



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

LOCAL GOVERNMENT AND REGENERATION COMMITTEE

Wednesday 24 February 2016

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LOCAL GOVERNMENT AND REGENERATION COMMITTEE

7th Meeting 2016, Session 4

CONVENER

*Kevin Stewart (Aberdeen Central) (SNP)

DEPUTY CONVENER

*John Wilson (Central Scotland) (Ind)

COMMITTEE MEMBERS

*George Adam (Paisley) (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:

Marco Biagi (Minister for Local Government and Community Empowerment)

Malcolm Burr (Society of Local Authority Chief Executives and Senior Managers Scotland)

Emily Lynch (Improvement Service)

Colin Mair (Improvement Service)

Councillor David O'Neill (Commission on Local Tax Reform and Convention of Scottish Local Authorities)

Adam Stewart (Commission on Local Tax Reform)

CLERK TO THE COMMITTEE

David Cullum

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Local Government and Regeneration Committee

Wednesday 24 February 2016

[The Convener opened the meeting at 10:00]

Decision on Taking Business in Private

The Convener (Kevin Stewart): Good morning and welcome to the seventh meeting in 2016 of the Local Government and Regeneration Committee. Everyone present is asked to switch off mobile phones and other electronic equipment, as they affect the broadcasting system. Some members will refer to tablets during the meeting, as we provide papers in digital format.

Agenda item 1 is a decision on whether to take in private item 6, which is consideration of our evidence on the commission on local tax reform. Are members agreed?

Members *indicated agreement.*

Local Government Benchmarking Framework

10:01

The Convener: Item 2, which is our first substantive item, is evidence on the local government benchmarking framework. I welcome Malcolm Burr, chair of the Society of Local Authority Chief Executives and Senior Managers Scotland; and Colin Mair, chief executive, and Emily Lynch, programme manager for performance management, from the Improvement Service. Would you like to make any opening statements?

Malcolm Burr (Society of Local Authority Chief Executives and Senior Managers Scotland): On behalf of SOLACE, I say that we are very pleased to note the continuing collective commitment to the framework. It is not very old in terms of benchmarking methodologies, but all 32 councils continue to be committed to it financially and organisationally. I would say that, at all levels of organisations, there is strong interest from elected members. There are very good examples of that through not only audit and scrutiny committees but service committees the length and breadth of Scotland.

We are very pleased to note the affirmation of the Accounts Commission and Audit Scotland through the statutory direction for the forthcoming year that councils report through the framework. That is a measure of its acceptability and its place in the public performance structure. Certainly, the responses from a lot of councils indicate that we want to develop the framework further—not just adapt it. We have to adapt it for changing circumstances, and I am sure that we will talk about that a little more this morning. I think that the aim is to adapt and continually improve the indicators themselves, particularly in planning and economic development and similar areas.

The framework is classic intelligent intelligence and it has established its place in the public performance firmament.

Colin Mair (Improvement Service): Linking with what Malcolm Burr said, and looking forward a bit, we are now working quite closely with colleagues who are involved in the national improvement framework for education and the framing and measurement of national health and care outcomes. The local government framework will therefore need to adjust over time, to take account of the fact that much more of a council's work is now done through partnership vehicles of one sort or another. We need to have a clear look at how the framework fits in with the developments that are taking place in such areas. We are also

interested in looking much more deeply at the economic impact of local public services, in terms of employment, procurement, asset distribution and so on. Again, that is work that benefits from a partnership focus as well as a focus on councils.

The second strand that we are aware of is that changes within councils themselves are calling into question some of the service classifications that the framework is built around. Increasingly, the distinctions between services are being overtaken by the merger or integration of those services locally. We need to be careful that what we are reporting to Parliament and to the public is up to speed with what people are doing in the organisation and delivery of services.

The final matter for us is a very important piece of legislation that was passed by Parliament last year: the Community Empowerment (Scotland) Act 2015. We will need to look at a range of things in order to see how councils and their local partners are progressing with that, and that will be part of the work strand going forward. I think that we have established a solid enough base but that that will need to change with the pattern of reform that is going on.

The Convener: Miss Lynch, do you have anything to add?

Emily Lynch (Improvement Service): I have nothing to add at this stage.

The Convener: Thank you.

Let us start by looking at some of the intelligent intelligence, as Mr Burr called it, and how certain things are measured. We will take an example from some of the evidence that the committee has had of late about burial costs. We found that burial costs in the Western Isles were the lowest in the country, and that those in East Dunbartonshire were, in my opinion, unbelievably high. It was difficult for us to get a real grasp in the course of our scrutiny of costs about what those costs actually cover.

Of course, we tried to drill down and we asked questions about what the costs actually are in the Western Isles for what is delivered there, compared with what is delivered in East Dunbartonshire. In terms of that intelligent intelligence, are we ensuring that the measures are comparable? Backroom costs, or other costs, may be being added on in one place for the delivery of a service, but not in others. Have we got to grips with that?

Emily Lynch: There are a couple of different elements. There are some factors that make the measures different that are important in driving the improvement.

