

Further Fiscal Devolution

09:30

The Convener: Our second item of business is evidence from Professor David Bell and David Eiser from the University of Stirling's division of economics, on their recently published paper, "Scotland's Fiscal Future in the UK".

The paper was circulated to members in advance of today's meeting, so we will go straight to questions from the committee. As usual, I will start the questioning process.

Before we start, I point out that we have a full agenda today and are likely to be pressed for time. I therefore have to restrict each member's questioning to no more than 10 minutes. I will also try to adhere to that timescale. I say to John Mason that that means no meandering when it comes to his turn. Either or both of our witnesses may answer questions that are put. It is completely up to them.

On options for further fiscal devolution, the third paragraph of page 5 of the paper says:

"The Labour Party's proposals are somewhat more modest, amounting to an extension to the Scotland Act, so that the devolved part of income tax increases from 10p at each rate to 15p. The proposals also allow the Scottish Government to vary the progressivity of income tax, albeit in a fairly restrictive way".

Any variation, of course, would be done so as not to reduce that progressivity. How would those proposals advantage or disadvantage Scotland?

Professor David Bell (University of Stirling): The proposal to increase the take from 10p to 15p really amounts to a kind of extension of the revenue share. It would not give control over progressivity and it would not really give control over tax bands. The question is, what advantage might you seek to gain from having control of tax bands and progressivity? In relation to that, another question would be, can you increase total revenue by, say, having higher bands? That would depend on how taxpayers reacted to changes in the tax rate, which is something that we do not really know all that much about. It would also depend on how the rest of the United Kingdom reacted.

One of the things that we talk about in the paper is that there is a huge size difference between Scotland and the rest of the UK. The rest of the UK might not be too worried if Scotland were to cut its income tax rate from the rate that pertained in the rest of the UK. That would depend on how mobile people were between Scotland and the rest of the UK and on whether people were coming in and out of the labour market because of changes in income tax rates.

Having the tax slab increases the revenue and changes incentives in the following way: it would mean that the block grant adjustment would have to be larger, which would mean that there was more pressure on the Scottish Government to grow the economy as fast as, or faster than, the rest of the UK in order to keep its total public spending in line with what it would have been had the Barnett formula continued.

Playing around with bands and rates induces responses that might be good or bad. Scotland would, to an extent, be constrained by what its larger neighbour was doing, because people would react, at some point.

The Convener: In his evidence to the committee, Professor McGregor suggested that a higher rate here, which could not be reduced, than in the rest of the UK, could cost Scotland 2 per cent of its gross domestic product and 75,000 jobs. Is that accurate or an exaggeration?

Professor Bell: There is certainly one issue with having a higher rate here. Because we have a highly unequal distribution of income in Scotland, a large proportion of our income tax is paid by relatively few people; that is, people who are on the higher rate and, in particular, who are on the additional rate of income tax. There is the potential to cause movement between Scotland and the rest of the UK if the rate in Scotland were to go up massively in, let us say, the additional rate, compared with the rest of the UK.

I would be surprised if we were talking about as much as 2 per cent of GDP. Everything would depend on how much the rates were changed by. There is obviously a penal tax rate, after which increases become self-defeating.

David Eiser (University of Stirling): In previous work we looked at how much additional revenue would come to the Scottish Government if 1p were to be placed on each rate of income tax. The research suggests—if we assume that there is no behavioural response—that that would bring in an extra £460 million. When we take into account the likely behavioural responses, which David Bell talked about—the possibility of people deciding to relocate as individuals or to relocate some income—the additional revenue might be more like £370 million. The difference is about £100 million, when we take account of behavioural effects. I am not sure how that aligns with the figures that the convener quoted.

I think the Labour proposal was that it should be possible to increase the progressivity of the income tax that is devolved to Scotland, but not necessarily to decrease it. I am not quite sure why you would want to restrict yourselves in a way that enabled you to move progressivity in one direction but not in another.

The Convener: The devo more recommendation is that half the VAT revenues that are raised in Scotland should be assigned to the Scottish Parliament. In that situation, would Scotland have a say in setting the rate?

David Eiser: The evidence that we have at the moment is that European Union law precludes different VAT rates in parts of the same territory. On that basis, it seems to be unlikely that the rate of VAT could be devolved to the Scottish Parliament so that it could be different from the rate in the rest of the UK.

The Convener: I am aware of that, but what is suggested is that maybe half the VAT receipts could be assigned to Scotland. In that case, would we have a role in setting the rate, even though there would not be a different rate in Scotland?

David Eiser: I guess that that is a question about intergovernmental relations and how they play out.

Professor Bell: What we are talking about in this context is a tax-sharing arrangement. Most of the proposals that are being put forward are not for tax sharing, although tax sharing is pretty common; it is done in Germany, for example. In effect, it means that people somehow come to an agreement about the tax rate and then divvy up revenue according to a formula.

That would mean that Scotland would not have a different risk from the rest of the UK. All the VAT for the whole of the UK would be pooled and Scotland would get 9 per cent, or whatever, of it. If the rest of the UK was booming and people were all buying high-value items, there would be a lot of VAT revenue south of the border and Scotland would still get a share of that, even if people were not spending so much in Scotland.

Sharing of taxes does not seem very much to be on the table, but it is quite common in other countries. It can give a misleading impression of how much power sub-central Governments—for example, the German Länder—have. You have made exactly the right point, because sub-central Governments do not have a huge say in setting the conditions for the tax.

The Convener: We will move swiftly on. Your paper states:

“Corporation Tax has been proposed for devolution by DevoPlus on the basis that economic and business development are devolved policy areas, although most proposals recognise the risks inherent in devolving corporation tax, namely the fact that the high mobility of the tax base may trigger tax competition.”

However, surely there is already corporation tax competition right across the world. It almost looks as though you are referring to the issue only within

the British Isles, as if somehow the rest of the world is not significant to the discussion.

Professor Bell: There certainly is corporation tax competition. The Organisation for Economic Co-operation and Development figures on corporation tax rates show absolutely clearly that rates are converging downwards. The stand-out exception is the United States, which still has corporation tax that is well above 30 per cent. That has been the cause of recent disputes that have emerged on issues such as the Pfizer takeover, which related specifically to that.

Corporation tax rates are converging downwards, but the rates are only part of the story, because the allowances and how the tax is applied can vary even when there is the same headline rate. Aspects other than the rate might be of interest to particular kinds of firms; for example, research and development can be emphasised by giving large research and development allowances that attract companies that are biased towards R and D. The issue is much more complex than just the rate, although the rate is quite important.

The Convener: How does the USA cope with varying corporation tax rates across the country?

Professor Bell: Is this the Rhode Island question?

The Convener: There is an issue about whether there can be different corporation tax rates in different states. Clearly that is possible. How does the USA ensure that it does not have issues about tax competition such as those that were raised during the referendum campaign and that you touch on in your paper? Obviously, there must be an element of competition, but how does the USA ensure that the system works effectively?

David Eiser: I am afraid that I do not know the details of the corporation tax arrangements in the United States.

You are absolutely right that corporation tax is an international issue. Ideally, we would have a greater level of international agreement on how we set corporation tax rates. However, it is potentially more of an issue in a within-territory situation. Because Scotland and the rest of the UK are similar economies, if a company was deciding whether to locate in Scotland or elsewhere in the UK, different rates of corporation tax might play a stronger role in influencing its decision than would be the case if the business were choosing whether to locate in the UK or another country.

09:45

Professor Bell: It is true that in the United States, Rhode Island has the lowest corporation tax rate by quite some distance, so a huge number of companies have their nameplates there. I do

not know how that is handled. However, the fact that not all of US industry has moved to Rhode Island suggests that there are other issues. For example, California has quite high tax rates but has other attractions, such as the higher education institutions, the ability to find capital in different ways and a very pleasant environment, which might be the countervailing forces to Rhode Island's low corporation tax rate.

The Convener: So corporation tax is an issue, but only if all else is equal.

Professor Bell: Yes.

The Convener: I have already taken up 13 minutes of the committee's time, so we will move on to my colleagues' questions.

Jamie Hepburn (Cumbernauld and Kilsyth) (SNP): In your paper, you say that the Scottish rate of income tax will operate in effect as a flat tax, because the Scottish Government cannot vary the rates differently, which

"implicitly leaves income redistribution as a reserved issue for the UK Government."

You also say that

"this may undermine the extent to which the Scotland Act proposals really meet the desire for greater fiscal policy autonomy."

Can you explain what you mean by that?

Professor Bell: The main incentive that the Scottish rate of income tax gives to the Scottish Government is to match the rate of growth of the tax base in the rest of the UK. Otherwise, the size of the block grant adjustment will start to exceed the amount of revenue that the Scottish Government is raising from the flat tax that Jamie Hepburn described.

That flat tax cannot be used to alter people's behaviour and it cannot be used to redistribute wealth because the Scottish Government does not control the rates or allowances. However, in another paper on inequality in Scotland, we have shown that even moving income tax rates around quite a lot would not have a huge effect on overall inequality, because what we call the market or pre-redistribution distribution of income is very unequal. There is such an unequal distribution of income before taxes are applied and benefits are given out that there would not be a huge effect even if the Government were to make fairly big changes to tax rates and allowances.

David Eiser has just described how, if we were to move the rates relative to the rest of the UK, there is a danger that the Government would end up with less than it thought it would get because of behavioural responses, such as people or companies moving.

Jamie Hepburn: You have touched on the problems that could be associated with asymmetric growth in the tax base, which we have discussed before. You describe it as the Scottish Government bearing the full risks associated with that, but you also say:

“The corollary of this of course is that the Scottish Government is fully incentivised to grow the income tax base.”

Do you agree that control of the Scottish rate of income tax alone will not really give the Scottish Government much power to achieve that aim? The Scottish Government will still not have control over immigration and other matters.

Professor Bell: That is a good point. The Scottish Government does not have control over immigration, so blockages due to the inability of Scotland to attract high-productivity individuals might be a negative effect. It is difficult to calibrate that at the moment.

Scotland spends considerably more than the rest of the UK on economic development and comes second to London on attractiveness for inward investment. There are levers, and Scotland seems to have chosen to use the economic development lever quite well in order to enhance the Scottish economy's growth, which should grow the tax base. It is not the case that tax alone will be responsible for growing the tax base; other supply-side instruments are available to the Scottish Government to help with that.

David Eiser: The Scottish rate of income tax will mean that the Scottish Government captures some of the benefits of economic growth—increased tax receipts—but not all the benefits, such as reduced welfare spending. It gives some incentives but not full incentives. Another issue, which David Bell has talked about, is that the Scottish rate of income tax does not give the Scottish Government the power to address income inequality and the distribution of income.

Professor Bell: I made the point in a previous paper that, if growth in income tax revenues was concentrated in bankers' bonuses and they were taxed at 45p in the pound, Scotland would get only 10p of that 45p. However, if growth related to lower incomes, which are taxed at 20p in the pound, Scotland would get half the increased revenue.

Jamie Hepburn: Mr Eiser has provided a useful bridge to my next question. Your paper talks about the reduction in welfare spending and says:

“The UK welfare state is seen as the key element in the risk sharing and resource pooling mechanisms that are seen as a defining characteristic of the Union. Thus the Labour proposals talk of ‘rights enshrined at UK level that should be paid for from UK taxes’, the Liberal Democrats talk of maintaining the UK's social welfare union. The

Conservatives describe this social union as ‘hugely important to what glues us [the UK] together’.

In this context, it is unclear to what extent welfare devolution is compatible with these principles.”

You make it pretty clear that social security is unlikely to be devolved, but we know that the welfare changes are likely to push 100,000 more children in Scotland into poverty by 2020, that 100,000 disabled people are being affected and that 80,000 households have been hit by the bedroom tax. The Tories talk about what glues us together; we will be stuck in the glue if we get no further devolution. Do you not see the devolution of social security to any extent as a serious prospect?

David Eiser: Our point was not that we do not think that welfare devolution is on the table or makes sense; we simply said that the traditional argument for keeping most elements of welfare spending reserved—not just in the UK but in many other countries—is that such functions are appropriate to have at a federal level, if you like, or a national level, which ensures that citizens in all parts of countries receive the same level of welfare services and that risk is shared over the economic cycle. That does not necessarily mean that we must agree with the welfare policy that is in place. The paper simply made the point that that position is the traditional starting point of fiscal federalism literature.

Professor Bell: I have just written something, which has not been published yet, on devolving welfare. One approach involves thinking that welfare covers a number of risks. Way back when social insurance was introduced, it was intended to insure people against unemployment, but unemployment benefit—jobseekers allowance—now accounts for a smaller and smaller amount of the total welfare bill.

