



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

LOCAL GOVERNMENT AND REGENERATION COMMITTEE

Wednesday 28 October 2015

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LOCAL GOVERNMENT AND REGENERATION COMMITTEE
23rd Meeting 2015, Session 4

CONVENER

*Kevin Stewart (Aberdeen Central) (SNP)

DEPUTY CONVENER

*John Wilson (Central Scotland) (Ind)

COMMITTEE MEMBERS

*Clare Adamson (Central Scotland) (SNP)

*Jayne Baxter (Mid Scotland and Fife) (Lab)

*Cameron Buchanan (Lothian) (Con)

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

*Cara Hilton (Dunfermline) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

John Swinney (Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy)

CLERK TO THE COMMITTEE

David Cullum

LOCATION

The Adam Smith Room (CR5)

Scottish Parliament

Local Government and Regeneration Committee

Wednesday 28 October 2015

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Kevin Stewart): Good morning, and welcome to our 23rd meeting of 2015. Everyone present is asked to switch off mobile and other electronic equipment, as they affect the broadcasting system. Some committee members may consult tablets during the meeting, because we provide meeting papers in a digital format.

Agenda item 1 is to decide whether to consider in private item 3, which is a discussion about the evidence taken as part of our scrutiny of the draft budget 2016-17, and item 4, which relates to our future work programme. Do members agree to take those items in private?

Members *indicated agreement.*

Draft Budget Scrutiny 2016-17

09:31

The Convener: Item 2, which is evidence on the draft budget 2016-17, is our substantive item for today. The committee has been focusing its budget scrutiny on issues to do with the investment of local government pension funds in capital infrastructure projects, and on city deals and the opportunities for investment. Today's evidence session will also extend beyond those areas to other local government finance matters.

I welcome John Swinney MSP, Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy; Stephen Gallagher, deputy director, directorate for local government and communities, and head of the local government and analytical services division; and Bill Stitt, assistant team leader, local government finance and local taxation unit. Mr Swinney, do you want to make an opening statement before we move to questions?

The Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy (John Swinney): I do, convener. I welcome the opportunity to meet the committee this morning and address the issues in connection with the forthcoming Scottish Government budget.

In your introductory remarks, you mentioned that the committee is focusing on issues relating to the utilisation of local authority pension funds in Scotland's infrastructure. The Scottish Government is keen to encourage greater investment by pension funds in that area. In June, my colleague the Cabinet Secretary for Social Justice, Communities and Pensioners' Rights welcomed Falkirk local government pension scheme's decision to do just that by investing £30 million in affordable housing. Ministers have asked the newly formed Scottish Local Government Pension Scheme Advisory Board to look at that question. The Scottish Government expects the scheme advisory board's work to help influence and create the conditions for spreading innovative practice, so that more opportunities for funds to invest in infrastructure may be developed.

Scottish Government officials are committed to changing pension scheme regulations to ensure that they are not a barrier to local government pension schemes investing in infrastructure and are working with the scheme advisory board to achieve that. However, a careful balance needs to be struck between encouraging that approach and paying due regard to the responsibility of scheme managers to invest pension fund moneys in accordance with the scheme managers' fiduciary duty.

Our role is to work with our partners in local government to remove any barriers in our control and to identify any opportunities to optimise such investment, always respecting the fiduciary duties of the scheme managers.

The discussion of pension scheme investment takes place in a wider context, which includes activities centred around the cities and a major programme of infrastructure investment. Cities and their regions are the engines of our economy. The Scottish Government is committed to working with all our cities to unlock investment, whether that is individually or collectively, through a city deal, one of the Scottish Government's devolved initiatives to stimulate growth and deliver infrastructure investment or a combination of all or some of those measures. Through the Scottish Cities Alliance, we are exploring opportunities for all Scotland's cities.

Opportunities arise in the context of a long-term plan. The Scottish Government infrastructure investment plan, which was published on 6 December 2011, sets out the priorities for investment and the long-term strategy for the development of public infrastructure. The plan sets out why we invest, how we invest and what we will invest in from now until 2030. It also provides certainty and transparency to the construction industry by outlining a clear pipeline of major projects. We will be publishing an updated infrastructure investment plan later this year.