There are some factors that councils have control over or are able to influence. Councils

need to understand which factors are creating differences in the measures. For example, one of the factors that drives variation in our sport, culture and museum costs may be related to the different service delivery models that are used in authorities. It is important within the family groups and scrutiny committees to understand the extent to which that is a factor that is shaping and driving the cost.

That leads me to the other element, which is the fact that it is not just a question of the cost measure—we have to look at the measures in the round. Other factors, such as customer satisfaction, productivity or other measures of outcome, are important in understanding the difference between the services. That is crucial to understanding the issue.

We have a very robust validation process now that is focused on ensuring that the information that we receive from councils follows a very clear, strict methodology to ensure that the information is measuring the same thing as far as is practicable.

We know that all authorities have different structures in place, so benchmarking will never be perfect. As we have said previously, we are 95 per cent confident that the data allows the discussions that I mentioned previously to really get at what is making the difference. We have a validation process in place, and the family groups carry out further work to address any anomalies that exist.

The Convener: We understand all that, but let us say that I am a member of the public, looking at the benchmarking figures for a number of areas; I have picked upon burial and cremation. What I want to know is: why is a burial in the Western Isles so much cheaper than a burial in East Dunbartonshire? This is quite a simple thing to do. If I were a councillor, I would also want to find out what the difference is in the delivery of that service in the Western Isles compared with East Dunbartonshire.

That is what I want to know, so that I can, as a member of the public, say, “Hang on a second, what is going on here? Why is this so different? What is going wrong in my authority?” If I am a councillor, likewise, I want to be able to ask, “How can we deal with that?” No matter what we talk about in quality of service and different delivery methods and all the rest—and that may be in the background—at the end of the day, where there are huge cost differentials in the delivery of a service, there has to be an understanding about the reasons, particularly during the times that we find ourselves in.

Colin Mair: I suspect that part of that will be policy choice—whether or not elected members are wholly aware of it. Some people will be running services, such as burial or parking, with

the clear aim of maximising income and will be putting no public money whatsoever into subsidising such services. Others will be taking the choice that, because of the nature of the service, or economic objectives they have, they want to charge for it in a different way. Therefore, I feel that this is probably less a question of cost attribution and more one of policy choice within those councils.

Some of that choice may be based on assumptions about what the market will bear, even though that is quite a coarse way of talking about something such as burials. It is certainly true across Scotland in relation to charging for street parking or council car parks. Of course, they are massively variable because markets vary across Scotland and so do policies.

In that sense, there may be issues about the precise calculation of costs in the figures that you have looked at, convener. I do not think that we include burial figures as it stands just now, but I suspect that policy choice is probably a clearer factor in that particular example—that people are choosing either to underwrite the service or not—and the choice may depend on the council's overall financial circumstances.

The Convener: Mr Burr, do you have anything to add?

Malcolm Burr: Very briefly, convener. Such a difference may also give rise—I think that this shows the benefits of the framework—to questions about how a service is organised. I know that some of the reason for our own lower costs is that we organise that service flexibly. Perhaps the higher-charging councils have a workforce that is entirely dedicated to that service and therefore the costs need to support a specific workforce. It is a very good example of how the framework works: it should give rise to questions such as whether the reason for a difference is policy choice or organisational structure.

The Convener: That is exactly what I am trying to get at, because it is not currently spelled out whether the reason for a difference is policy choice or the cost delivery of the service. Some folk told us that the reason was the cost of the service. However, what we were unable to gather from the evidence that we took—and, as I say, we were drilling down—is what backroom costs were added to the cost of that particular service or whether it had been a policy choice for the council to set that fee so high. What is interesting in the answer that you have just given, Mr Burr, is that, in Comhairle nan Eilean Siar, there are staff who do not just deal with that service but work cross service. We would maybe want to ask why are other councils are not doing likewise. We now have all the data, but there are still hidden things

in the background that we are unable to scrutinise. Would that be fair to say?

Colin Mair: There are two things to reassure you on. The way in which the data is compiled within the benchmarking framework is strictly in line with the criteria for the local government financial return, which is a statutory return from local government to Government.

The Convener: I understand all that, Mr Mair. I am trying to keep this as simple as possible. I can now go and compare a number of things, look at the family groupings, get an understanding of why an authority is in that family grouping, and all the rest of it. However, with some of the differences in service delivery—or in some of the service costs—it is still difficult for me, or for a member of the public, to drill down and find out exactly why a service may cost X amount in one authority and Y amount in another. It is difficult for people to judge why that service costs four or five times as much in one place as it does in another.

10:15

Colin Mair: The second point that I was going to make was that—as you will know, because we have abused your hospitality by boring you to death on this point over a number of years—from our point of view, the purpose of the framework is to allow people to pose questions. We do not think that the data in that framework will answer those questions.

If you are a councillor who is leading a particular service in the west Highlands, Fife or wherever, you can ask why you are spending three or four times as much as somewhere else, and you can find out whether that is because you are choosing to offer a richer service, because you are less efficient than others or whatever. The drill-down part of the process, which follows on from having comparative data, is undertaken by councils through the family groups and so on. That is an actively on-going process, and many councils have introduced changes because they think that they can learn from efficiency measures that others have undertaken and can apply them in their own context. I do not think that the framework ever set itself to answer the question that you mention; it set itself to answer precise questions about the difference between approaches. The duty is then on the participants in the framework to take that information and run with it.