David Eiser just made the point that one argument for having unemployment insurance on a national, UK basis is that one part of the country may suffer a big shock. For example, the oil industry in Aberdeen might suddenly not be doing so well. In that situation, unemployment benefit will be a subsidy not just to individuals in Aberdeen but to the Aberdeen economy. It will keep the economy more buoyant than it would otherwise have been, so it is a form of insurance.

Most of the risks that are now covered by welfare are not about insurance. They are about things such as disability, a need to care or bereavement. With those things, it is not so obvious that we are fulfilling a function of cross-national subsidy to keep the economy going.

I argue that there is a possibility of deciding on, let us say, how much Scotland currently receives in relation to a particular benefit—attendance

allowance is one that the Labour Party has selected—and then somehow indexing that in the way that the block grant adjustment will be indexed and letting Scotland get on with distributing that sum of money to the disabled.

The good thing about that is that we already have a policy of free personal care. It does not look as if the two policies sit all that well together—attendance allowance on the one hand and free personal care on the other—because essentially they are trying to do the same thing. The disadvantage is that although that is a big sum of money, an administrative cost has to be paid to share it out. Even if that is done through the Department for Work and Pensions, it will still be expensive because, as you know, the welfare system is extremely complex. Something not too dissimilar to that is done in US states, and I believe that it is worth thinking about in relation to some aspects of welfare spending.

I reiterate what David Eiser said. This is about the design of welfare. It is not about the current policies and the levels of support that are available. Neither of us is saying anything about that.

Jean Urquhart (Highlands and Islands) (Ind):

From reading the paper, it seems to me that you have dispensed with the idea of the vow, which other political parties have made, that the Barnett formula will remain untouched. Is that correct?

Professor Bell: Under the Labour proposal it is pretty clear—because it is just an extension of the Scotland Act 2012—that the Barnett formula will still be there. The block grant will be determined and then it will be adjusted; it will be reduced by an amount that the Scottish Government and the UK Treasury will agree on.

Once we start to increase substantially the amount of money that is taken away from the Barnett allocation, it becomes less easy to defend its continued existence. It is not just about Scotland. I was at a meeting on Monday at which strong arguments were made by a representative from Wales. The Welsh Government feels, perhaps with some justification, that Wales has done badly from the Barnett formula for some time. I would have thought that it might come under more pressure if there is a substantially greater income tax take in Scotland, and I suspect that there will be pressure from outside Scotland because it is unpopular outside Scotland.

10:00

Jean Urquhart: In several parts of your paper you suggest that we are dealt with generously, and that that largesse is more or less because of the oil. However, the reality is that we have

contributed far more in oil revenues than has ever come back to us through the Barnett formula.

David Eiser: The allocations to Scotland through the Barnett formula are largely a result of the historical baseline allocation. The Barnett formula gets a lot of criticism, but it is the baseline allocation that means that Scotland is funded relatively generously. I very much doubt that this will happen, but in theory the UK Government could think about retaining the Barnett formula while making a one-off adjustment to reduce Scotland's block grant, if it wanted to do that.

On your point about oil revenues, I think that a couple of pieces of work have been done since 1980 to compare North Sea revenues from Scotland with the funding that has come back to Scotland through the Barnett formula. Over time, the two things pretty much cancel each other out. In effect, Scotland has received back the North Sea revenues, through the Barnett allocation—not explicitly, but that is the implication.

Jean Urquhart: That is the implication in your paper, but I think that it has been challenged and found wanting—that is my point. You link the relatively generous block grant to oil, but others say that about £150 billion has not come back. We will leave it there.

On reading your paper, I feel that we are a bit hamstrung. We agree that devolution of income tax does not leave Scotland in a better place and that the word “power” might be a bit strong in that regard. Real power would be power over taxation. Should we argue for that?

David Eiser: A number of the proposals are for full devolution of income tax, including the ability to vary rates individually and the ability to vary bands. That would bring a very large revenue source fully into the control of the Scottish Parliament and it would give the Scottish Government the ability to address issues to do with inequality and redistribution. It would not represent the full panoply of tax powers, but relative to other countries around the world it would be a substantial level of tax devolution to a devolved Government.

Professor Bell: It is true that even if a devolved Government has pretty much complete tax powers, such as is the case in the Basque Country, it is always still constrained in its ability to set tax rates, because factors of production—labour and capital—will ultimately move in response to differential taxes. We see that happening all the time. In a sense, you could escape the constraints of having rates and bands set at Westminster, but you would not be unconstrained. That would not be the correct way to think about it.

Jean Urquhart: Did you not make the case in your paper that there would be constraints because we would still be tied to an economic approach that is set around the London area, and the financial sector in particular?

Professor Bell: Yes—we looked at the existing proposals, which would certainly impose constraints. Any Government will look at its fiscal position and make decisions accordingly. Governments have greater or lesser policies towards different parts of their countries. Arguably, the UK Government does not do that hugely, especially within England. Having tax powers would clearly give a greater degree of autonomy, but it would not be unconstrained.

Jean Urquhart: If you were to write a paper from the perspective of showing the powers that Scotland needs to grow its economy and develop industries, would you say that it needs the power to create taxes and impose them on different aspects of industries in Scotland?

Professor Bell: Again, there is the issue that most companies would probably prefer much lower taxes than currently pertain in Scotland. If the aim is to grow business, that would certainly be one way of attracting more business to Scotland. However, what we call the supply side of the economy, which is about skills, enterprise, infrastructure and so on, has a considerable bearing on the ability to grow the economy.

Jean Urquhart: With devolved income tax, it would be clear that we should develop the financial sector, because it provides the highest income from tax revenues. Is that right?

Professor Bell: It is less true now, but it was certainly true towards the middle of the previous decade that bankers' bonuses provided a very substantial share of total income tax revenues. As I mentioned, under current proposals, Scotland would not actually get a huge share of that. It would get 10p out of 45p—it was 50p for a while—so it would not benefit to the extent that the UK Government would from that type of income.

Jean Urquhart: Your paper refers to the UK as though it is a really well-functioning monetary union and suggests that somehow there is an advantage to being tied to it. Is that really what you think?

Professor Bell: The US is a good example of a well-functioning monetary union, and I think that the UK is a well-functioning monetary union. The eurozone is not a well-functioning monetary union, partly because it lacks the ability to do the kind of fiscal transfers that support parts of the state when they get into trouble. An example that Paul Krugman gave recently, although perhaps rather crudely, was that Florida and Greece were in some ways equivalent in the kind of shock that

they experienced during the great recession. However, Florida, through the kind of transfers that I talked about, has largely weathered the storm and not suffered greatly, whereas Greece, which has not received significant fiscal transfers because of the policies of the European Central Bank and the European Union, still has a 60 per cent youth unemployment rate.

The Convener: We have to move on, Jean.

Jean Urquhart: Okay—thank you.

Michael McMahon (Uddingston and Bellshill) (Lab): When the convener opened the questioning, he mentioned the Labour Party's policy on having the ability to increase taxation but not reduce it. Mr Eiser appeared to doubt the validity of that, which the convener agreed with. They then discussed the Scottish Government's pledge to reduce corporation tax by a certain amount regardless of the level that is set by the UK Government. The issue of tax competition as a race to the bottom relates to both income tax and corporation tax.

What are your concerns about a position in which there is a policy that allows income tax to be raised in order to increase the amount of money that is available for public spending, and a policy that prevents a reduction in income tax to avoid a race to the bottom, given that you had concerns about allowing a race to the bottom on corporation tax?

David Eiser: That is a fair question. If you look at what has happened to income tax rates and corporation tax rates across countries over time, you will see that the pattern is different. Corporation tax rates have been going down in all countries and income tax rates have stayed much more constant across countries. The idea that horizontal tax competition always results in lower tax rates is not quite right. It depends on the type of tax and on how mobile the tax base that it is applied to is. With income tax, there is evidence that people think not in terms of tax competition but more in terms of fiscal competition.

If people can see that they are receiving the benefits of income tax through locally provided services, they are generally more willing to accept those higher tax rates. That visibility of income tax is a key part of the reason why income tax is often perceived as a good tax to devolve, whereas corporation tax is not, because the link between the tax and locally provided services is not there and the tax base is mobile, so you can get a race to the bottom.

Horizontal tax competition affects different taxes differently, but my earlier point about income tax was really about why you would want to constrain a Parliament for ever more to be able to operate a tax in only one way. That is slightly different from a

policy position of saying, “We will cut the tax if we have it.”

Professor Bell: The mobility of the tax base is an important issue, and capital is more mobile than labour. That is why corporation tax rates round the world have been coming down, because companies are able to move relatively easily nowadays. Overall, although it has not become as extreme as corporation tax, it has become more difficult to raise huge sums through income tax, partly because we now have a lot of relatively poor people who do not pay a lot of income tax and we have a lot of relatively rich people who are quite good at finding ways of avoiding income tax.

The net result, which is bad for the poor, is that countries have increasingly focused not on direct taxes but on indirect taxes, so what happened at the start of the current UK Parliament was an increase in VAT rather than an increase in income tax. The increase in VAT is partly explained by the fact that the tax authorities know that they will get their money when they increase VAT by a couple of pence. It does not make a huge difference to people’s behaviour patterns.

Michael McMahon: Thank you for clarifying that.

The question that I wanted to ask at the outset was about VAT and the assignation of the tax generated in Scotland. We know that Scotland and England cannot have different rates under EU rules, so VAT is a good example of how the amount of tax raised in a geographic area can be identified and the money assigned via the block grant. Are there other areas in which that could be done? Are there other ways in which it could be done outwith the block grant?

10:15

Professor Bell: That is a slightly different approach from the approach that I described earlier, which is taking all the VAT revenues raised in the UK and giving Scotland its population share of those revenues.

You are interested in trying to figure out how much VAT is actually raised in Scotland and then assigning that to Scotland. You could do that with a number of things. I have forgotten the exact figure, but the amount of revenue that is raised in Scotland in relation to alcohol duty is something like 10 per cent a head more than is raised in the rest of the UK, so we would get more revenue if we had our proper share of total alcohol duty.

Such things can be done—the difficulty is that the incentives that are created are perhaps not the best incentives. [*Laughter.*] You have to be quite careful. It is not that unusual to do such things and, at a political level, it might increase the

feeling that the money that we spend is money that is raised in Scotland. However, you need to be careful about the incentives that you end up with.

The Convener: Jim Johnston, the committee clerk, has just pointed out that the figure in your paper is 16 per cent a head more, not 10 per cent.

Professor Bell: Sorry.

Gavin Brown (Lothian) (Con): What do we need to do in Scotland to build up our capacity for analysing and ultimately dealing with the concept of behavioural response to taxes?

Professor Bell: That is quite a difficult question. The UK experts—indeed, they are possibly the world experts—are in the Institute for Fiscal Studies in London. Economists get quite nerdy about the issue. It is about trying to construct a situation that, on the one hand, is like real life but, on the other hand, involves one group of people being confronted with a certain tax rate and another group of similar people being confronted with a different tax rate, and then seeing how the groups respond. Quite a lot of work has been done at the UK level and in other countries, and you need to ask how useful the comparison between Scotland and those other countries is.

If I was to make a general finding from the current literature, it would be that the people who react quite a lot to changes in the tax regime are those who are just about to retire and who might base their decision on such changes, whereas people in mid-career are less responsive. Sometimes, married women are more responsive to such changes, but things such as how much child support is available matter, too.

Although I do not think that there is a huge amount of evidence yet, it is already clear that things such as tax credits affect people’s willingness to supply labour—to work—for longer, because once someone exhausts their tax credits, they can suddenly be facing not a tax rate of 40 per cent but a tax rate of 70 per cent, and they will think, “What is the point of doing that extra hour of work?”

It seems to me that there is a need for a body to bring that all together in Scotland because, whatever powers Scotland gets at the end of the process, it is important to educate not only the people who are involved in policy making but the Scottish public more generally, so that they do not assume that you simply raise the tax and get X, and that is the end of the story.

Gavin Brown: Who do you envisage doing that? One of the risks with any devolution of tax is that if we get the behavioural response element wrong, we could end up getting not £460 million but a hugely lower figure or, indeed, a hugely

higher figure, depending on what happens. Obviously, with experience, we would get better and make fewer mistakes, but my slight concern is that we have to go through all the pain first before we get the hang of it. How could we set things up so that we make as few mistakes as possible early on?

Professor Bell: The Office for Budget Responsibility is part of the UK structure although, in fact, it does not do this stuff. It looks at taxes and, I think, largely refers to Institute for Fiscal Studies research. One can think of different models, but you have to have a model that has a very good pipeline to research. I do not just mean IFS research; we have looked at work that has been done in Denmark, other European countries and the United States. You have to have such international linkage, so that you are up to date with the latest thinking on these issues. The field is called microeconometrics, if you want to know the correct term.

John Mason (Glasgow Shettleston) (SNP): He will use it in his speech.

Professor Bell: We really need people who are up to speed with the latest thinking.