In conclusion, the Scottish ministers are committed to ensuring that local government pension schemes deliver appropriate returns for scheme members, while we also recognise the potential for the funds to be invested in Scotland's infrastructure. We look forward to the committee's deliberations on the issue and we will take them into account as we seek to remove barriers and optimise opportunities for such investment.

The Convener: Thank you, Mr Swinney. In the course of our deliberations on the issue, a number of us went to Manchester, where we heard about the cuts to local government there, which are far more substantial than those that we have had to face here in Scotland. We heard about the innovative ways in which they are managing to fund investment, including investment in new housing through Matrix Homes, which is a company that has been established to deal with pension fund investment.

It would be fair to say that the pension fund team that we met were pretty dynamic and were very keen to ensure—while sticking to their fiduciary duties—that investment in the local infrastructure took place. When we have taken evidence from certain folks from pension funds here, we have found them to be rather more risk averse when it comes to making those

investments. It is welcome that you talked about removing any barriers, but how do we deal with the risk aversion that there seems to be among many of the pension fund managers here in Scotland?

John Swinney: The issue comes down to an assessment of the exercise of the fiduciary—I fear that I will struggle with that word all morning—duty that pension scheme managers have when they exercise their responsibilities. Ultimately, the pension fund assets are being invested on behalf of pension scheme members and they must be able to deliver satisfactory returns. What has to be addressed is whether the necessary and acceptable returns can be delivered within the approach to supporting infrastructure investment projects that is at the heart of your question. I certainly think that there is a need for fund managers to become much more engaged in the opportunities for long-term strategic investment in infrastructure than has been the case to date. The decision by the Falkirk local government pension scheme is a very good example of how scheme managers have begun that process. My invitation to the pension scheme advisory board to consider the issue and to advise me of any particular obstacles that it believes exist is essentially about designing a process that will enable scheme managers to take the type of proactive stance that you have highlighted.

My final point about the choice of investments is that there are parameters and limits to the investments that should be undertaken by scheme managers. Questions around the ethics of investments are very important. Substantive ethical questions that are raised about some of the investments that may be made by fund managers will directly contradict the fiduciary duties of scheme managers, because an investment might deliver a greater return but the ethics of that investment may be unacceptable to the scheme. That is a legitimate parameter to be applied to the exercise of fiduciary duties to ensure that the ethical choices that are made about investments are fully and completely respected by the actions of pension fund managers.

The Convener: We talked the other week to someone from Strathclyde Pension Fund, who did not seem to have a difficulty with that pension fund investing in arms companies, for example, which are one of the areas in which pension funds should perhaps not invest. The excuse that is often given for such investments is that the funds have no option but to invest in arms, tobacco or alcohol to obtain the best bang for their buck in order to conform to their fiduciary duties. Do funds have the ability to disinvest from such areas?

John Swinney: The option exists for the people who are responsible for pension schemes to set

pension policy and investment priorities that provide appropriate parameters that are entirely consistent with the fiduciary duty but respect the ethical choices that are made by the people who are charged with exercising responsibility for those pension funds.

The Convener: The United Kingdom Government has made some changes to pension rules. What impact will those have on the local government pensions in Scotland?

John Swinney: In which respect, convener?

The Convener: I understand that there have been some changes to UK pension rules that might have an impact on costs and have a major impact on local government pensions. Do you have any comment on that?

John Swinney: The reforms of the local government pension scheme are consistent with the legislation that the United Kingdom Parliament passed on pensions reform following the Hutton review. We successfully renegotiated the pension scheme. That was done in a commendable fashion by all interested parties to ensure that the scheme complied with that legislation.

John Wilson (Central Scotland) (Ind): Good morning, Deputy First Minister. On ethical choices, some concern has been raised about some of the investments that have been made not only in the local government pension portfolio but in other pension portfolios in the public sector. Will the advisory board, under your guidance, give any indication of what will be considered ethical investments in the future?