The Convener: You have said that a number of councils have used the framework to examine what has happened elsewhere and have made changes. Can you give us some examples of that?

Malcolm Burr: I can give you a couple of examples from my council: one at a strategic level and one at an operational level. The operational

example concerns the rate of council tax collection. In the Western Isles, that has always been extremely high—around 95 per cent or more. However, I noticed that, in recent years, we had not been improving and that we were actually going backwards by around 0.2 per cent. Before the framework came along, I would have put that down to the effects of austerity on our area, which is one in which people do not have high incomes and might struggle to pay council tax. However, we used the framework and noticed that others in our family—other comparable councils—were increasing their council tax collection rates. Because of that, we applied appropriate measures with the result that the rate has gone up to beyond the previous level. Again, I stress that we are talking about levels within a band from 94 to 96 per cent. However, without the framework, we would probably not have known who to speak to about the measures that we needed to employ.

The other example concerns education. We felt that we could have done better on population retention in what is loosely called vocational education. We have done quite a lot in that regard, based on benchmarking.

Emily Lynch: As you will have seen from the responses that you have received from a number of authorities, the framework is being used in a number of different ways across councils. We are starting to see improvements in terms of targeted efficiencies and on-going investment as result of that. We have been working with local authorities to try to promote some examples of that. Some authorities are using the framework to identify where they can prioritise savings in the budget. Obviously, given the current financial climate, that is a particular focus. One of the ways in which that has been done is through an examination of the council's family group in order to gain an understanding of the family group average in terms of the spend on or the cost of measures such as street cleaning or waste collection. That information can be used to have a discussion with elected members about how that family group average can be reached, and what saving would be generated as a result. That is happening in a number of authorities across a number of service areas.

We have also seen how a local authority's performance as identified in the benchmarking framework has been used to identify priority areas for service improvement. Elected members can identify areas in which their council is continuously not where they would like it to be in comparison to similar councils. That information is being used, particularly by elected members, to raise the profile of those areas and to explore how to improve the situation.

An example of that is rent arrears. An authority with a particularly low level of rent and a low level of employment had a particularly high level of rent arrears, which was comparably higher than other similar authorities. The benchmarking information helped to ensure that the rent arrears situation maintained a significant profile. Over time, the authority has worked with other authorities to look at how to improve the level of rent arrears. Certainly in the last year, the authority has reduced the income lost through rent arrears by 11 per cent—which is against the national trend—as a result of some of the improvement actions that it has taken.

In addition, we are seeing the learning coming through the family groups. It is not just about targeting and prioritising where to make improvements; it is about learning from colleagues how to make improvements, what might work and—just as important—what might not work. We heard from one authority that it was looking at implementing the second home discount in relation to council tax but, through discussions with other similar councils in its family group, it was able to identify the potential cost against the benefits and so it altered its decision on that.

A number of improvements have also been developed to do with ways of implementing agile working—there has been a reduction in absence across councils due to that—and around waste structures.

The Convener: You are painting an extremely positive picture of how the framework is being used. However, if we look at the evidence from councils alone, in response to the question,

"How often do you use the Local Government Benchmarking Framework?",

Dundee City Council stated:

"Generally Dundee uses the LGBF data once a year around this time."

Some other councils also responded that they use the framework annually. It does not strike me as a tool that is being used for continuous improvement if it is being looked at once a year.

Colin Mair: I guess that the answer depends on who responds to such consultations. If I was the performance officer of Dundee City Council, I would probably look at the framework data in some depth once a year, because I would report to the chief exec and the members on what that year's round of data was saying and how it differed from previous years. Emily Lynch's point is that people who work in particular service areas or family groups are getting together. Operational managers are getting together and asking, "Why do these differences exist? What can we learn from each other?" and so on.

The question arises of who responded to the questionnaire on behalf of a particular council and what their interest is in the framework. If they were a corporate policy and performance manager, their interest would be different from that of a service manager. We have made arrangements to engage with both categories of officer on the framework so that we get the maximum impact not only in performance management but in service management.

The Convener: The question about who filled in the questionnaires is interesting. Our correspondence goes to chief executives and to council leaders. To be frank, I sometimes wonder whether chief executives and council leaders look at the responses that are given. That might be what gets them into difficulties in the first place.

John Wilson (Central Scotland) (Ind): We had feedback from the councils on the benchmarking family groups, and East Ayrshire Council and North Ayrshire Council made similar comments about considering how best to exchange the lessons that can be learned. Is enough work being done to ensure that that exchange of views, ideas and learning is taking place throughout the year and not just at the end of the year when the report is done? The family groups need to be brought together to ask, "What are we doing and how are we doing it?"

There are good examples of improvements—you mentioned that a local authority has increased its collection rates, so rent arrears are down. However, in relation to council tax arrears, 19 of the 32 local authorities managed to increase their collection rates, which means that the rest failed to do so. Western Isles Council might be good at learning the lessons, as Mr Burr indicated, but it looks as if other local authorities are not.