Gavin Brown: That is helpful. Thank you.

I refer to figure 2 on page 10 of your paper, which is headed “Decentralisation ratios in OECD countries (2010)”. Can either of you talk me through what is going on in that chart?

David Eiser: I will try. The chart looks at the share of expenditure and the share of revenue that sub-national Governments in different countries have. I refer to the UK (Scotland) point. Looking at the X axis, we can see that, of all the public spending that takes place in Scotland, the Scottish Government is responsible for about 50 per cent, but we see from the Y axis that, of all the taxes raised in Scotland, the Scottish Government is responsible for less than 10 per cent.

The graph plots other OECD countries according to their sub-national Governments’ expenditure share and revenue share. In some of those countries, the sub-national Governments are local authorities. In some of the Nordic countries, for example, local authorities have the ability to vary tax rates and so on. The other sub-national Governments include US states, cantons in Switzerland and regions in Spain.

We have tried to show where Scotland would be on the chart if we implemented the proposals of Scottish Labour, the Scottish Conservatives, devo more and devo plus.

Professor Bell: The UK (Scotland) point is plotted at about 50 per cent on the X axis and at about 8 per cent on the Y axis. The Scotland Act point is straight up from the UK (Scotland) point

because the Scotland Act 2012 is really about raising taxes. The Labour proposals would increase taxes, and would increase spending a little bit—there has been discussion about powers over attendance allowance and housing benefit. The Scottish Labour point is slightly to the north-east of the Scotland Act point. The Scottish Conservatives’ proposal—which is for some spending powers but more tax-raising powers—is plotted vertically above Scottish Labour’s proposal. That is how the chart works out. Eventually, at the top of the chart, is the devo plus case, with a large proportion of both spending and revenue raising.

Gavin Brown: For the sake of completeness, where would the Scottish Lib Dem proposals appear on figure 2?

David Eiser: I am not sure why they are not there. They would be somewhere around the devo more and devo plus area.

Gavin Brown: Also for the sake of completeness, I note that the figures are from 2010—they are probably the most recent figures that you were able to get. Has anything major changed in any of the countries that would make the graph look markedly different?

David Eiser: No.

Gavin Brown: Will you briefly talk us through what figure 3, on “Tax power of sub-central governments in OECD countries”, tells us?

David Eiser: Yes. If you go back to figure 2 and look at Germany, you will see that the Länder appear to have a relatively high share of the revenues that are raised in Germany, at about 30 per cent. However, a lot of the taxes that are devolved to the German Länder are in the form of taxes that are assigned, meaning that the Länder do not have the ability to vary those tax rates or thresholds. We talked about that earlier.

Figure 3 looks at how the taxes on the Y axis in figure 2 break down in terms of the level of power, if you like, that the sub-national Governments have over each tax. It is not necessarily the case that because a sub-national Government has a relatively high revenue share it has full autonomy to vary the tax rate.

Professor Bell: It might be suggested that the sub-national Government has a lot of control over revenue, but its power is more limited, because it is sharing rather than setting the rates and base.

Gavin Brown: Okay. The German position, in particular, might seem a little artificial, because a huge proportion is tax sharing only.

Professor Bell: Yes.

Gavin Brown: Figure 3 shows bars for a number of OECD countries on the left, and bars

for the UK and various proposals for Scotland on the right. The proposals from the Scottish Conservatives and from the Scottish Lib Dems are absent from the graph. Where would they feature?

David Eiser: Let us start by looking at the bar for the Scotland Act 2012 proposals. We have interpreted the Scottish rate of income tax here as being more like a shared tax than a full-control tax, so that is reflected in the Scotland Act and Scottish Labour proposals—*[Interruption.]* Sorry, the Scotland Act and Scottish Labour proposals are that the Scottish Government varies the rate only, not the base.

The devo more proposals would give full control over income tax—the Scottish Government would have control over the rate and the base of income tax. Devo more also brings in the idea of tax sharing of VAT. Under the devo plus proposals, the Scottish Government would have the power to vary the rate and the base in relation to all the taxes that are proposed for devolution.

Off the top of my head, I cannot remember exactly where the Conservative and Liberal Democrat proposals would go; I think that they would come in at somewhere below the devo plus level but around the devo more level.

Professor Bell: Yes, I think that they would be between the Labour proposals and the devo more proposals. If you like, we can come back to you with a graph that includes them, for completeness. The share of central Government-determined rate and base would be higher for the Scottish Conservative and the Scottish Liberal proposals, but I cannot tell you the height of each bar.

10:30

Gavin Brown: Sure. I am not asking you to give a verbal description of what that chart would look like. Would it be easy enough for you to provide that? I would certainly find that useful.

David Eiser: Yes. One of the issues might be that, for some of the taxes, it was not entirely clear to what extent the proposal would give power over a base as opposed to a rate. That might be why we did not include bars for those proposals, but we can certainly consider doing that.

Gavin Brown: I would be grateful if you did.

You talked about the devolution of some aspects of welfare. If the whole of welfare were devolved, which some people have argued for, what would that do to what you describe as the vertical fiscal imbalance?

David Eiser: The vertical fiscal imbalance is the difference between the spending that the Scottish Government has control over and the taxes for which it has responsibility. At the moment, as you

know, the Scottish Government has a particularly high vertical fiscal imbalance—in other words, it has responsibility for a lot of spending but not much tax revenue raising. A key concern of many of the proposals is to address the vertical fiscal imbalance by devolving tax powers to the Scottish Government. There are good reasons why you might want to devolve some aspects of welfare spending, but doing that would increase the vertical fiscal imbalance even more. Therefore, the implication is that, if you want to narrow the vertical fiscal imbalance, you would have to match welfare spending devolution with even more tax devolution.

Professor Bell: You are talking about a figure of £15 billion—it is of that order. In other words, it is something like income tax plus half of VAT.

Gavin Brown: Can I ask one last, quick question?

The Convener: If it is a small one.

Gavin Brown: What are the pros and cons of the devolution of capital gains tax?

The Convener: I thought it was going to be a small one. *[Laughter.]*

John Mason: He asked it quickly.

David Eiser: Among the cons are the fact that, potentially, the tax base could be fairly mobile. That would be the big risk.

Professor Bell: If there are already ways to avoid capital gains tax, the devolution of the tax would probably magnify those possibilities.

John Mason: Like Gavin Brown, I quite like tables and figures. I started with table 1 on page 7. The proposals that jumped out at me were the ones that relate to taxes on which the position of Scotland is quite different. That was my starting point. If Scotland is in a different position on those taxes, are they not the obvious ones to let us have control over? The first one is North Sea revenue. That would be an easy one to give us control over—we could be given control over 50 per cent or 75 per cent of that. Is volatility the main argument against that?

Professor Bell: Not really; I do not think so. It is quite common in other states—Canada, for example—that a share of resource revenues is allocated locally.

John Mason: During the referendum, the UK side tended to argue that oil revenues would not be very good in the future, and our side tended to argue that they would be. If the UK Government let us have the North Sea revenues, that would give us a chance to test that. We could see what we could do with them.

Professor Bell: That is true. I guess that if you were to make a block grant adjustment for that—maybe I am coming to a conclusion too quickly—there would certainly be a volatility issue, because North Sea revenue is even less predictable than income tax is. Given that there are borrowing powers associated with forecast errors for the income tax revenues as things stand, if you were to go down that route, it would be necessary to have increased borrowing powers to cover the uncertainty associated with devolving North Sea oil revenues to Scotland.

John Mason: I presume that we could do it by taking borrowing powers or we could build in the assumption that, for the first few years, we would save and build up a fund that would cover us in the future.

Professor Bell: Yes, but there would have to be a quid pro quo in relation to the block grant, because the UK would lose that source of revenue to its revenue account.

John Mason: It would have to be a bargaining point.

Professor Bell: Whether the revenue could be put into a savings account might be debatable.

David Eiser: The risks around volatility are the big ones. The other thing about North Sea tax is that it would not give any incentive to the Scottish Government to grow the economy. It would not give any powers over income distribution or anything like that. It is just a source of revenue, albeit a very volatile one.

John Mason: It would help with the problem of vertical fiscal imbalance.

David Eiser: It would help solve that problem, but it would do that quite differently from one year to the next. How you dealt with that would be a challenge.

John Mason: The next three things in table 1 are quite different for Scotland. Alcohol is one that has been mentioned. Tobacco duties in Scotland are 41 per cent per head higher than in the UK, and betting and gaming are 17 per cent higher. Health policy comes into those things. I spoke to a group yesterday who said that the number 1 thing that they would like to see Scotland control is gambling. Could we tie in the revenue side of these issues with other policy?

Professor Bell: It is possible but, again, the issue of response comes up, as it does with corporation tax and income tax.

I am not convinced that rates of smoking are that much higher in Scotland. I suspect that part of the reason why tobacco duties are much higher is that there may be less smuggling of cigarettes in Scotland, because there is less easy access to—

John Mason: That would mean that Scots are paying a lot more tax because a lot of English people are buying illegal tobacco.

Professor Bell: That might be true, but the question then is how far you can press that to get the health benefits that you might want. That is not a question to which I know the answer.

David Eiser: The argument for devolving alcohol and tobacco duties is a strong one, as you have mentioned, given the links to devolved spending policy. However, there are a couple of practical difficulties in devolving the taxes. The primary one is that the taxes are levied on production and importation to the UK, not consumption.

John Mason: Would that be difficult to change?

David Eiser: I do not know how difficult that would be to change, but it would be a major change in how the tax is collected.

Professor Bell: You would have to charge the outlets, which I suspect might be quite expensive, but it would not be impossible.

David Eiser: The other question that we do not know the answer to is whether EU laws preclude Scotland having different VAT rates. I am not sure to what extent the possibility of having different rates of some of these excise duties in different parts of the country has been tested. I do not know the answer to that.

Professor Bell: The Scottish Government is exploring having a minimum alcohol price and we will see how that progresses.

John Mason: I will take my thinking a step further. Instead of starting where we are and adding more powers, we could start at the far end—with all the powers—and take things off. The term “home rule” has been mentioned. It is slightly old-fashioned, but I think that I know what it means, whereas I do not know what devo max means. If, like Jersey, we did not do foreign affairs or defence, but at the end of the year we wrote a cheque to Westminster for those functions and we did everything else, would that be financially feasible?

Professor Bell: In effect, that is what the Basque Country does, but a place must be in a strong fiscal position to do that. The UK is not in a strong fiscal position and neither would Scotland be, even if it raised all the revenues in Scotland. If Scotland made payments for debt interest, defence and foreign affairs, it might also want to have some say in how those moneys were used. The Basque Country is more affluent than Spain, so it can go down that line. At the moment, Scotland would experience difficulties in doing that because of its fiscal position.

John Mason: I have a practical point about something that I did not quite understand. You say on page 3 that, after the Scotland Act 2012's measures,

"the Scottish Government will be responsible for taxes equivalent to around 27% of its spending",

but page 9 says:

"The Scotland Act proposals result in the Scottish Government's revenue share increasing to 17%".

Will you clarify that?

Professor Bell: The difference might relate to council tax not being part of the Scottish Government's revenue. The 27 per cent includes council tax, business rates, the landfill tax, stamp duty land tax and income tax, but those cannot quite all be described as Scottish Government taxes.

John Mason: So the 17 per cent excludes council tax and maybe other elements.

Professor Bell: I think so.

David Eiser: What was the second page that John Mason mentioned?

John Mason: I referred to pages 3 and 9, and I quoted the second-bottom line on page 9.

David Eiser: I think that we are talking about two slightly different things—one is the percentage of all Government spending in Scotland and the other is the proportion of existing Scottish Government spending—but I would have to read the references in a bit more detail to remind myself of that.

John Mason: Can you get back to us to clarify the position?

Professor Bell: Yes.

John Mason: I was a bit confused about whether I was comparing like with like.

The word "federal" appears in the fourth paragraph of page 9 and is used quite widely in your paper. Am I right in thinking that federalism does not define the amount of power that is down at the individual state level and is more about how the structure works? Germany has a federal system, but there is not much power at the state level. Federalism does not tell us about the amount of devolution; it just tells us about the set-up.

Professor Bell: That is true. We call this well-known area of economics "fiscal federalism"; the OECD has a website that is associated with it. We often use the term "federal", which covers a multitude of arrangements in different countries.

David Eiser: We have probably fallen into a trap, as economists sometimes use the word

"federal" in a slightly different way from political scientists. To an economist, fiscal federalism is the study of which taxation and spending levers should be allocated to which level of government; the term does not necessarily say anything more than that. Perhaps we have sometimes mixed the economic and political notions of the word.

John Mason: That was helpful—thank you.