John Swinney: The scheme advisory board and the scheme managers have a responsibility to formulate policy decisions that can be considered to be appropriate. The Government does not direct those choices, and there would be a lot of issues if the Government exercised a power of direction. In essence, it is up to the fund managers, under guidance from scheme boards, to make appropriate choices that are consistent with the policy directions at which the boards arrive. The Government's role is not to direct those points. We do not run the local government pension scheme and it would be inappropriate for ministers to be involved in directing those questions. As I said to the convener, it is entirely legitimate for scheme boards to consider those issues and take decisions accordingly that set the parameters within which fund managers operate.

John Wilson: Will you outline what the Scottish Government's role would be in guiding or advising the Scottish Public Pensions Agency and the scheme advisory board? The paper that has been provided to us for the meeting indicates that the draft work plan for the scheme advisory board was

drawn up and—I will quote the paper, and you can correct or confirm how accurate it is—

"This draft was shared with Scottish Ministers for their approval."

John Swinney: That is not about guidance on ethical investment. It is about operational matters and the work plan for what the scheme advisory board is doing about routine operational pensions management issues and procedural questions.

09:45

John Wilson: Thank you for that clarification. It is useful to get that on the record, so that there is no confusion about the role of the Government regarding the advisory board.

Returning to the matter of ethical investments, when the committee visited Manchester, we heard that some fund managers felt that, as they had responsibility for the administration of the funds, they had to have autonomy in making decisions about investments, particularly when it came to investment returns.

We heard that some pension fund managers had set targets of 11 per cent returns on their investments, and they felt that that level of returns could be matched only by making what could be viewed as some of the least ethical investments. Some of the returns from the public building programme that we would like pension funds to invest in would not give that level of return. Therefore, although it was claimed that the investments that they were carrying out were in the best interests of the fund, they were not in the best interests of the wider population or the public sector as a whole.

John Swinney: That goes back to one of the points that I made in my opening remarks. There is a balance to be struck between encouraging that type of infrastructure investment and securing the necessary fiduciary duty of scheme managers.

It is perfectly permissible for scheme managers to be directed by the relevant boards to secure a particular level of return. There is a necessity to make sure that that return is sufficient to ensure that the local government pension schemes can provide the necessary financial return for their members. We should not lose sight of the fact in all of this that local government pensioners require to get a return on the investments that they have made.

It may well be that a satisfactory return can be achieved within that process by investing in, let us say, an infrastructure project. That does not have to be the very best return that could be delivered, because that could be done by investing in some vehicle that is deemed to be inappropriate. There are always choices. I do not think that any of the

scheme managers or boards can exercise those choices without paying due regard to the need to deliver on their fiduciary duty. The fiduciary duty is not an absolute requirement; it can be a relative requirement. A return of one level may be perfectly acceptable for a fund. It does not have to be the very highest return, as securing the very highest return could involve making investments that are deemed to be inappropriate.

Clare Adamson (Central Scotland) (SNP): I wish to ask you about some of the pressures that you might see coming to local councils in future. I am thinking, in particular, about the change to the pension rules by the UK Government, which the Convention of Scottish Local Authorities has estimated might cost £125 million. Has there been any progress in negotiating with the UK Government about possible compensation, which it has talked about paying English and Welsh local authorities that will be particularly affected by the change?

John Swinney: I am in a slightly disadvantaged position in that we are having this conversation in advance of the outcome of the spending review on 25 November, when any question of that nature will be resolved, essentially. I am not in possession of the prospective budget numbers beyond those for the current financial year. We will get those as a consequence of the announcement of the spending review on 25 November.

My expectation is that the changes to which Clare Adamson refers will be significant factors with which we will have to wrestle, and we will be wrestling with them right across the public sector in Scotland, as the decisions that have been taken on employers' national insurance contributions and on pension contributions will have to be met by employers.