Malcolm Burr: The family groups will always need to be adapted and reviewed. As councils deliver services in different ways and as partnership working increases, not just on strategic direction but on delivery, we will continually have to look at the family groups.

I will not go on about my old friend the Scottish index of multiple deprivation, which is a blunt instrument for rural areas. As an aside, we are working with the Improvement Service on delivering a more measurable fragile areas index. However, if the SIMD is used, we sometimes find that we are in the same family group as very large councils such as Glasgow City Council. That is questionable, to say the least, because certain measures are overemphasised, to the detriment of others. We must always review the family groups and keep them under constant scrutiny, because structures change.

Ms Lynch talked about making the process meaningful as services merge and are delivered jointly. I think that the Community Empowerment (Scotland) Act 2015 will very soon assist with the process of communities delivering services themselves. We will need to look carefully at how the family groups reflect not just the services and the background but the structures in order to ensure that the family groups are a meaningful measurement.

I am not sure that I answered the question.

The Convener: Neither am I. Try again, Mr Wilson.

John Wilson: I am trying to find out what is happening in relation to the family groups. To be honest, I was surprised when Mr Burr talked about fragile area groups and moving away from the SIMD, rather than about working within the frameworks that we already have, which is what I thought the benchmarking framework was established to enable. Benchmarking is about ensuring that we all understand the measures that are applied when local authorities deliver services and ensuring that local authorities can improve delivery by learning from others in the sector.

Forgive me if this sounds a bit brutal, Mr Burr, but you seem to be looking to find other ways of measuring things because you just happen to be in the same family group as Glasgow City Council when it comes to the SIMD. Why is Western Isles Council talking about setting up a different structure to measure things in its area? Surely that would take you out of the concept of the family group measure for how the SIMD is applied in your local authority.

Malcolm Burr: My apologies—I have clearly emphasised the exception rather than the rule. The family groups are vital and, as I indicated with our council tax example, we use them well. I was just making the point that they need to be reviewed from time to time in the light of changing structures and changing methods of delivery. However, they are there for a reason and SOLACE is fully committed to the process, as are the Improvement Service and the Convention of Scottish Local Authorities. Those are our structures but, like any structures, they need to be looked at from time to time.

John Wilson: Why would a local authority need to review the family groups? We are talking about a local authority, not the benchmarking family, reviewing how it interacts with the family groups, what information is gathered, how it is gathered and how it translates that into the delivery of services.

Malcolm Burr: Simply to reflect any demographic and other changes to our—

The Convener: That is fair enough, but the point is that it does not matter what joint procurement or joint service delivery you are doing because, at the end of the day, Comhairle nan Eilean Siar is responsible for the service. Even if it were to join up with Argyll and Bute Council to deliver a service, you would still be responsible and the performance indicator would be based on your area, so why would you need to change the family grouping?

10:30

Malcolm Burr: Simply to reflect changes in localities and in, for example—

The Convener: Localities do not really change, do they?

Malcolm Burr: No, but populations change, as do service delivery models. If we want to have the best comparator we can have, the groupings must be reviewed, like every other aspect of the framework.

The Convener: That would happen very irregularly.

Malcolm Burr: A review would not happen frequently.

The Convener: Perhaps once a decade.

Malcolm Burr: Yes—exactly.

The Convener: You are talking about a new scenario; we are concentrating on implementation, but you are talking about change that is a decade away rather than looking at what is happening at the moment.

Malcolm Burr: I am just keeping an open mind about the criteria that the framework comprises.

John Wilson: Does Mr Mair want to come in?

Colin Mair: To pick up on the example that has been given, one thing that the family groups do—and it is done across service communities, because a distinct community of people is responsible for revenue collection across councils—is look at why some councils are improving collection over time while some are not, although the broad trend over the past five years has involved improvement.

The technical balance should also be looked at. Are some people adopting mechanisms that others should copy? Are there policy choices? Some councils have households that are under a variety of pressures. Adding the pressure of debt enforcement by the council is not seen to be advantageous or even cost effective, because the downstream cost of services would be higher. Such issues are genuinely explored in some depth.

I do not want to undersell the framework, but I do not want to oversell it, either. In each service area—education, social care and so on—there are professional associations that benchmark together. Therefore, as far as councils are concerned, our framework is not all there is, but it provides a high-level overview for elected members and the public of comparisons between councils. In the education arena, there are detailed comparisons that look at improvement and development and so on. People can and do go right down to school level.

The local government benchmarking framework is not all that happens on benchmarking in Scotland's councils or community planning partnerships, but it links to and supports a wide range of other much more detailed activities. The aim of the framework was to make, as the Accounts Commission used to do through its statutory performance indicators, high-level comparisons between councils that will pose questions—and allow the public to pose questions—about why a council is different from others and why its performance looks less good and so on.

I reassure the committee again that we work quite hard with councils across the year to look at what the data means and how they can improve. In addition, other improvement devices are being used all the time for much more service-specific benchmarking.