The Convener: That concludes questions from committee members, but I have another couple of questions. You say on page 19:

"if tax devolution is accompanied by reform of the mechanism for determining Scotland's block grant—either as part of a quid pro quo for more powers, or in order to operationalise tax devolution in Wales—the Scottish Government's budget may face a decline in its spending power relative to rUK."

One of the concerns that we have is that powers may be devolved but not necessarily the budgets. For example, when the council tax benefit was devolved a few years ago, only 90 per cent of the budget was devolved with it, so we ended up with a £40 million shortfall that the Scottish Government and local authorities had to make up. Is that an issue of concern?

10:45

Professor Bell: We have to separate powers that are being devolved from the overall macroeconomic fiscal stance. One of the defining characteristics of a union is that the union determines the macroeconomic fiscal stance; powers can be devolved, but if the fiscal stance is that there must be cuts to the overall deficit, there could be the situation where the Scottish Government suddenly gets new powers but also a reduced budget to deal with them. In a sense, they are separate issues but, if we are still part of a union, the question is who controls what. The argument would be that, mostly, the central state gets to determine the overall macroeconomic stance. In other countries, other governmental organisations get to debate that issue, so it is a fair question to raise, but in the UK it is traditionally the Treasury that controls the overall stance.

The Convener: So we should expect policy control but not fiscal control.

Professor Bell: I could not possibly comment on that.

The Convener: I would like your comment on a point that you make on page 18:

"There is perhaps a danger that Unionist parties are raising expectations beyond what is feasible for political reasons."

What proposals are being made that are not feasible?

Professor Bell: My worry is that the powers over taxation are not the be-all and end-all as far as economic growth is concerned. I have gone into that issue recently. Those powers will increase the accountability of the Scottish Government and the Parliament and will create certain incentives for the Scottish Government to ensure that the Scottish economy grows as fast as possible. However, the tax powers in and of themselves are not necessarily the key to seeing substantially faster growth in the Scottish economy than in the rest of the UK.

David Eiser: The point that you quoted from our paper was not necessarily confined to tax powers, convener. We have not talked quite so much today about the various proposals for welfare devolution, some of which propose devolving bits of tax credits or employment programmes. There are potentially many practical political difficulties around that as well, which our comment was alluding to.

The Convener: I would like clarification on the point that both Michael McMahon and I raised in relation to corporation and income tax. Is it not the case that the devolution of corporation tax would allow that tax to be raised or lowered as the Government wished, whereas the Labour Party's proposal for income tax would allow it to be raised to a certain level, without the power to reduce it?

Professor Bell: The Scottish Government could raise corporation tax and potentially redesign it. As both David Eiser and I have said, it is true that, over the past 20 or 30 years, the tendency has been for corporation tax rates internationally to lean towards the Irish rate, which is the minimum rate of 12.5 per cent. Most countries have some way to go to get there, but it is absolutely clear that corporation tax rates have been coming down.

The Convener: Thank you for responding to all our questions.

10:49

Meeting suspended.

10:55

On resuming—

Draft Budget Scrutiny 2015-16

The Convener: Agenda item 3 is a round-table evidence-taking session with representatives of community planning partnerships in Glasgow, Moray and North Ayrshire. I welcome to the meeting Lynn Brown, deputy chief executive and executive director of finance, and Jim Gray, head of democratic services, Glasgow City Council; Laura Friel, executive director of finance and corporate support, North Ayrshire Council; Iona Colvin, director of the health and social care partnership involving North Ayrshire Council and NHS Ayrshire and Arran; Roddy Burns, chief executive, Moray Council; and Pamela Gowans, chief officer of health and social care integration, NHS Grampian.

With the round-table format, which is something that the committee is very familiar with, I will ask one of the witnesses to kick off; in this case, it will be Lynn Brown, who has been forewarned, albeit with only three or four minutes' notice. Once Lynn has responded to my initial question, anyone who wishes to contribute will be able to do so simply by getting my attention—you just need to raise your hand, nod or whatever—and I will take people in sequence.

You can come in as often as you like, and we can, for example, have cross-discussions in which witnesses ask other witnesses questions. If things start to get bogged down, I might stimulate the proceedings by picking one of you at random and quoting from your submission. That will keep you on your toes.

I ask Lynn Brown to provide an update on evidence that was provided to the Finance Committee in 2010 during its preventative spending inquiry. One witness said:

“We are at the early stages of implementation”

of Glasgow's early intervention programme

“and we need the results and early indications of how well we are doing before we can determine what to do in shifting resources.”—[*Official Report, Finance Committee*, 16 November 2010; c 2723-4.]

Another said:

“The intergenerational issue is that we are constantly responding to different pressures in terms of the deprivation in a city such as Glasgow and, to be very honest about it, I am not sure that we will ever tackle it absolutely.”—[*Official Report, Finance Committee*, 16 November 2010; c 2726.]

What progress has been made in the four years that have elapsed since then?

Lynn Brown (Glasgow City Council): A significant amount of progress has been made in

Glasgow over those four years; indeed, that was reflected in our community planning audit by Audit Scotland, which said that we had made progress. In fact, since the Audit Scotland report was published, we have made more progress on joint resourcing, which I can tell you about if you like.

For us, the key thing happened in 2012. For a start, we completely overhauled our structures. We put in place a board that is chaired by Bailie Aileen Collieran, who has made significant progress, and which includes the statutory organisations that should be involved plus a few others such as the Wheatley Group, which looks after social housing in a large part of Glasgow, and some people from the voluntary sector. The board is very much at the highest level and comprises the board chairs of those organisations. It is underpinned by an executive group that is chaired by the chief executive and which comprises chief executives from those organisations and a few others including the DWP, Skills Development Scotland and the colleges.

We also overhauled our more local structures and put in place 21 area partnerships, which report on community planning in three sectors of the city: the north-east, the north-west and the south. A hard look has been taken at our structures. Our view is that we have to have the right structures and the right people at the right levels in order to make progress. That is reflected in the report.

11:00

One thing that came up in the Audit Scotland report—I know that it is a frustration for the Scottish Government as well—is the lack of progress on joint resourcing and budgeting. We have made some progress on that with the national community planning group, which is chaired by Pat Watters. We decided to focus on being more targeted in our community planning. We have the national priorities, but we have been targeting areas in which we believe that we, as a community planning partnership, can make progress. There are three main areas for us: youth employment, alcohol and the vulnerable, which covers two areas—homelessness, which we are looking at first, and in-work poverty. We are looking at joint resourcing there. Before Christmas, I was tasked with setting up a group to look at that, and we have all the directors of finance on the group, which is looking at our budgets. We have already made good progress on youth employment and we have processes in place for the other two areas.

That is a high-level description of how we have been tackling the issues since 2010. Our view is that we have made progress, but there is still a significant amount of work to be done.

The Convener: I have a question before I let John Mason and then others in. The “Glasgow Community Planning Partnership” report states:

“The Commission is encouraged by the clarity of purpose and direction of Glasgow Community Planning Partnership ... the CPP has made an important shift towards a more long-term, preventative approach to public services that aims to break the cycle of poverty and poor health.”

However, it states that the CPP

“needs to address how it identifies, allocates and redirects resources to fulfil”

the three priorities, noting that

“Only a small proportion”

of the available money is allocated to them.

Lynn Brown: The first thing is that we are trying to establish exactly what those amounts are. We have worked out that a total of about £148 million has been spent on youth employment by a range of agencies in Glasgow, including those in the voluntary sector. It took a bit of work to get that in place.

The Convener: What time period is that figure for?

Lynn Brown: It is for 2013-14.

All partners in the community planning partnership agreed, and we have put it in our budget papers, that we are committed to joint resourcing. We are looking at it, but we are looking at the areas in which we feel that we can make the most progress.

We have just started work on the next area, which is alcohol. The council is leading on the work on youth employment, and the work on alcohol is being led by health. The figure there is quite minimal; it is about £40 million. Again, there is real progress to be made on that.

The third area is homelessness. We can say how much is being spent on that by the council, for example, but at this point we cannot say how much is being spent on it across the city.

On the scale of budgets, I think that, in the report, the Accounts Commission gives a figure of about £4 billion for the spend in Glasgow. It breaks that down, and there is about £1.3 billion for the city itself. A lot of that is DWP spend, loan charges and employee costs. We have decided to take a more targeted approach to the hard-to-reach and hard-to-deal-with areas first of all.

John Mason: I seek clarification as to what is actually happening, as compared with structures, planning and things.

Paragraph 3.3 of Glasgow community planning partnership’s submission talks about the purpose of joint resourcing activity, which it says is

“to gain a holistic understanding”,

“to analyse and assess”,

“to consider”,

“to quantify”

and

“to consider”,

which all suggests to me that we are still at the preparatory stage. We will hear from other CPPs later, but my impression is that things are beginning to happen on the ground in other areas. Am I misreading the submission?

Lynn Brown: Maybe the distinction is between calculating the amount that is spent and actual developments on the ground. A lot is happening on youth employment across the city in the different agencies that are involved. We are trying to understand the resources that go into that, where there may be duplication and where we can be more focused.

Youth employment was the first priority and the work on that started about a year ago. There was a summit at which all the agencies in the city came together to talk about what they do and what they want to achieve, and we are now building on that.

As part of the community plan, as well as the national priorities, we are looking at reducing reoffending, early years and the thriving places agenda. In putting in place a process and a methodology that would work for joint resourcing, we are starting with those three priorities. All the partners are on board to support that.

The Convener: There is no mad rush of people wanting to ask questions—you are a shy bunch—so I will continue. Glasgow community planning partnership’s submission states:

“A further emerging element of the work of the Joint Resourcing working group is around capital planning.”

Will you talk us through that?

Jim Gray (Glasgow City Council): This is very much an out-growth of the discussions around joint working and resourcing. To pick up the point that Mr Mason made, it is not the case that nothing was happening before; it is a question of looking at the issue more systematically and making joint working the norm, rather than doing things in an opportunistic way or having them happen by chance. In other words, we are trying to work towards a position whereby the partners share with one another at an early stage the capital project ideas and opportunities and consider what more can be done by coming together, rather than looking at projects in isolation.

So far, we have been in discussion with colleagues in health about the programme to refresh health centres. Some of that work is

already in progress in Glasgow—for example, in the Gorbals. We are now looking at other areas of the city where we can take the opportunity to make clear linkages in the integration of health and social care programmes and to plan joint capital expenditure at an early enough stage.

A large part of the problem in community planning over the past 10 years has been the attitude that we do not have time at the moment or that it is too late. We are trying to forward plan and to build that much more into the heart of the budget-setting process at an early stage.

John Mason: Another example that you give in paragraph 3.13 is

“Housing development between Glasgow City Council and the Wheatley Group.”

Will you expand on that? In a sense, all housing development in Glasgow is linked to Glasgow City Council, is it not?

Jim Gray: Absolutely. We are looking for added-value opportunities. It is not that we have not been doing that, but we are looking at what we can learn. There are very good examples from the Wheatley Group, or Glasgow Housing Association. We have a very successful programme that is known colloquially as the environmental janitors programme. It is a job skills training programme. As housing investment happens, we are looking at the potential for social economy developments in local areas. It is a case of integrating the housing investment work into the broader agenda of economic development and social inclusion.

Gavin Brown: Rather than comment on anything that has been said so far, I want to throw something out for discussion, on which it would be useful to hear from any of our witnesses. We have looked at preventative spending over the past three years. I would find it useful to hear any of our witnesses comment on two things. First, it takes a long time to get results from preventative spend, so we have to be patient. On the basis of what your organisations have done in the past three to four years, can you point to any initial results that you can hold up as evidence of areas in which you have been successful? There might not be a huge amount of such evidence so far, but if there are any examples it would be interesting to hear about them.

Secondly, given that budgets are tight, what are the things that you have done less of? In order to put additional resources into preventative spending, the money would have to come from somewhere. What are you doing less of? What are the results of that so far? It would be useful to hear any tangible examples.

The Convener: I turn to Iona Colvin. North Ayrshire community planning partnership's submission says:

"The Family Nurse Partnership is already demonstrating positive benefits".

That is an initiative that this committee championed. Will you talk about that and other areas?

Iona Colvin (North Ayrshire Council and NHS Ayrshire and Arran): Family nurse partnerships are certainly beginning to show evidence of improvement; in fact, in the latest health improvement, efficiency and governance, access and treatment targets for Ayrshire and Arran, for the first time we are beginning to see lower levels of teenage pregnancy and an improvement in breastfeeding. That is very welcome. We are not absolutely sure whether one links to the other, given that the family nurse partnership deals with a relatively small number of families.

A couple of weeks ago, I was lucky enough to go along to the partnership's open day and meet the families. It was inspiring to see the number of babies there, as well as the number of dads who were contributing to parenting. That improvement in the involvement of parents with their children is remarkable. We would encourage people to get involved if they have the opportunity to do so. We are beginning to see some outcomes in that area, which we will evaluate. We know that it is a tried and tested programme and that it has a good evidence base.