There are other factors. For example, there is the apprenticeship levy. We do not really have any detail on that other than that there is going to be an apprenticeship levy and that it will be applied to what have been described as "large" employers, although we cannot get a definition of what a large employer is.

I can identify a range of factors that will have an effect on the strength of public sector budgets, but I cannot today quantify what effect they will have, because I do not have a final position from the UK Government on what the financial settlement will look like beyond 2015-16.

Clare Adamson: Some councils in Scotland have yet to completely settle on equal pay and job evaluation. Does the fact that there is an unknown liability for some councils cause you concern?

John Swinney: The situation causes me concern for two reasons. One is because of the unknown liability, which you mention, although I

suspect that the liability is pretty well understood by all concerned. My greater concern is about the members of the public who are not getting the settlement to which they are entitled.

I have been appearing as a minister before this committee and its predecessor for the past eight and a half years, and I suspect that, the first time I did so, I was asked questions on the urgency of equal pay. I suspect—indeed, I know—that I said at the time that the issue should be resolved speedily by local government. No new ground has been covered; the issues have all been pretty well established over the past number of years. However, it is a matter for individual local authorities to resolve. This morning, I saw some media coverage saying that Fife Council has made significant progress on the question, which of course I welcome.

The Convener: We are here to scrutinise the budget, but that is a little difficult because of the lateness of the autumn statement. Obviously, that causes you difficulty, as you are unable to answer some of the questions because Mr Osborne has not made the announcements as expected. Does the lateness of the autumn statement cause you a huge amount of grief and will that grief be felt by local authorities, too, as they will not know what the settlement is for them until much later?

John Swinney: There is never any grief caused to me—I just glide past it all, convener.

The Convener: You are all calm and collected.

John Swinney: Obviously, the timing is not ideal and I would not begin to suggest that it is anything other than inconvenient. Normally, I present a budget to Parliament by 20 September—my agreement with the Finance Committee revolves around that date—but we have previously had spending reviews in October. If memory serves me right, we had one early in November, as well. The current one will be the very latest that we have had, certainly in my time in office. It is much later.

After the spending review has been announced, I hope to make progress as swiftly as possible in settling the Government's budget and making it clear to Parliament. I will make clear to local authorities the local government finance implications for them as quickly as possible.

John Wilson: On that point, we have had a spate of announcements by local authorities throughout Scotland on the budget savings that they will have to make. One authority in central Scotland has indicated that around 1,100 employees will have to go as part of the budget cuts. How can local authorities give an indication now that there will be redundancies or that people will be leaving local government if we will not know

what the budget settlement will look like until later in the year?

John Swinney: They can only be doing that by making a range of assumptions about the budget that have not been informed by decisions that I have taken. That is the only way that local authorities can be making predictions of that nature.

I have been around long enough and have heard various rounds of all these things over the past few years, and I simply offer this as some context for the committee to consider: I have heard many such doom-laden predictions that have not materialised.

As the convener said at the outset, we have worked very hard in Scotland to try to protect local authority finances in very challenging financial circumstances. That has been acknowledged by local government—it is certainly acknowledged by local government in England that there has been a very different settlement here compared with south of the border.

The numbers that have been put out into the public domain by individual local authorities can only have been arrived at on the basis of a range of assumptions that they have arrived at themselves.

John Wilson: Or they could be based on their own understanding of the financial commitments that you entered into a decade ago.

John Swinney: Those factors will be relevant, and the private finance initiative burden will be a particular strain on local authorities that have committed to that approach.

The Convener: We went to Manchester, we have been to Inverclyde and we have taken evidence on city deals. I was at the launch of the Aberdeen city deal bid in Parliament last night. Is the Scottish Government supportive of the UK Government's city deal programme? Do city deals offer value for money?

John Swinney: We are supportive. While you were at the Aberdeen city deal launch in Edinburgh last night, I was in Aberdeen with a business audience discussing that very question.