John Wilson: I found your comment on other associations doing their own benchmarking on service delivery interesting. I was on this committee in the previous parliamentary session and this session when the early discussions on what benchmarking was setting out to do took place. You can correct me if I am wrong, but I understood that, given all the other organisations that are carrying out their own benchmarking, with their own reporting structures, the exercise was intended to declutter the landscape, so that we could have an overview of what was happening in local government. The benchmarking would be brought together and we would be able to pick up one document and say, "This one document tells us what's happening in the various areas." I do not know how many areas there are now, but I think that the original number was 42.

You are saying that other benchmarking is taking place, but how does that fit into the work that is being done by the Improvement Service and SOLACE? It would be logical to cut out some of the backroom work that other officers are doing to collate information, and to collate it centrally and record it in one framework that everyone can see and which says, "This has been the situation in Scotland for the past year, as we see it."

Colin Mair: There are two things to say about that. That was an aim, which I think that we have achieved. There is a single publication that provides, with high-level indicators, an overview of the range of local public services. However, the head of schools in a particular council will want to look at the balance of the administrative costs and the non-administrative and teaching costs in each school for which they are responsible. We do not publish all that information for the whole of Scotland. That is about people looking at operational detail with each other and asking, "Why do you do it this way? Why do we do it that way?" We report the high-level indicator, so we say, for example, "Your overall costs per pupil are higher than another council's."

John Wilson: If you are saying that the overview report is an overarching high-level document—

Colin Mair: I am.

John Wilson: If I am picking you up correctly, the document does not engage in the learning exchange that is taking place in local authorities. That learning is not being done through the benchmarking framework; it is being done by teaching associations and other organisations that do related work.

Where is the learning for the local authorities in the family groupings that have been established through the benchmarking framework? Much was made of bringing local authorities together and putting them into benchmarking families so that they would learn from each other. You are telling us that, at another level, things may be taking place and people may be learning from each other outwith the benchmarking families. I thought that people were supposed to be learning lessons through the benchmarking families, so that we all understood what was going on in the delivery of services in local authorities.

Colin Mair: I hope that that is what I am saying. The language that we have used consistently in the development of the framework is "high level" and "drill down". I am talking about the drill-down bit. When we pool families of authorities, we bring together directors of education and heads of schools to say, "You've all got fairly similar populations. Why are these variations occurring in this family? Why are there variations in your performance and cost structures? Let's explore that." We use the framework to learn in that way, which is the drill-down bit.

The Educational Institute of Scotland and the Association of Directors of Education in Scotland exist. They get together to discuss a wide range of issues that are to do with educational performance, and they contribute to the national improvement framework and so on, as we do. We

use the devices that are already there as part of the drill-down process in the benchmarking framework. We have not created an entirely different process, because an infrastructure was already there that we could use for improvement purposes.

The Convener: I am sure that we will come back to this.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I suspect that I am about to ask a similar question. I have looked through the report and it is full of numbers: numbers are going up, numbers are going down and numbers are staying the same. If you are a councillor, a head of service or a member of the public, you are looking for information about performance, quality and whether things are improving. I find it hard to see the real evidence in the framework, although I realise that that might be difficult, given the volume of data. Most of the qualitative, public-perception information is gleaned from elsewhere, such as the Scottish household survey. Is there not a case for this kind of report having another section or another level that describes where good performance is happening in Scotland within these groups, and where the best opportunities for improvement remain? I cannot see that.

Emily Lynch: We can certainly consider that as we develop the approach and as further evidence and information become available. However, I highlight that that richer detail that you describe will be provided in the individual authorities' public performance reporting. They have to provide information that shows why a certain level of performance is occurring. They can provide other information that we can use to understand what is going on, what is driving the performance and what the local authority will do about it. The local public performance reporting will give that much richer information that you describe. However, we can certainly consider that matter for the overview report going forward.

Colin Mair: Mr Coffey is absolutely right that we are thin on issues such as the public experience of services and satisfaction. We have spent a significant period exploring the opportunity on that. Councils have a variety of ways of assessing community satisfaction with their services: some use resident surveys, some have standing citizens panels and some employ outside agencies to manage those things on their behalf so that there is a degree of independence. At the outset of the framework, the agreement was that, if councils had put in place devices that worked and gave them the community and customer feedback that they needed, we were not going to standardise those out of existence.

Clearly, there is one major national data source: the household survey. That gives a measure of

satisfaction with public services across Scotland but, in all honesty, it is not very reliable when we take it down to the level of individual councils. We considered asking the household survey to greatly extend its sampling, but that would cost about £1 million to £3 million, which, frankly, we simply do not have. We are exploring the alternative of taking the three major surveys of households, which have different sample bases, and asking them all to build in a set of questions about local services for us, so that we extend the sample base and get a more reliable measure of variation between councils.

As Emily Lynch said, the public performance reports that councils make annually use some of the benchmarking data, but they also do residents surveys, service users surveys and so on. That data is published through the public performance reports. There is a richer source of data there.

Willie Coffey: Forgive me if it is not your role to do that, but I kind of expected that sort of information to be uppermost in such a report. Are you saying that it is not your role to gather information on performance and public satisfaction because others are doing that?