We are doing a couple of other, relatively small things. I suppose that the most obvious one is our multi-agency domestic abuse response team. The team is a joint initiative that is based in Kilmarnock police station and which involves the Scottish Children's Reporter Administration. That initiative has led to an immediate reduction in the number of young people being referred to the panel, particularly younger children, and in the amount of time that people—mainly women—have to wait for a response. That is having a major impact. This year—for the first time—we have seen a decrease in domestic violence. Neither we nor the police would claim that one is linked to the other, but we are tracking that. The results have been encouraging and we have put additional resource into the multi-agency domestic abuse team.

As you will know, the police have moved to concern hubs. We are having discussions with the police on how we jointly resource the concern hubs and join up some of that adult, child and public protection a bit better. The police want to do that on a pan-Ayrshire basis. Through health and social care integration, there has been an improvement in those relationships across Ayrshire. We work across three councils with the

health board and we have made significant progress with the partnership. We have had a shadow arrangement for our health and social care partnership since 1 April. I am the chief officer for that, which means that I manage all the health and social care resources in that partnership.

In Ayrshire and Arran, we have agreed to put all health services, apart from the services of the two big district general hospitals, into the partnership. In North Ayrshire Council, we have put all of the health and the social work service—that is for children and for criminal justice—into the partnership.

That is progressing. We have appointed a management team and we have a shadow board. We are about to develop a strategic plan, which will set out the priorities for service development and redesign. In that, we will also talk about what we will do less of. Gavin Brown is absolutely right—we have to do less of something in order to do more.

The council has invested in children's services, particularly around prevention and early intervention, and has made money available. I think that the figure is about £2.5 million. Is that right, Laura?

Laura Friel (North Ayrshire Council): Yes.

Iona Colvin: It does not sound a lot, but in North Ayrshire terms it is a significant amount of money. With that money, we have looked at early years work and combined and integrated teams going into the early years services.

A number of initiatives are going on that are beginning to show results, but we know that it is a case of moving the mainstream. The next iteration, when we produce the strategic plan for the integration partnership, will begin to move the mainstream.

The Convener: Thank you. I will come back to you in a minute, Laura.

The Scottish Government has commended North Ayrshire Council's multi-agency approach as national best practice, and I believe that the multi-agency domestic abuse team and the no knives, better lives campaign have also received a number of accolades. I was going to ask about initiatives to make young people more work ready but, first of all, Laura, would you like to make the point that you were going to make?

Laura Friel: Thank you, convener. I just wanted to build on what Iona Colvin said about moving resources into early intervention and prevention. Part of the council's budget strategy is to disinvest in some areas to create the opportunity to invest in early intervention and prevention. Iona Colvin gave a couple of examples of that, and we have

also diverted money into economic development for investing in youth employment work with the business sector, because we recognise the importance of that in the council's overall journey.

11:15

The council is starting to look at how much of our spend is reactive and how much involves early intervention and prevention, although we have no historical trend information on that. We will track whether we are doing what we intend to do, which is to shift the expenditure. There is no trend information, but our approach to budgeting includes tracking the early intervention and prevention spend.

John Mason: How easy is it to split the expenditure into bits? After all, some reactive expenditure might prevent something else.

Laura Friel: You are right that what is early intervention and what is reactive spend is not black and white. Each director looked at their spend and split it between being reactive and achieving early intervention and prevention. We then went through a peer-review process to test that and ensure that expenditure was being classified correctly. That gives us a strong baseline from which we can see whether we are making progress in shifting expenditure towards early intervention.

The Convener: A couple of years ago, Michael McMahon, Jim Johnston and I held an employability workshop in Ardrossan in North Ayrshire, where we took evidence from several organisations. A number of concerns were raised by sectors, particularly by the business and third sectors. It was said that North Ayrshire had myriad policies and schemes in place to deal with employability; that layers of government, including the Scottish Government and local government, all had interests and targets, which were often competing; that there was a lack of common objectives and of funding; and that there was an issue about which partner would get the credit for outcomes.

One employer said that public sector agencies, including the council, were persistent but not joined up. The feeling was that there was less joined-up and partnership working by agencies in 2012 than there had been a couple of years before. What progress has been made to reverse that situation and have much more seamless delivery? I realise that since then significant progress has been made on reducing youth unemployment levels and so on in North Ayrshire, but what progress has been made on cross-agency working?

Laura Friel: I can speak at a high level about what is happening in North Ayrshire to improve

relationships across the business sector. I do not know whether people have heard of the team North Ayrshire brand, which has been established to deal with the issues that the convener raised, such as knowing who to speak to and knowing which agency is responsible for which aspects.

The brand was launched about a year ago; further work is being done on it and further progress is being showcased. It is very much about the relationship between the council, Scottish Enterprise and Irvine Bay Regeneration Company and about work with Jobcentre Plus, Skills Development Scotland and Ayrshire College. The approach involves being clear about the opportunities for growth in our top 150 businesses and having single points of contact for those businesses, so that they do not have to figure out who they need to speak to. I was going to say that it is very much work in progress, but we are already receiving positive feedback from businesses about the difference that the approach is making for them.

That ties back to employment and youth employment. We must understand what businesses need and ensure that people have the right skills to take up employment opportunities as businesses develop.

Michael McMahon: The thing that struck me during that visit to Ardrossan and which I took away from it was the frustration felt by many of the agencies that were involved in delivering what were essentially Scottish Government policies. They could tell us how much money they were putting in and they could count the people who were going through the system, but there was a real sense that the outcome was not all that it could have been.

The agencies were ticking all the boxes. They were getting good numbers through and getting the right money to the right places, but there was real frustration among a lot of the agencies in the partnership in that, had they not been constrained by the tick-box aspects of the process, they could have had better outcomes for a lot more people.

For example, people who were placed with firms or on training courses were restricted to 13 weeks. Sixteen weeks might have got them to a position where they could have sustained themselves, but the placement ended after 13 weeks and that was it—they had to move on. Someone else came in, and they were counted as another person who had gone through the system, but the actual outcome was less than it could have been. Does that frustration go beyond Ardrossan?

The Convener: I will let people respond to that, but Roddy Burns wants to make some comments first.

Roddy Burns (Moray Council): We are tackling similar issues in Moray. Our community planning board is underpinned by five partnerships, one of which is the economic partnership. It has driven the response to a similar issue about the mismatch between skills and jobs, because the issue in Moray is not just about jobs, but about the skills for those jobs.

The outcome of that is close working with Highlands and Islands Enterprise, Skills Development Scotland and, probably more important, the private sector in the shape of the chamber of commerce and individual businesses, some of which have funded quite substantial programmes, such as those run by Careers Scotland, to give young people an understanding of the world of work and how to prepare for work in all its shapes and forms. That has been a way of taking out some of the frustration.

Some quite challenging discussions have been had. When we spoke to employers, we heard that they were looking for skills in English and the STEM subjects—science, technology, engineering and mathematics. When we look closely at our attainment levels, we see that we struggle in English and maths, so there is an issue about how we deliver the curriculum and how we can improve. That has given rise to some interesting discussions about how we deploy resources in schools and what we need to do in future.

If nothing else, community planning has added to such discussions. The prevention plan is the next logical step in community planning, certainly in the Moray context.

The Convener: Someone asked about the sharing of best practice. Your submission differs from the others in that it highlights myriad examples of that. Will you talk us through how you are working with other CPPs and organisations outwith them to share best practice?

Roddy Burns: Broadly, our sharing of best practice reflects two things. First, like Glasgow, we had to refresh the board, the board structure and the community plan quite a bit, and the natural thing was to go and look at best practice in the country and indeed elsewhere. That is part of the explanation.

Secondly, we have to share because of the size and scale of Moray. We look west in relation to enterprise, the college network and the University of the Highlands and Islands and we look east in relation to the health network and NHS Grampian, so it is a natural thing for us to do.

I am not saying that we are doing anything better than anyone else, but such sharing is a natural tendency. We have to look outwith our boundaries—and, often, our skills and resources—

to get what we need to address Moray's particular issues and challenges.

The Convener: Pamela, what decisions have been taken in Grampian on disinvestment in order to reallocate resources to places where they will have a greater and more positive impact?

Pamela Gowans (NHS Grampian): I cannot answer that definitively at this point. As others have said, the process is a bit challenging. Future opportunities will involve the relationships between the community planning partnership and the five strategic partnerships, one of which is the health and social care partnership, of which I am the chief officer. It will be all about how we set budgets and the line of sight that we agree on and which we think is possible.

We are doing something similar to what Iona Colvin described, but we are looking at adult and older people's services in the health and social care partnership first. We will look at which budgets will be devolved from NHS Grampian to Moray, and in Moray we will look at where to focus and what to target. The strategic plan and the relationship with the community planning partnership will be key to getting that right and driving our disinvestment and investment in the right direction.

We are in a transition period in which it is hard to say whether we have truly disinvested from activities. The committee has a nice list of all our activity. One observation from the Accounts Commission's report on us is that some of that would have happened as a result of preventative spend and perhaps does not represent a disinvestment and transfer of money. That is the task in hand as we develop and mature in the coming months.

The Convener: We have been talking about this for a long time, so I am disappointed and surprised that there is nothing more concrete. Does Glasgow City Council have anything to mention? In the past, it was particularly concerned about how it would disinvest, so I am keen to know what has been done.

Lynn Brown: In considering disinvestment, we looked at our budget strategy and decided that we were spending money on things that we did not need to spend it on, particularly in relation to property. We had 19 city centre properties, but we have now reduced that number to six, which is giving us a revenue saving of about £6 million a year. Over 10 years, we will have £60 million, and that financial strategy will allow us to release resources or focus on social work and education. Disinvestment might not happen within a department's budget; it can be done at a strategic level, and we have done that.

We have set up a customer and business services division, which comprises 2,500 staff, including all the revenues and benefits staff and all the clerical staff who work in schools. The intention is to get synergies of service and deal with peaks and troughs of work.

Perhaps I can add something slightly different to this discussion. The gain from preventative spend is often not to the council but to other agencies, such as the DWP and the police. We have found that one way of achieving preventative spend is through working better with partners, and I will share with the committee a couple of examples of that.

The first example concerns Glasgow's Helping Heroes, which is based in Duke Street—Mr Mason might be familiar with it. A few years ago, we found out that we had about 200 homeless veterans in the city, which was an issue. We now take a holistic approach. This particular initiative is run by the Soldiers, Sailors, Airmen and Families Association—Forces Help, which employs the staff, and involves Combat Stress, Poppy Scotland and a range of agencies. The key agencies that are involved with regard to housing are the Wheatley Group and Glasgow Housing Association.

We now have a Glasgow veterans programme. The amount of money that the council puts into it is probably not even in six figures, but we now have no homeless veterans in Glasgow, only one veteran has not sustained their tenancy and we have got 300 veterans into jobs. The point is that a certain way of working can be a form of preventative spend. That initiative is preventing health and housing issues from arising.

My second example concerns long-term conditions and involves the health service and Macmillan Cancer Support. The initiative provides social workers, housing support and other agencies to help people with cancer. Apart from people's health, the main issue to address is that people are in danger of losing their homes and getting into financial difficulties. Since we set that project up in 2010, we have managed to get people about £40 million in benefits, and Macmillan Cancer Support has said that Glasgow is the only city in the UK where people are not at risk of losing their home if they get cancer.

It is not just about major shifts in spend, but about working differently and working with other agencies that are trusted more by the people whom we are dealing with. For example, veterans organisations are more trusted than social work services or the council. We have taken a mixed approach by strategically shifting resources, by not spending money where we spent it before and by being more organic in terms of the organisations that we work with. I should also add that we took a

view on youth employment and put 5,000 young people through apprenticeships linked to the Commonwealth games. We worked with the business community on most of that.

There are different levels to take into account. I would say that preventative spend is possible, that there are different ways of tackling it and that we should let different organisations, some of which are more trusted by clients than others, play to their strengths.

11:30

The Convener: Thank you—that was very interesting. I take it that, with the reduction in the number of facilities from 19 to six, you will have had a capital receipt.

Lynn Brown: Yes. We had to do a couple of things. We got about £40 million in capital receipts, but we had to agree to invest about £27 million in new facilities because they are all open plan and need to be supported by technology. Over and above that, we are making a revenue saving every year.

Roddy Burns: I have three quick points. I want to echo what Lynn Brown has said about budget strategy. Everything that has been done in Moray is very similar to what is happening in Glasgow, although clearly on a different scale. For example, we have taken 12 offices out of the main town in Moray—where the population is 25,000—with just one remaining, thus saving £250,000 in revenue and potential capital receipts.

Secondly, there is more ground to be covered in terms of prevention. We can all do a bit more and all the partners recognise that.