There is a general enthusiasm for the exercise of city deals. There is a particular opportunity, in city deals, to provide some of the integrated focus that would be beneficial in setting a clear agenda and direction for development in particular localities, and to view those issues in a much wider context. Let me take the example of your locality, convener. There is such an inextricable link of interest between the needs of Aberdeen city and those of Aberdeenshire in terms of economic development that to consider them separately or to do so without considering the wider context

would be to miss an essential point about the necessary linked focus that is required.

There are many strengths in the opportunities that come from city deals. However, they need to be arrived at through genuinely collaborative working between the local authorities concerned, the Scottish Government and the United Kingdom Government—and, crucially, with stakeholders in the various localities, whether they comprise the business community, community organisations or the wider stakeholder community. If the deals are arrived at outwith that collaborative environment and infrastructure, I do not think that they will be as effective as they could be. The necessity to operate within that collaborative environment is a crucial question in relation to the success of city deals.

You asked me about value for money. The assessment of value for money must be applied rigorously and continuously through the city deal. I could not say to you today that every city deal will bring value for money. That would be an in-principle commitment for which I would not have the evidence. However, the value-for-money test must be applied to all the developments that are implicit in the city deals and the steps that are taken.

My in-principle view is that city deals are likely to be value for money because they will be driven by the values of collaboration and co-operation, shared interest and the breaking down of boundaries between public authorities. Generally, in public policy, those are good things in the exercise of policy decision-making and in pursuing a value-for-money assessment as a consequence.

10:00

The Convener: As regards that collaboration, last night we certainly saw the business community buying in to the Aberdeen city and shire bid. Do you think that other public sector partners need to be involved in the formulation and shaping of any bid to ensure that it is successful?

John Swinney: Yes.

Cameron Buchanan (Lothian) (Con): Good morning, cabinet secretary. When the committee was in Manchester, we saw the effectiveness of the Greater Manchester city deal, which is effective because everyone works together. What should the Scottish Government's involvement be in the governance and management of a city deal? How is the Scottish Government planning to—I will not say interfere—communicate in relation to that?

John Swinney: Certainly we would want to be closely involved in the setting of the direction of the city deal. We have a funding commitment to

the city deal arrangement that has been approved so far for Glasgow. As regards value for money, I have a duty to Parliament in relation to that investment and I have to be satisfied that there has been value for money.

The Government will want to be closely involved in the direction of the city deals. The overriding question is perhaps to do with Mr Buchanan's point, which is that the success of the ventures will be driven more by collaboration among the interested parties than by the degree of Government direction and intervention in the process.

The creation of a shared agenda among the parties that is viewed by the Government to be credible, acceptable and value for money and which delivers on the purpose of the city deal is the model of governance that is relevant to this process.

Cameron Buchanan: Are you intending to fund all the city deals? Should they all be funded or part-funded by the Scottish Government?

John Swinney: That invites me, on a Wednesday morning, to make a spending commitment in front of the Local Government and Regeneration Committee. I think that Mr Buchanan knows me well enough to know that it is not a general habit of mine to behave in such a fashion. We are supportive and keen to be helpful, but our degree of support and the level of support will be determined by the quality of the propositions that come forward.

Cameron Buchanan: On the direction of the city deals, do you think that they are really necessary? To ask a more general question, why are they necessary?

John Swinney: There is a benefit in them. We have been talking about the north-east, so I will take the example of Aberdeen city and Aberdeenshire.

With the local authorities, we are jointly funding the Aberdeen western peripheral route, which I am delighted to say is at long last taking its course around the city. The convener will correct me on the geography, but the overwhelming majority of that route is in the Aberdeenshire area. However, it will have a profound effect on both Aberdeenshire and Aberdeen city in terms of implications for the traffic system and in terms of the opening up of opportunity. As such, we need to have a mechanism to focus on that joint agenda, and I think that the city deal gives us an opportunity to do so.

The city deal has the potential to recognise some of the changes that have taken place in our society in recent years, where cities have become ever more fundamental to the operation and the

exercise of an economic agenda. The drive of a city such as Aberdeen, Edinburgh, Dundee, Glasgow, Perth, Stirling or Inverness is now much more central to economic development in its locality. In essence, the city deal recognises the need for us to be much more focused in our policy making at that level.