Colin Mair: Our role is to ensure that an agreed set of data is collected, analysed and returned annually. We also engage with councils, if they seem off the mark somehow, on why that is and how we can support them to take that forward. On the satisfaction issue, the board that oversees the process, which is chaired by SOLACE, has thought hard about how we can improve the measurement of satisfaction and public perception of services in different parts of Scotland, but it is very expensive to do that well.

Councils already invest locally for their purposes in surveying their local communities, but they do that using different methodologies and sampling devices, so the data is not strictly comparable. However, we are looking at whether we could aggregate that to show the broad spread of satisfaction between councils. We are working on the issue, which is important, but some of the routes that we have explored to improve the approach have had such heavy price tags that they are not practical. We are looking for discussions with colleagues who run the major national surveys in Scotland to find out whether they can accommodate us by building in additional questions to the national surveys that go into households across Scotland.

Willie Coffey: John Wilson mentioned East Ayrshire Council, which has raised the difficulty of comparability between the data sets and the family groups. I hope that an attempt is being made to try to standardise that so that we are comparing like with like.

Colin Mair: Indeed.

Willie Coffey: Your report claims, at the tail end of it, that councils in Scotland improved the quality and performance of the services covered by the framework last year. How can you claim that if you do not have the data yourself and if there is a lack of comparability among the data sets?

10:45

Colin Mair: That statement was intended to be a remark about the generality. We have a very good measure of spread across the whole of Scotland from the household survey. There is data there that says that customers across Scotland are rating the services provided by Scottish councils very highly indeed. We have other measures of financial input and output or outcome for those services. I stand by that remark.

If you break it down to individual council level, the sample from East Ayrshire, for example, in the general household survey will be very small scale—Emily Lynch will correct me if I am wrong—because it is meant to be proportionate at a Scottish level, not proportionate at the level of each council. We can make statements about the whole of Scotland; the difficulty is in making the variations between councils clearer on that basis.

Willie Coffey: On page 8 of your report, in the concluding paragraph, you say:

“With further challenging budgets ... it should not be assumed that the improvements will simply continue.”

Why not?

Colin Mair: I think I wrote that slightly ill-worded-sounding sentence, so I will take full responsibility for it. The point was that incremental improvement cannot simply carry on, and we will need to do more transformational things now. The point was not to say that we will not have to carry on improving; the point was that the pace, scale and depth of that improvement will have to speed up to keep up with the demographic and budgetary pressures that are faced.

Willie Coffey: The way I read that, it tells me that you cannot make any improvements unless you get more money.

Malcolm Burr: No, I do not think it is meant that way.

Willie Coffey: What does it mean, then?

Malcolm Burr: We are making the point that, as council budgets reduce continually, it is inevitable that improvement cannot be assumed. We have to consider the overall context of service delivery. I am thinking of health and social care integration and of other partnership approaches. That links to what I was trying to say—quite badly, I think—

about different sorts of measurement. Councils' budgets are reducing. The framework—

The Convener: Mr Burr, we are very well aware of the reduction of budgets. It is happening right across the public sector, because of the austerity measures of the United Kingdom Government. Mr Coffey has made a specific point about a specific statement. Could someone please answer Mr Coffey's direct point?

Colin Mair: I will answer it. Mr Coffey has rightly drawn attention to an ill-worded thing. The point that I wanted to make was that there has been a pattern of incremental improvement to date, and that will now need to become much more transformational if we are going to address the demographic and income pressures that we face. What is being said here is not that improvement will not continue; it is that the nature and depth of it will have to shift categorically if we are to keep up with the patterns of demand.

Willie Coffey: Can performance improvement take place with a static budget, or can it not?

Colin Mair: Yes, and it will.

Willie Coffey: It can take place.

Colin Mair: It can, and it will.

Malcolm Burr: I think the past few years show that.

The Convener: I am interested in some of the points that came out there. The household survey is not enough, you say, to gather up certain data, but the survey itself allows you to make the statement that Willie Coffey read out. Which is it?

Colin Mair: It is both. The household survey allows me to make an accurate statement about local government across Scotland in general; it does not allow me to make an accurate statement about East Ayrshire. The sample is not big enough, and it is not designed to be accurate for East Ayrshire; it is designed to be a balanced, representative sample for Scotland.

The Convener: The next question is this. Different measures are used in the 32 local authorities, but we have measures. Mr Coffey asked why we could not have something—based on those measures—that shows where dramatic improvement has taken place, allowing others to pick up on that improvement quickly and to do something similar.

Malcolm Burr: That would be a very natural development of the framework.

The Convener: Why is it not being done?

Malcolm Burr: Well, the survey provokes analysis and questions. It leads to continued improvement, but I think that it is important—

The Convener: Can I stop you there? We know all that. We know what the measures are for, we know that the survey provokes questions, and we know that it should provoke scrutiny and service change.

For me, and for the general public across the country, it is not the easiest thing to look at 32 local authorities' performance reports from over the year. I am an anorak, but even I do not manage to look at 32 reports. I cannot imagine that there are many others who would do so. Why can we not have headlines? Why is the best delivery of a service or the biggest change in service delivery not highlighted at the top level of the report?