Thirdly, and probably more importantly, some of the barriers are often quite disproportionate and indirect in all senses to the possible resolution. For example, the labour market can often be a determining factor in something as simple as the number of carers one might wish to recruit; Moray has a low wage economy and if, say, some of the retailers are on a pre-Christmas drive, that can be the determining factor for many individuals as to whether they want to sustain a job as a carer or whether they want to take something more attractive for the season. That is a driver that is outwith our control. It is important to recognise that there are profound underlying issues in relation to delivering a service, particularly a preventative one.

The Convener: The Accounts Commission acknowledged the good record that Moray Council has in partnership working, but it noted:

“much of this has been achieved without the leadership of the CPP and as a result of reacting to national policy or specific local initiatives.”

Roddy Burns: That is fair comment. I take comfort from the fact that the findings of the Accounts Commission recognise that there is now leadership and good partnership working. The comfort for me and, I hope, the assurance for you in your scrutiny work is that, with that leadership and partnership working, the plan that I mentioned earlier is now in place, and the next logical step from that is the prevention plan. That was acknowledged by the controller of audit in his submission to the Accounts Commission earlier this year. Moray is well placed to take that forward.

As someone has said, this work takes time, but we are moving in the right direction. The partnership, along with leadership, will produce the desired outcomes.

The Convener: My next point is for Laura Friel. In its report on North Ayrshire CPP, the Accounts Commission commented on the linkages between outcomes and spending by CPP partners, noting that:

“Together the main local partners in North Ayrshire spend over £500 million a year, but the CPP cannot yet demonstrate significant examples of sharing resources to achieve better outcomes, or of directing resources towards agreed priorities”.

The report recognised that the

“CPP has developed budgeting processes to manage specific government-funded initiatives between partners, and it has joint commissioning strategies between partners for specific client groups”

but that

“it does not apply this approach systematically, for other CPP activities and initiatives.”

Laura Friel: I can say a wee bit about the work that we have been doing to resource map.

We have completed the first phase of the resource mapping, which involved sitting down with our core partners and looking at our spend. That ties in with the neighbourhood planning approach, which Iona Colvin can maybe say a bit more about. We have had a first look at our spend across the neighbourhoods and considered whether it aligns with the need. We have looked at the high-level spend, but we recognise that that information is too high level and that we need to drill down a bit further. For example, we want to know how much per head of older people population we spend across the neighbourhoods and how that fits with what we should spend given the need.

That links in with the significant work that has been done on the areas of family resilience report, which is mentioned in the evidence. We have characterised each of the neighbourhoods and identified the needs across them. The next stage of work that we need to do is to look at the spend relative to need and take a view on where

resources perhaps need to shift so that we better align spend to need.

The Convener: I ask Iona Colvin whether she wants to add to that. Your submission states that

“additional information will support the further development of the resource mapping.”

Iona Colvin: The neighbourhood approach has been really helpful to us in resource mapping. We know that the resource mapping will probably show that, in some rural areas, particularly areas such as Arran, we spend disproportionate amounts in relation to the population.

North Ayrshire is like many other parts of Scotland in that we have a huge variation in need. In Largs on the north coast and on Arran, we have large elderly populations, with people who live into their 80s or 90s and who basically need health and social care services in their later years. However, in Irvine and the three towns people die 20 years earlier than those in Largs and the north coast—Glasgow has exactly the same challenges in a far more compact geographical area. Those people become sick in their early 40s and 50s.

That is the challenge that we face, and it is reflected in the work that Laura Friel talked about on needs. Our strategic plan for health and social care has a needs strategy underneath it, which has been developed by NHS Ayrshire and Arran and which looks at some of the issues that we have on emergency admissions and outcomes for vulnerable children. We have agreed that those are the priority areas.

We will begin to look at how we address the neighbourhood issue in the strategic plan, which will be available in its first draft within the next month. The plan will set out how we will spend the £200 million that the council and health board have delegated into the partnership, as well as how we will spend the £2.9 million of integration funding that the Government has made available.

We will set that out, but we will not be able to answer all the questions. In year 1, we will probably have more questions than answers, but we will define what we will prioritise in relation to mental health, older people, learning disability, children’s services and criminal justice services; what our redesign projects will be; and how we will integrate the health and social care responses in those areas. We will make better use of the resources that we have.

The elephant in the room is that demand for social care and health services is increasing. Particularly for social work, we need the universal services to take up prevention and early intervention initiatives, which is what we have been working on in North Ayrshire. What can

health and education services do that begins to prevent some of the traffic towards social work?

We have more children in care, more children on the child protection register and more elderly people in nursing homes than we have ever had before. I am in charge of mental health services for the whole of Ayrshire and Arran. We have seen a huge increase in the number of people who are acutely ill coming into hospital services and who require one, two, three or four members of staff to deal with them. The issues that we face in providing services are causing real strain.

NHS Ayrshire and Arran has some of the highest figures for emergency admissions to hospital, which is why we have prioritised emergency admissions. A lot of the money is tied up there, but it will not be easy to get it out and move it into community services, although we need to attempt to do that. We are also looking at the outcomes for vulnerable children.

We are considering what we should do and we are looking to use the resource that we have in the best possible way, integrating it across partnerships, so that we—by which I mean health and social work—deliver for children alongside education and the police, and so that health and social work delivers for adults and older people in the community alongside the voluntary sector, in particular.

We can do a lot to look at how we use the resource. We have got better at that, but at the end of the day demand is still increasing. We see the impact of the recession every day, which is why employment is the most important issue in North Ayrshire. We know that having a job is what has the biggest impact on a person's health—and we have lost more jobs in North Ayrshire than many other local authorities have lost. We see the impact of welfare reform, too, particularly when people lose their benefits. We see the impact of that on vulnerable populations.

We have to cope with all of those issues, as well as moving the money. We are trying to move the money that we can move, but it is a challenge, because we still have to admit people to hospital and take children into care, while providing nursing care placements and care at home and looking after people who have mental ill health. That is the balancing game that we are playing.

Jean Urquhart: CPPs are relatively new and in the early days not everyone was wildly enthusiastic about them. I think that Lynn Brown used the word “trust”, which is important. Given that the process is slow and difficult, do people feel that it is worth while, in spite of the huge difficulties? Michael McMahon said that there is frustration about tick-box systems. When discussions take place, do people generally trust

one another to get over the problem? Do you bend the system to make it fit what you want to do?

Lynn Brown: Community planning is important. In Glasgow, it has really helped to have an overhaul of the structure and to have political support behind the process. It is not just about support from the council; there is board-level support from health, the police, fire and so on.

Part of the issue is the reduction in resources throughout the public sector as a result of the economic downturn. That means that we just have to work together. There is also much more appreciation that what we are doing is about the citizens of the city. That is becoming more important. The move away from inputs and towards outputs and outcomes can change the mindset. Progress is slow, but we are firm believers in the process.

Our approach has been to consider priorities, which we think is manageable. We felt in Glasgow that it would have been difficult to look at the whole budget of £4 billion and break it down. If we can show success quickly on the areas where we think that we can do that, people will gain confidence about going forward, because they will have achieved something—they will not be just going round in circles.

We see community planning as really important. Private and public sector organisations have to work together to achieve what they want to achieve.

11:45

Roddy Burns: I echo what has already been said: the value of community planning is that it has created trust. The value of the outcome approach is that, when they saw the scale and nature of it, everyone recognised that some way of trying to resolve some of the issues would be found only by working collectively and collaboratively. There are still some profound issues in Moray, for all its relative affluence, with the way that people's lives are blighted by alcohol, for example.

I will give one simple example to illustrate that value. We have been proofing our objectives. All the partners have to give each of the objectives a confidence rating and one of the low-scoring objectives was having confident young people. That is all about attainment, and the score was low because, as is reported in *The Scotsman* this morning, we have real difficulty in recruiting and retaining teachers. There is an issue in that because, however well we might aspire to achieve that objective, we will not do that if we cannot recruit and retain teachers. However, the exercise sparked off a very constructive discussion between Skills Development Scotland, HIE and others about how we could work towards finding a

solution. That type of discussion would not have taken place before.

That is a simple example and I know that it is highly anecdotal, but it illustrates for me the value of having the right people around the right table discussing the right issues.

The Convener: I have a question for Jim Gray. The Christie commission found considerable evidence of serious shortcomings in the capacity of public services as presently organised to deliver better outcomes. Some years have elapsed since the commission reported. The committee took a lot of evidence on that report. What bottlenecks remain in delivering better outcomes?

Jim Gray: There is probably an emerging consensus that some of the barriers to joint working between public bodies in Scotland that we face concern issues such as data sharing. We have wrestled with that in the youth employment mapping exercise that we have been doing. We have made some progress with finding ways of working round it. I have to say that there are perfectly legitimate data protection and confidentiality issues, but we have to find more ways of getting more information in something resembling real time to share it.

I will give the example that is in our submission, which relates to reoffending. We have found that, by bringing together a team that can access the databases of their respective agencies, we can work around some of the data-sharing issues. However, for the longer term, particularly on youth employment, we have been having discussions with the DWP about how it can better share the crucial information that it holds about claimants and former claimants. We think that we can progress some of that, but some aspects may require primary legislation.

That is one of the biggest barriers. Another one that comes up quite a lot is that, although we as partners are trying to work more collectively and in an integrated way where we have agreed a joint priority, we are still required to report individually to different departments of the Scottish Government. We have had dialogue with colleagues in the Scottish Government about how we can simplify some of the reporting arrangements and find some way of ensuring that, if we have agreed to work together on a preventative approach to alcohol, colleagues in health, the council and the police do not have to report separately on exactly the same issue.

The flexibility introduced by the general removal of ring fencing has been extremely helpful. The degree of flexibility, particularly on employment issues, will greatly assist in, for example, the progress that we have made on the Glasgow and

Clyde valley city deal. We would be interested in considering equivalents in other areas of work.

As Lynn Brown said, it may well be that partner A has to spend more in the short run to help make savings for partners B and C. How can that be levelled out over time so that partner A is not taking the financial hit? Otherwise, there is a perverse disincentive to resist change. That problem is not unique to Scotland; it is obviously a problem in other jurisdictions, specifically England.

Colleagues will have other examples, but those are the barriers that we have been discussing in Glasgow and have picked up on in discussions with colleagues from throughout Scotland.

The Convener: I am keen to hear more from the witnesses about any other bottlenecks and barriers.

Pamela Gowans: My experiences of data sharing are similar to what Jim Gray has described. That can be the case even just within the health and social care arena. It is a time stealer: at a time when we are discussing capacity challenges and trying to make the shift, a lot of energy and time can be stolen, because the lack of proper infrastructure does not allow the systems to function easily.

Linked to the point about reporting, and taking more of a health perspective, there is also an issue with competing demands. Iona Colvin was speaking about this. When it comes to the initiatives and targets for planned care and waiting times, resources can end up being very much concentrated and targeted away from the prevention and community end of business towards acute hospitals. That represents a real challenge. People might want to make the shift, but the task can almost be dwarfed by the need and pressure to meet particular targets.

Returning to the previous point, the value of community planning is critical, for reasons of capacity. We see a proportion of the population who would be far better served elsewhere, rather than entering health and social care services. With the right level of resilience and support within the community and the right options available, there will probably be better responses to people's issues there compared with what they would get from entering a general practice surgery, for instance.

The Convener: You say that "community planning is critical", but the "Improving community planning in Scotland" report, which was produced by Audit Scotland on behalf of the Accounts Commission, concluded that CPPs had not met the ambitious goals that were set for them, were seen as council-driven exercises and were

“not able to show that they have had a significant impact in delivering improved outcomes across Scotland.”

Furthermore, that report said that

“Community planning has had little influence”

over the use of public money.

Pamela Gowans: I can understand why that statement and those observations were made. However, it is important to consider the journey that the mechanism is on and its maturity.

I am fairly new to Moray, but I have seen how things function in Moray and I have experienced a couple of the boards and the underpinning structures. I know from discussions about the progress that has been made that the process is not there yet, but trust and cohesion are starting to be demonstrated. The self-assessment—as it almost is—and confidence ratings that are being discussed across the partnership are creating a better arena for developing more of a recognition of what it is possible to do together.

The use of alcohol, which is one of our big issues, is a cross-agency, public problem, which is often deferred to health services. The issue is about the maturity of the partnerships, the journey that they are on and the expectations that people have of them.

Laura Friel: I emphasise the importance of information and information sharing. We have heard about reducing resources and increasing demands. There is a real need to shift resources, and having the information helps to provide the evidence to substantiate any shift in those resources. That is really important. It is also important to ensure that information is available from all agencies so as to see the whole picture locally. For example, Jim Gray referred to DWP expenditure, and there have been particular challenges in getting local information about that.