Having said that, it is also important that we have sufficient policy interventions to support the development of the larger towns of Scotland, because the larger towns face many challenges around the country and we cannot put all our eggs in the city deal basket. We need policy interventions that properly and effectively deal with the requirements and needs of some of Scotland's larger towns that face acute challenges at this time.

Cameron Buchanan: We saw how effective the city deal is in Manchester, because it involves Greater Manchester—the surrounding periphery. You mentioned the fact that the areas surrounding Aberdeen, Edinburgh and Glasgow are important. Are they getting more important as those areas get wider and wider?

John Swinney: The city deal that is being discussed for Edinburgh covers quite a wide geography, taking in East Lothian, Midlothian, West Lothian, the city and Fife. From what I can deduce—members around the table who represent the Fife area can contradict me if I am wrong—there is a sense that those discussions are providing beneficial and meaningful value for localities outwith the city of Edinburgh and that that has been welcomed by people in those localities.

One of the key characteristics of the potential success of city deals is whether the outlying localities feel that there is some benefit and advantage to be gained from being part of that. When we look at some of the wider questions about connectivity, we see that those are crucial questions at the heart of the city deals and that they relate to the involvement of and the impact on some of the outlying areas.

Clare Adamson: You may have partially answered my question already, Deputy First Minister. I represent Central Scotland, and seven of the nine constituencies in that region are linked in to the Glasgow and Clyde valley city deal, but I have a concern that there may be pockets of areas—such as Falkirk Council, which includes the Grangemouth area that is hugely important for Scotland's economic future—that are not linked in to those deals despite their considerable importance for Scotland. Do you share those concerns?

John Swinney: We have to be mindful of that. You have raised an entirely reasonable point and

one that we have to be careful about. The city deal areas for Glasgow and Clyde valley and for Edinburgh cover wide geographies, and that is welcome. If I have my geography correct, Falkirk is probably the bit that is outside both city deal areas.

When we think of some of the other interventions that we have made, such as tax incremental finance, we see that Grangemouth in the Falkirk Council area offers a good example of an imaginative project that has been supported by the Government, so city deals are not the only tool in the box. For example, the Ravenscraig tax incremental finance pilot, which Clare Adamson and I discussed just a few weeks ago at question time, is now being reconsidered by the interested parties because the original propositions are not forming in the way that was originally envisaged. Such things will happen; we just have to be open to addressing the questions pragmatically and supportively.

We have a range of interventions. There is the growth accelerator model in the city of Edinburgh, which is designed to help fund the redevelopment of the St James quarter or the St James centre. That is a highly significant strategic development in the east end of the city. A range of interventions will be deployed to support individual localities.

I can reassure the committee about our approach. In our thinking on inclusive growth, we are determined to ensure that we have a much more effective way of tackling regional inequity, which has been a fact of life in Scotland for many years but is becoming a more acute fact of life in some localities. We must address those factors in the interventions that we make.

John Wilson: What is your response to the allegation that some of the bids for the city deal funding are for old, off-the-shelf projects? In other words, they are not innovative or strategic in their outlook; they are just projects that have been lying around for a number of years that local authorities have decided to pull off the shelf and throw into the city deal pot in the hope that they will get funding for them.

John Swinney: Projects have to enhance the economic infrastructure and competitiveness of localities for it to be possible for them to be advanced as part of the city deals. As I said in response to Mr Buchanan, the Government does not want to micromanage the city deals, but we want to be assured that they are emphatic, that there is good thinking behind them and that a strong assessment of value for money lies at their heart. For that reason, there will be assurance mechanisms in the arrangements for the city deals that will provide us with confidence that the decisions that have been taken to proceed with projects are decisions that will deliver enhanced

value for that locality and, as a consequence, benefit for the Scottish economy.