It is simple. If we are truly striving for improvement, then we should surely point out to folk where that improvement has taken place and how it was achieved. Surely that should be at the top level of the report, or am I just being far too naive?

Emily Lynch: Can I ask a question, so that I can understand that a bit better? Do you mean that we should identify individual councils?

The Convener: Let us go back to burial and cremation as an example. Let us look at the Western Isles. Why is it that they are achieving a service for £680? What are they doing that allows them to deliver that service for £680, when it costs East Dunbartonshire £2,716 to deliver it?

Emily Lynch: I will talk about how we can develop that. I think that there is a natural progression as we develop an understanding of, for example, the reasons for the differences in burial costs across authorities. How does one authority manage to achieve something? What are the consequences for performance, or the quality of the service? As we develop further, that information—

The Convener: How much more development does there need to be before we get the answers to these very simple questions?

Malcolm Burr: I suggest that it is a progression. It would be good if future reports referred to each of the councils.

The Convener: I am sorry, Mr Burr. You say that it is a progression, but it has taken years to come up with a set of indicators for this framework—years.

Malcolm Burr: Indeed.

The Convener: How many more years do we have to wait to get to the simple situation in which we can look at why it is that a service is being delivered at four or five times greater cost in one authority than it is in another authority?

I realise that policy choices may well mean that the service delivery is somewhat different in different authorities. We were told that all of that would become apparent in the draw-down. However, we need to get to the simple situation of me—or any man or woman on the street—being able to say “Why does it cost more to deliver that here, and with lesser service, than it does elsewhere?”

Malcolm Burr: I think that that information is absolutely of interest to members of the public. All that I would say is that, a few years ago, that comparative information would probably not have been available to anyone without them putting in a great deal of individual effort. That provokes that very question, and I am sure that the higher-charging councils will be called upon to answer it.

I think that that information should come through the report as well, but it is primarily a high-level benchmarking report. In each local authority area, the questions would be so different that I wonder whether the information would become unmanageable. However, I think that it is something that we should absolutely look at.

The Convener: I am not necessarily asking for all that information to be published in a document, but I am looking for a simple scenario so that the public can work out for themselves why there is such huge differentiation in costs and can scrutinise their local authorities on the cost and the delivery of the service. We have concentrated a lot on cost, but it is not just about cost. A gold standard service might be being delivered in a particular place and people might want to continue in that vein, which is absolutely grand, but, particularly in the current times, we need to have reasons for the differentials.

Cara Hilton (Dunfermline) (Lab): Will the panel comment on Unison’s view that the report focuses too heavily on cost measures and on too few council services for it to be an accurate reflection of council performance?

Emily Lynch: Our view and the view of SOLACE is that we should prioritise the development of outcome measures or performance measures in a number of key areas. That would rebalance the framework. The cost and resource information is critical and important, but we also need to understand the performance. For example, in relation to culture and leisure, at the moment we have measures on costs but the framework does not include measures on performance. We are working with VOCAL and the family groups to identify meaningful measures of the impact of culture and leisure services in order to strengthen the framework. We are certainly working on some areas to address that.

Colin Mair: The sports, leisure and culture area is a good example of the performance issue. The framework suggests that the costs per person attending things such as council museums, libraries and sports facilities have come down sharply, but that is mainly because the attendance has gone up sharply. One of the things that we are trying to do is to get people engaged in sporting and cultural activities and using libraries and so on, and the figures on that have gone up significantly. Although it ends up being expressed as a unit cost—the cost per attendance—in reality, there is an element of a performance measure as well. We can see that there is improvement precisely because more people are using the services and participating, and we have the detail on that in the report. So the issue is not as simple as we might think.

We cover about 90 per cent of all council spending, so the idea that we are missing out on huge blocks of spending that we ought to cover is not correct.

On the outcome side, which is probably the point that colleagues in Unison are rightly raising and which goes back to Mr Coffey’s points about quality, the issue is whether we have a framework that is properly balanced in that it gives an understanding of the quality and impact of public services and not just the units delivered. We are working closely with colleagues on that. We are engaged with the national improvement framework for education, which should give us further data on outcomes for kids across their young lives. We are engaged with those leading health and care reform and saying that, if there is to be an outcome framework for health and care reform, we need to build those outcomes into our framework so that we get the appropriate high-level measures. That work is on-going and it will strengthen the framework in time.

The Convener: Mr Burr, do you want to comment?

Malcolm Burr: I have nothing to add to that.

Cara Hilton: I have another question that is not related to that point. On the role of service users, Colin Mair said that the framework allows the public to pose questions to the council. What efforts have been made to publicise the framework so that it is accessible to people other than council officers? My guess is that the vast majority of people have no idea that the framework exists—never mind how to find information that might help them to compare the value that their council is offering.

Colin Mair: We—

The Convener: Miss Lynch is desperate to answer.

Colin Mair: I beg your pardon.

Emily Lynch: I was showing my enthusiasm there.