John Mason: The way that Ms Gowans was talking has got me thinking. We have used words such as maturity and trust, and those are quite hard things to measure. As someone who was originally an accountant—maybe Audit Scotland is the same—I would like to see a certain amount of money going into a box and going down a route, which is nice and easy to measure. However, I accept that, if the health board, the council and other partners are working together, it will be more effective but it will be harder to measure, even if they are still looking after their own pots of money. Is that where we are going, or is it a mixture of the two?

Pamela Gowans: I hope that it is a mixture of the two. There will always be a tension and a point where it is hard to be definitive.

We could say that we expect some sort of prevention activity to be evident every time a health or social care practitioner has the opportunity to interact with somebody, but it would be difficult to extrapolate that from such an intervention. However, we know that we spend a lot of time with people in situations where a more proactive approach, maybe in the community, could have an influence.

We have seen examples of that in employability schemes, particularly in mental health. Perhaps we can prevent the use of medical and nursing models, which can medicalise things that do not need to be medicalised. If we can understand the workloads and the spend on that work, I would like the challenge of trying to disinvest in those areas and invest in more community activity.

We have had experience of that approach with other structures, such as the alcohol and drug partnerships—previously known as drug and alcohol action teams—where the commitment of the partners and their willingness to be accountable in a way that was not completely authoritative was evident. That was needed to get a really good outcome: there is an element of maturity and an element of commitment.

We are fortunate in Moray, partly because of the size of the area. Although it presents its own dilemmas, one of the fortunate things is that there is a fairly small pool of people who have to work together if we want to make an impact. The layers are therefore less challenging, although the Accounts Commission’s report shows that there are some things that we need to improve.

The Convener: Of course, it is not just about inputs, as we discussed last week. It is about the outcomes that we get from those inputs.

I would like to wind up this session, as the committee still has a lot of work to do this morning, but I would like to give each of our guests the opportunity to make final comments. Because Lynn Brown started us off, I would like to give her the final word.

Iona Colvin: There has been some discussion about maturity, and that is a real issue. I have been in North Ayrshire for four and a half years, and the difference in the partnership is tangible and is beginning to come through in the outcomes under the headings of safe, working and healthy. The numbers of young people in police custody, in secure accommodation or in Polmont are reducing, and part of that is because of partnership working.

We are now on the precipice of the next step, and the partnership and the way in which we have worked have allowed the council to feel confident about moving forward with its model for the integration of health and social care. The council

took the decision 18 months ago to put all its social work resources into the partnership, and the relationship with the health board at that point was so positive that it could do that. It was not like that four and a half years ago, so there has been a huge move forward. It is a matter of feeling confident and trusting one another, but it is obviously helped by the legislation in this case. That will be a major step for us. What Pamela Gowans says is right: we will be able to do some intervention, and much earlier intervention than is possible with preventative work, but we must remember that the partnership works across the whole of primary care as well as acute services.

There are a lot of opportunities to do things differently from how we currently do them and to use the resources better in areas such as longer-term care for Scotland's citizens. I am thinking particularly about elderly care, where two thirds of the money is spent on emergency care. One of the challenges for me and for Pamela Gowans is to make sense of that and to have a systematic look at what it means across communities as well as within hospital services, which is where we tend to look at it. We need to ask how we can reduce some of that spending and transfer the resource to make such services better for our communities. All of us across health, social work and the private and voluntary sectors need to look at the kind of care that we want to provide in future.

We have not been in that position before. We have had umpteen initiatives looking at joint futures, but we have not been in the position that we are in now, where we are able to say, "Here is all the money that is on the table; let us think seriously about what the citizens of North Ayrshire will need in future." That is where we are just now.

Roddy Burns: It was always going to be difficult to work voluntarily in a world of statutory bodies. I am slightly paraphrasing the controller of audit, so I do not necessarily disagree with that comment and I think that it is a fair reflection. I hope that the new Community Empowerment (Scotland) Bill will address some of those issues in the fullness of time, but the cohesion and maturity that have been referred to point to prevention planning as the next logical step. We all hope for the benefits that have been well articulated by North Ayrshire.

Lynn Brown: The health and social care initiatives that have been referred to will take community planning another step—in fact, a huge leap—forward, because it is such an important part. Other agencies are involved as well, and the real prize for us if we can make it work is to show that public services are worth while and are of value and that we can do things right.

The Convener: I thank everyone for their contributions.

12:02

Meeting suspended.

12:06

On resuming—

Community Empowerment (Scotland) Bill: Financial Memorandum

The Convener: Our fourth item of business is evidence from the Scottish Government bill team on the financial memorandum to the Community Empowerment (Scotland) Bill. I welcome to the meeting Dr Amanda Fox, Heather Holmes and Ian Turner. Members have copies of the financial memorandum and written submissions that were received in response to our call for evidence.

I see that Amanda Fox wants to say a few words.

Dr Amanda Fox (Scottish Government): I just want to apologise for wearing sunglasses. I am recovering from a migraine and my eyes are still exceptionally sensitive to light. Please bear with me.

The Convener: That is okay. I assumed that you had some sort of photophobia, so I did not comment. I did not think that you had just flown in from a beach.

Dr Fox: If only.

The Convener: You might have been running late and had to leave halfway through your sunbed treatment, or something. In any case, thank you for the explanation.

As the witnesses will probably know, the Convention of Scottish Local Authorities has raised a number of concerns with the committee. In its letter to all members of the committee on 6 October, it mentioned the number of new burdens on local government, and said that

“While individually, these are not overly onerous, they have the potential to combine to create a significant increase in work for councils.”

COSLA goes on to say that its main concern centres on the difficulty of anticipating demand for the measures in the bill and, in turn, quantifying the cost that will be incurred by local authorities. What work have you done to try to anticipate demand and to ensure that there is a realistic budget to go to local authorities to ensure that they can effectively deliver the measures in the bill?

Ian Turner (Scottish Government): A lot of work was done during the consultation leading up to publication of the bill. There was an exploratory consultation and then a consultation on a draft bill. During those periods, we asked questions about how the provisions might be used and what the costs behind them might be. At that time, little

financial information and cost information was provided by others. We found it difficult to amass information on how the legislation might be used, which meant that it was difficult to consider what demand might be.

We agree with COSLA that the effect of the new legislation will not be overly onerous, and we agree that the demand element is the element that could change the cost profile. However, because the bill is about community empowerment, it will be up to communities—not authorities—to decide what they want to do, in particular in terms of participation requests, community right to buy and asset transfer requests. It will be hard to predict what communities will do, because communities in different places will want different things, and their decisions will be based on local priorities. Amalgamating everything into a demand profile is hard to do, as we found out. No one else has been able to do it, either.

Dr Fox: Part 7 of the bill relates to allotments. As well as the wider consultation exercises, we wrote to the 32 local authorities in December 2013, specifically asking for their views on what the additional costs of the new duties on allotments might be. As Ian Turner rightly points out, the costs in relation to allotments will be dependent on existing provision and demand. The figures in the financial memorandum are based on the information that we received from the 15 out of 32 local authorities that responded.

The Convener: I understand the points that you are making. The Minister for Local Government and Planning, Derek Mackay, wrote to us just before COSLA did. He said:

“despite ongoing discussions with stakeholders they have not been able to provide monetary estimates for costs or savings making it difficult to provide accurate ranges.”

That makes it difficult for the Finance Committee to scrutinise the bill. What safeguards will be in place should the financial burdens on local authorities be significantly higher than is anticipated?

COSLA said that the bill is

“reliant on council support and provision of community capacity building assistance, which can be very resource intensive and continues for an undefined period of time ... there no reference in the Financial Memorandum of the impact on reductions to a local authority’s asset base.”

It said that the bill

“could adversely affect Local Authorities’ ability to take out loans.”

On common good property, COSLA said that

“some additional costs for Local Authorities are anticipated,”

but that they were not quantified. You touched on allotments, which COSLA also mentioned. What

cushioning will there be for local authorities if demand greatly exceeds the resources that have been set aside for the bill?

Ian Turner: Demand for participation requests, which are new, and asset transfer requests will be limited—I use that word in a broad sense—by the provisions of the bill. COSLA tried to use the analogy of the Freedom of Information Act 2000, but the bill is not like that act. The 2000 act allows individuals to make requests for information, and that is what they do. The bill will allow community-controlled bodies, as defined by the bill—they must meet certain criteria, such as having a written constitution—to submit participation requests or asset transfer requests, which will also have to meet criteria in the bill. There will then be a cost-benefit procedure, in which the authority will consider the benefit in doing the process and will align that against possible the costs. That process will, to a degree, limit demand.

You are absolutely right about the capacity of communities, because communities are not necessarily on a level playing field. However, we do not believe that that is a matter for the bill. The bill provides the legal framework to allow community bodies to do these things; capacity comes from other funds and other places. For example, the £3 million strengthening communities fund was announced in April, with the purpose of helping community organisations in disadvantaged areas to increase their capacity. However, that fund does not say that such organisations must do an asset transfer or a participation request: it is for them to decide what they want to do, on their terms.

The Convener: My concern is that expectations will be raised and that there will not, even allowing for that £3 million, be enough resources to meet expectations, so the bill will not be able to deliver what is promised. That is why I asked what cushioning would be available. Would the Scottish Government be willing to consider providing additional funding for local authorities, to ensure that the bill is delivered smoothly?

Ian Turner: As it has for most new duties that come from legislation, the Government has a general convention that we will provide extra funding. The difficulty with the bill is that we cannot quantify that funding at the moment. That additional funding would need to be demonstrated and quantified through practice. That would happen through the normal processes and the funding would be provided in that way.

12:15

The Convener: I will ask a couple more questions before I open up the discussion to the

myriad members who are queuing up to ask questions.

The Scottish Property Federation has stated that its main concern is

“that the enhanced scope of CRTB and by extension asset transfer may inhibit larger scale and complicated investment in development land in a manner that has not hitherto been an issue under the existing CRTB rights.”

Do you see that being an issue?

Heather Holmes (Scottish Government): I do not. Such issues were brought up around the time when the Land Reform (Scotland) Bill was going through Parliament. Since then, in the operation of the community right to buy for the past 10 years, we have not seen what the SPLF described and we have not seen community applications that are trying to blight big developments. If we got applications that were blighty—if I can use that word—the chances are that they would not meet the public interest test. We have checks and balances on our side, so I do not think that that is going to be a big issue, especially in the context of urban land coming within the scope of the community right to buy.

The Convener: Okay. Before we move on, let me give you three brief quotations. The Scottish Environment Protection Agency says that there are

“false expectations that SEPA will fully engage with all CPPs in Scotland”,

which would be highly resource intensive and not cost neutral. With regard to participation requests, Highlands and Islands Enterprise says that it

“would expect to be able to absorb that to a large extent within the costs of staff time currently devoted to on-going business improvement activities.”

NHS Lothian has said:

“Without appropriate support and investment in community empowerment the key components of the Bill will not be fairly accessible to communities”.

Given those concerns, do you not feel that the Scottish Government has been too cautious in respect of the amount of resource that it feels will be required to implement the bill? From the evidence that we are receiving, it appears that that is the case.

Ian Turner: SEPA is talking particularly about community planning, because it will be a partner in the 32 CPPs throughout Scotland. The bill does not say what the level of engagement in each of those CPPs should be. The fact that SEPA should be involved goes alongside what their outcomes are intended to deliver. How SEPA engages will be flexible and will be decided in collaboration with CPP partners, so we do not necessarily see the same resource issues as SEPA does.

The Convener: What about the comments of HIE and NHS Lothian?

Heather Holmes: We work with HIE on the likes of the land fund and cases in which communities want to exercise the community right to buy, but also to keep open the option of going through negotiated sales. HIE's work to assist communities is very much like the work that is undertaken by our community right to buy branch, and there is a certain amount of flexibility, given the number of cases that have to be dealt with. We build flexibility into our work planning and manage it in that way. As you say, HIE expects more work. Likewise, the Scottish Government expects to have a bit more work through the community right to buy, and we reckon that we will have to be flexible in our ways of working.

Jamie Hepburn: If I have taken anything from the experience of my political activity over the past few months, it is a sense that the people out there want to have a greater say in the factors that determine their lives. The bill is, therefore, hugely welcome if it can do anything to achieve that aim.

I have some sympathy with what the bill team is saying. If any bill was going to present us with a financial memorandum that found it hard to cost the proposals, it is this one. We are talking about empowering people, but we do not know how they are going to respond, so it must be difficult to quantify the exact costs.

I was taken with a turn of phrase that Ian Turner used. You talked about it being difficult to establish a demand profile. If you had said what the demand would be and what the bill would cost, could there have been a danger that that would have been viewed as an upper limit for how much could be done, which might have been viewed as being the opposite of empowerment?