John Wilson: I take on board the point about the need to ensure that, in a time of tight financial constraints, the things that local authorities invest in offer value for money. I will not go into detail on the project concerned, but I am aware of one city deal bid made by a local authority where there is a private sector commitment to deliver the infrastructure as part of a development. Despite that, it has been included as part of the council's city deal bid.

Although you are correct in not wanting to micromanage things, surely we should be looking at best value and ensuring that we do not take away any of the private sector's responsibility to invest, particularly when it comes to infrastructure, by allowing infrastructure to be paid for out of the public purse.

John Swinney: Without knowing about the specific circumstances that Mr Wilson is referring to, I think that it would be odd for a local authority that has a financial commitment from the private sector to pay for a piece of infrastructure to say, "You don't need to pay for it—we'll pay for it." That would be a bit odd and it would contradict everything that local authorities tell me about the challenges that they face with regard to public finance. It is certainly not a decision that I would take.

John Wilson: I will pass the details of the project in question on to you.

John Swinney: Please do.

Jayne Baxter (Mid Scotland and Fife) (Lab): I listened with interest to what you said about city deals offering value for money. I am a big believer in collaboration and shared agendas, so I was pleased to note your comments on that. It seems to me that there are two complementary agendas progressing at the same time. One is the community empowerment agenda and the other is the planning review, which is in its early stages. Do you think that those agendas will help city deals to give power to communities? Are there links across the three agendas, or do they have separate aims?

10:15

John Swinney: I think that they are all part of the same policy area, which is about greater local discretion; it just happens to come in different forms. The community empowerment agenda has relevance for absolutely every community in the land, and that will manifest itself in different ways in different parts of the country.

Certain communities will wish to do certain things. The community empowerment agenda is

proving very beneficial in parts of rural Scotland in relation to landownership. In some parts of urban Scotland, community empowerment is bringing forward a real appetite on the part of communities to take over facilities that have become redundant in their current form. Communities have views on how such facilities might be developed and made more of a success under community ownership. There are countless examples of that around the country.

I suppose that the consistency of the policy framework is that the emphasis is placed on localities taking the initiative, whether at a village level through, ideally, community empowerment, or at a city level through a city deal, in which a city region takes more initiative for development in its locality. You could argue that both meet the same test.

Jayne Baxter: Where do you think that the ultimate accountability and responsibility for the effectiveness of those decisions for communities will sit? Will they sit with the community council, or with the council or city deal partnership? How will those be agreed?

John Swinney: They will sit at different levels. We can take the two examples of a village hall acquisition and a city deal.

In the acquisition and operation of the village hall, accountability will ultimately be to the locality and to members of the public, by whatever device. I am a member of a number of community organisations in my constituency that run village halls, village facilities and all the rest of it. Their accountability is to those who use the facilities and to the locality.

In the city deal, accountability is to the members of the component authorities, but also to the United Kingdom Government and the Scottish Government, if the Scottish Government is a funder of the propositions. A governance structure—some form of governance board—would exercise that responsibility.

Jayne Baxter: Thank you.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Cabinet secretary, I return to the issue of city deals and regional inequity that you mentioned. Some of my colleagues have mentioned that as a potential concern, and I have that concern too as a representative of Kilmarnock and Irvine Valley, which is an area where, the last time that I looked, there are no cities.

What are the criteria that enable a region to participate in the city deal process? How might the impact on an area such as Kilmarnock and Irvine Valley be assessed? For example, the Glasgow and Clyde valley city deal might set a new course of direction for economic development that might

have an impact on us. How could we influence that or be protected from something that might not be in the interests of that part of Ayrshire?

John Swinney: I answered the first question in this series of questions from members by setting out the Government's firm commitment to city deals, but also by recognising that there are other localities in Scotland that require focused assistance and support.

Our support for a city deal does not necessarily mean—in fact, it most expressly does not mean—that we are closed to other ways of supporting developments in individual localities.

As we look at our agenda on tackling regional inequity, we will find particular areas of the country where particular challenges have to be overcome. However, those areas might not be touched by a city deal proposition, so we will have to find other mechanisms to support them. I have stressed a number of initiatives that the Government takes to support that agenda. There will be ways in which we can engage with localities on those points.

For example, the three Ayrshire councils are discussing collaboration on a growth proposition in Ayrshire, and we would be very interested in that. The Ayrshire economy is a part of the Scottish economy that causes me significant concerns—Mr Coffey and I have discussed some of the issues on previous occasions. The Ayrshire proposition is an interesting one for the Government to look at, because it has all the attributes of the city deal at its heart: collaboration between public authorities and the creation of a shared agenda with the objective of delivering dynamic growth as a consequence.

Our agenda is not restricted to city deals. Our objective is to ensure that all parts of Scotland have the opportunity to flourish through the Government's agenda.

Willie Coffey: The UK Government talks about growth deals. Is that what you are referring to? An area does not have to be a city to be part of the process. You mentioned Ayrshire. Perhaps the principal towns in the area—Kilmarnock, Ayr and Irvine—could propose some kind of direction for economic growth in Ayrshire. Are you saying that that would be sufficient to qualify for a growth deal in that sense?

John Swinney: Yes. The councils are engaging with the Scottish Government on the proposition and our officials are in regular discussion with the councils about those points. I know that this is not relevant to Mr Coffey's constituency, but some of our decisions on enterprise area status have given particular opportunities to some areas in Ayrshire. That is another one of the tools in the box that we can deploy to try to support economic development in individual localities. We are

already engaging with the emerging agenda from the three Ayrshire councils, which could be a combined and cohesive agenda that supports growth, and we are happy to continue to do so.

Willie Coffey: Okay—thanks.

The Convener: I imagine that the delay to the autumn statement causes you difficulties, in that you would normally have discussions with COSLA at this time of year about budget allocations. Can you assure the committee that, as per usual, COSLA will be consulted on the budget, as it becomes more apparent?

John Swinney: Those discussions have been under way for some time. The Cabinet Secretary for Social Justice, Communities and Pensioners' Rights and I have had a number of meetings with COSLA on the issues around the spending review. Local government is our partner, so we need to understand the issues and challenges that it faces and try to work as collaboratively and co-operatively as we can to address those issues.

One element of the approach to the spending review is that we are considering not just the traditional portfolio allocations but some of the themes that capture broader areas of public expenditure. For example, employability is a theme and focus of Government expenditure, but it is not contained in one neat little compartment in a portfolio budget; instead, it is spread across a range. Other such issues are innovation, the learning journey, health and social care integration and the justice agenda. In all those areas, we are having substantive discussions with local government about how we proceed, so that local government has the opportunity to be fully part of the developing thinking in the Government on the spending review. Local government will be involved in all five examples that I cited—employability, innovation, health and social care, justice and the learning journey. Those are all areas in which local government is a central partner. We have frequent discussions with local government as part of developing our thinking on those questions.

The Convener: So there is a further breaking down of the silos and more innovative thought on budget allocation.

John Swinney: Yes. Obviously, once the numbers are clear on 25 November, there will be a much more sharply focused discussion on what the numbers look like, what they mean and how they are allocated. The wider questions that I have cited are examples of how we are trying to create greater cohesion in the way in which we use public expenditure and, as a consequence, maximise its effectiveness.

The Convener: So there will be greater cohesion and possibly less duplication.

John Swinney: Duplication is the enemy. Obviously, when money is tighter—it is going to be tighter—part of my focus is to remove duplication from the way in which public expenditure is deployed. That might mean changes in the way in which we undertake particular approaches. I am trying to avoid duplication and maximise the maintenance of outcomes for members of the public in Scotland, as money becomes ever more difficult to secure.

The Convener: Finally, can you update the committee on the progress that has been made by the commission on local tax reform and when it is likely to report?

John Swinney: The commission is pursuing its work programme. It is doing that to timescale and we expect the commission to report before the end of November.

The Convener: Thank you for giving us your time today. We now move into private session.

10:26

Meeting continued in private until 11:00.

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