Ian Turner: Yes. In trying to do a demand profile, we would have to guess at what might be low demand or high demand. It is not easy to work out what those might be with respect to the number of rights that we are giving communities. For example, an area might not use participation requests at all because the public authorities in that area are very good at participation and engagement and are doing the job already, so demand would be low. However, in another area, demand might be low because there is no capacity in the community. How would we assess those two different communities when there could be different parts and profiles?

Fife Council, I think, said in its evidence to the committee that there will be peaks and troughs as things work through the system and as public organisations change. I took HIE's comments about improving its business as meaning that it will need to change to ensure that the bill works.

When communities come to HIE, the process will not be about engagement and consultation through HIE's mechanisms; it will be about what the communities want to do.

Jamie Hepburn: Those are some of the difficulties. My point was more that, even if you attempt to come up with a set of figures, whether they show low demand, high demand or something in between, the danger is that people will think that that is what they have to work with. However, the process cannot really work that way, because if it is to be in the hands of people out there, they sort of lead, do they not?

Ian Turner: Absolutely: demand will be led by communities, so we cannot work in that way. If we set a limit, that will confine the process and box it in. That is why community capacity is so important throughout the process.

Heather Holmes: I agree with Ian Turner. When the bill that introduced the community right to buy was going through Parliament, there was an attempt to work out what demand would be. I think that it was predicted that there would be 15 cases in the first year and five cases a year thereafter. However, things have worked out quite different; we get an average of 15 cases a year. We have to work flexibly with the communities and the demand. When I work with my branch, I do not always know what the next case will be and when it will come in. We utilise the resource well and we work flexibly. We want the legislation to be successful and we want as many communities as possible to use it—it is for the communities to use and not for us to tell them to use it. We do not have a benchmark that says that if we have only 14 cases in a year, the legislation is not successful. Communities lead the process and make it successful.

Jamie Hepburn: So, the number is not a measure of success: 15 cases in a year is not an upper limit and does not mean that other communities will have to come back next year. The community right to buy is a good parallel, as it is led at community level, I presume.

Heather Holmes: Yes.

Jamie Hepburn: I return to the COSLA submission, which has a degree of criticism in relation to quantifying costs. However, at the end, COSLA echoes Mr Turner's point when it states:

"it is difficult to anticipate the uptake and demand that will be placed upon Local Authorities. This makes it very difficult to quantify the financial cost that will be placed upon local government in complying with the legislation".

In essence, that is the same as the point that Mr Turner made. It is interesting that, despite the criticism in the COSLA submission, COSLA has not made an attempt to say what the bill will cost. Has COSLA provided any figures to you?

Ian Turner: It has not done so separately. The information that we have is the information in the financial memorandum and the additional information that the minister provided last week.

Gavin Brown: Quite a lot of areas of public policy are demand driven, as are many of the bills that come before the committee. Generally, the sponsoring bill team or minister does their best to get an approximate amount, although they add caveats on what might be the upper or lower reality, so that we have a best estimate. Why is that possible in other demand-driven areas of policy but impossible here?

Ian Turner: To some extent, it is because the range would be too large to be considered worth while. We do not know what the demand profile will be so we cannot put a range on it. We have estimated that participation requests, for example, could cost between £1,000 and £7,500 each, depending on what the request is for and what area it covers. If there are 100 across Scotland, that will be between £100,000 and £750,000. It is a range. You could say, "Well, it could be 1,000 or more," but that only gets you so far. We cannot really go into any more detail at this stage about which is more reasonable. It will only be in practice that we see the level of demand.

Gavin Brown: So you have no idea how many participation requests there will be. There could be a million.

Ian Turner: I very much doubt that there will be a million participation requests. The bill makes provision on who can make requests—community participation bodies—and what requests they can make. To an extent, it will be limited by the costs and benefits of going through the process. In making participation requests, community participation bodies need to say what experience they have in the process and the benefits—the outcomes—that the process will bring to them. It is for the public authority to assess the request on that basis and to go through the process.

Gavin Brown: So it definitely could not be a million. Could there be 10,000 participation requests?

Ian Turner: I could not say at this time. I doubt it. That would be at the very high end. The risk profile for that would be high impact but very low likelihood.

Gavin Brown: My point is that you seem to be able to quantify the situation slightly better now than you have done in the memorandum. You must have some idea of what you think the likely range will be.

Ian Turner: We do not, because it is for the communities themselves. It is not just geographic communities; it is potentially communities of

interest, too. Different groups might want to do different things in different ways, and it will depend on local circumstances. There are too many variables to factor into what would be a reasonable demand profile, or a reasonable idea of how many requests could come forward. We have gone back to what the unit cost might be and, as COSLA says, it is not overly onerous.

Gavin Brown: So the Government position is that it is impossible to quantify participation requests and costs. Would you make the same comments in relation to asset transfer requests and costs?

Ian Turner: Yes. Again, that would be limited by the issues that we have been discussing. However, because asset transfer in the bill is not just about ownership—it can be about leasing, managing or using an asset—there is a range of things that a community might want to do within the provisions of the bill. Asset transfer already exists—the community ownership support service did 38 over three years. That provides an idea, but it is certainly not the range across Scotland because the support service is not involved in all the transfers and its funding is limited so it can get involved in only a certain number. As we go forward, we will see what the bill involves, but we cannot give the committee a definite figure for how much it might be used.

Gavin Brown: The Government says that it is impossible to give figures on any of these aspects. How, then, will the funding mechanism work?

Ian Turner: We cannot say at this time. If local authorities can demonstrate and quantify what the new duties in the bill have cost them, that will be part of the on-going process of local authority settlements.

Gavin Brown: Let us assume that the bill is passed, which I am sure it will be. When does it take effect? Is it the financial year 2015-16?

Ian Turner: It will probably be 2015-16 that we start to implement the provisions in the bill.

Gavin Brown: That is what I thought. Tomorrow, we will be given the draft budget for the year 2015-16. Amounts will be allocated to every department, non-departmental public body and council. Given that you will somehow have to quantify it tomorrow, how much is being given to local authorities in the draft budget to cover the obligations in the bill?

Ian Turner: It comes within the current remit of local authorities. No particular additional work has been done because, at this point, we cannot quantify or demonstrate what the additional burdens might be.

Gavin Brown: Is it your understanding that local authorities will be given zero pounds and zero pence extra as a result of the bill?

12:30

Ian Turner: Asset transfers are not new, so local authorities already do community capacity work and participation engagement with communities, which is one of the reasons why it is difficult to extrapolate how much additional cost the bill may bring to the process. Asset transfers already happen across Scotland.

We are not anticipating any particular financial burden in 2015-16. COSLA is right to say that it will not be overly onerous and therefore could be encapsulated within current resources. However, we recognise that additional funding might be required in the future.

Gavin Brown: My reading of COSLA's position was that, although the individual elements were not overly onerous, the totality had the potential to be so. Is that not what COSLA said?

Ian Turner: Yes, but we do not agree that the cost has the potential to become significant. We think that the individual elements are not overly onerous and will not be overly onerous in total. We believe that the cost can be managed within current resources, with some addition if the demand is more than local authorities can cope with.

Gavin Brown: As far as you are aware, as the bill stands, local authorities are not getting any additional resources. What if COSLA turns out to be right and it is onerous and there is a huge upsurge in demand? How concrete is the guarantee from the Scottish Government to underwrite the costs that councils will face?

Ian Turner: That would be part of the normal discussions with local authorities through the annual budgeting process. Local authorities would have to demonstrate and quantify what was involved and then go into discussions with the Scottish Government.

Gavin Brown: This may be a question for the Minister for Local Government and Planning—I do not know whether he is giving evidence to the committee so perhaps I will have to write to him. Let us just say that there is a huge upsurge in demand, which costs councils—for the sake of argument—several million pounds more than they had budgeted for. If they can demonstrate that the upsurge is a direct consequence of the bill, is it your understanding that the Government will pay councils that money, or would that have to be negotiated?

Ian Turner: That is something that would have to go through the normal processes of negotiation

with local authorities. I do not think that there is a particular guarantee. That is probably a question for the minister, rather than for me.

Michael McMahon: You have established that the figures in the financial memorandum are not quantifiable and you have explained why they are unquantifiable. I accept your explanation, although I have some concerns about—as Gavin Brown said—where that leaves the overall budget for local authorities. Can you give us an example of previous legislation where the financial memorandum was in a similar position to this one, in which the potential costs are unquantifiable? Was anything established in that legislation to take account of the potential for the budgets to come under pressure?

Ian Turner: I have looked, but I have not found a similar example.

Jean Urquhart: Even without the bill, a growing number of community groups are already looking to take over local authority assets for community purposes, for example in the Highlands and Islands. You mentioned Highlands and Islands Enterprise. Will Scottish Enterprise have a similar role? It has never had the community role that Highlands and Islands Enterprise has had and, if the bill is successful, I imagine that it might have a role to play. Do you see that as the case?

Ian Turner: Scottish Enterprise could have a role to play. Highlands and Islands Enterprise is often a funder—it provides money to make the asset transfers—and I do not know whether Scottish Enterprise will be in that position. It will be involved in the community planning partnerships, so it will be involved in setting the local outcome improvement plans, which we hope will set in context how some of this might work within local areas.

Scottish Enterprise gave evidence to the Local Government and Regeneration Committee last week and talked about being an opportunity-led organisation, seeking opportunities and gaining the maximum benefits from those. An asset transfer in the Highlands and Islands could be such an opportunity if Scottish Enterprise sees that it has a role to play there.

Jean Urquhart: On the point about trying to fix a budget, I would guess that the community land fund was established with a finger in the air to make a judgment, because nobody knew how many communities would apply or register interest in land. Would that be right?

Ian Turner: Yes, as I understand it.

Heather Holmes: I think that a sum was allocated, but I do not know what calculations were done to arrive at the figure.

Jean Urquhart: Finally, there are a number of critics of the bill, who are saying that it does not go far enough and is quite tame. Which more radical issues from the consultation were left out of the bill?

Ian Turner: It is hard for me to comment on what was radical and what was not. In the bill, we set up a process whereby, if someone seeks an asset transfer, it is still for the authority to decide whether it takes place, and the bill ensures that the process for that decision is transparent and open. I think that some community groups would want more of an absolute position whereby, if someone asks for it, they get it. The same applies to the community right to buy, particularly for abandoned or neglected land, and people may see that opening up beyond such land. However, the bill does not provide for that.

The Convener: That concludes questions from committee members, but I have one or two further questions.

Do you envisage that the bill will have an immediate impact? Will there be a rush to involvement or will demand rise steadily? Has there been any analysis of that?

Ian Turner: It depends on who you speak to. We have talked to a lot of community organisations and stakeholders. Some of them say that there is pent-up demand in their areas and that people may use the provisions—there is always a “may”, because it depends on what communities want to do and how they might use the provisions. Others say that it will take time for communities to adapt and to develop capacity to use the provisions.

The bill is in legal language because it is a bill, and a participation request looks like quite a process. It will have to be covered in guidance so that people can understand it and see how it might be used. When people see such requests being used, they might catch on. If people see them having an impact in their local area, demand may increase from that. It all depends on what communities want to do and how they want to use the provisions.

The Convener: The financial memorandum does not provide specific cost estimates for many aspects of the bill, in some cases because costs are expected to be demand driven. However, rule 9.3.2 of standing orders states:

“A Bill shall on introduction be accompanied by a Financial Memorandum which shall set out the best estimates of the administrative, compliance and other costs to which the provisions of the Bill would give rise, best estimates of the timescales over which such costs would be expected to arise, and an indication of the margins of uncertainty in such estimates.”

In what regard does this financial memorandum meet those criteria?

Ian Turner: We attempted to include costs in the financial memorandum in a number of places where we believed that we could actually indicate what the costs will be. In some areas, we know that the costs under the current provisions are fairly low, for example, and we therefore have an idea of what the costs may be in the future.

We express a caveat a number of times about the margins of uncertainty, because to attempt to state what the bill might cost in future would be unreasonable and potentially misleading. We indicate a timescale—

The Convener: Standing orders make it clear that there should be best estimates. The committee has been down this road before when a bill team has come in and has not been able to give us figures. It is frustrating from our point of view. We are supposed to be scrutinising legislation from a financial perspective, but it is difficult when we are not given much to get our teeth into, so to speak.

Ian Turner: I absolutely know what you mean. There is frustration on our side as well when it is difficult to quantify the costs.

The Convener: Are you saying that it is impossible to meet the criteria or are you arguing that they are actually met?

Ian Turner: I would argue that they are met, because it was accepted.

The Convener: Thank you. Are there any further points that you would like to make?

Ian Turner: No.

The Convener: I thank you very much for your evidence and I thank colleagues for their questions.

We now move into private session, as was agreed earlier.

12:39

Meeting continued in private until 12:46.

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e-format first available
ISBN 978-1-78534-057-4

Revised e-format available
ISBN 978-1-78534-074-1