We have developed an online tool that all authorities have embedded and used in their websites and local reporting mechanisms. That tool was designed to make it easier for members of the public to interact with the information—to look for the information in which they are interested and find most useful. That is accompanied by a narrative from the individual local authority that helps people to understand what is driving the matter, whether it is a policy priority and what is being done about it in the future. That is one area of the development in which we have supported councils.

11:00

Malcolm Burr: It has been interesting to note in our recent series of budget consultation meetings how much community groups and others have used the framework to say where we are not doing so well, that we cannot cut a service, that we are doing quite well in an area, or that we should consider an area for savings. It has been quite remarkable. I would like to think that that is because of good public performance reporting, although it is just an anecdotal example from us. The success of the matter is in how councils report the framework publicly through their own PPR frameworks. Without that, it would not go beyond a council or community planning partnership, but I do not believe that that is the case.

Colin Mair: The chair of the Accounts Commission has written to the committee. There is a directive that requires councils to report fully on the data in the benchmarking framework and the relevant comparisons to their local communities. The online system about which Emily Lynch talked—which lets people look at any particular service, council area or combination of both—exists to support the kind of participation that Cara Hilton talked about.

Jayne Baxter (Mid Scotland and Fife) (Lab): My question follows on from Cara Hilton's—which I was going to ask. [*Laughter.*]

Cara Hilton: I am sorry.

Jayne Baxter: To go back to what Colin Mair said about developing a more outcome-based approach to performance reporting, how do you envisage the public and service users being involved in developing those outcomes? Sometimes, a good outcome for the public does not depend on low cost; the public do not mind paying if they are going to get a suitable service. How could the public be involved in those discussions? Would it be through the Improvement

Service and SOLACE, through councils or a combination?

Colin Mair: There is a significant amount of public engagement on, for example, the national improvement framework in education, in which we participate. The Government has held a number of significant events and has invited contributions from a range of community and voluntary organisations, as well as directly from parents. There is participation in the outcomes that we want for our children in education.

I do not regard cost data as outcome data. Yes—we have to balance the books, but that is not a statement of an outcome for the public, so I absolutely agree with you. We would work through the broader frameworks because we are keen not to say that we will do work on educational outcomes, that our colleagues in Government and local government will do it as well and then we will then pile all that up. Rather, let us work together to get to a set of outcomes on which we are all agreed and which the public have had a significant chance to influence and shape.

The health and social care reform agenda is the other big area in which we are light—we are absolutely not capturing outcomes, as things stand. Therefore, we are working with colleagues on defining what we want for older people and the outcomes that older people want in their lives, beyond good moral propositions. We want them to have decent lives, independence, dignity and so on, so what are services delivering in that space and how do we define and measure that? That really matters. We will spend large sums of money and provide a lot of services. If we are not giving people what they need and the lives that they want, we are seriously missing a trick. I absolutely take your point, and it is a focus of work just now.

Cameron Buchanan (Lothian) (Con): I have a quick follow-up question for Malcolm Burr. Who is using the framework at political and officer level and how do you measure that? You touched on that, but I want you to elaborate on it.

Malcolm Burr: Every council uses the framework at both officer and political level. I observe that in specific areas it goes down to lower levels in council services. It is not just a document for the corporate management team and elected members, but one that is widely used—it is on service committee and audit and scrutiny committee agendas. If external validation of that is sought, I suggest that that be through the support by Audit Scotland and the Accounts Commission and its appearance in the statutory direction, which has been referred.

Cameron Buchanan: Are you convinced that the framework is being used a lot by the general public?

Malcolm Burr: I have given my anecdotal example. It is one thing to believe such examples and to be assured by them, but it is good to hear it face to face when figures are being quoted back to you. Because the information appears so much in a council's own performance statement, Audit Scotland's statements, the local scrutiny plan and all other such documents, it has high public prominence. The material in the framework is easily used by the media and members of the public to make comparisons. It is very readable.

The Convener: Obviously, we have councils out there that are performing very well in certain areas. What methods does the Improvement Service or SOLACE use to ensure that best practice is exported right across the country?

Colin Mair: We do that in a variety of ways. The moment that we identify variations, we go to the councils that are off the pace to say that we need to look at why that is and that we will work with them on that. We often build so-called communities of practice around improvement areas, so that people who are doing well can share not just what they are doing, but how they are doing it, because that is often the issue with people who are struggling.

The family groups have contributed—their role is largely to say, when we look at variations, what good practice is and how it can be ensured that that practice is easy to adopt. We give straight practical support, because implementing good practice requires change: if people need support in that, we give it.

The Convener: Where can I find the information about what you are up to in those regards?

Colin Mair: That information is reported online in our business plan, which is kept up to date. All our board reports are out there, too—they report progress against each dimension. The documents are online for people who want them. Whether they are a good read as far as most of the public are concerned, I do not know. We will happily copy the committee into them.

The Convener: I am sure that we will all have a look at that. What organisations does the Improvement Service benchmark itself against?

Colin Mair: We work closely with a variety of organisations and national Governments, including NHS Health Scotland, NHS National Services Scotland and so on. We look at our own offerings and evaluate ourselves in every single project and programme that we deliver with the people that we have delivered it with and for, so we have a fair amount of information.

The Convener: Self-evaluation is not benchmarking. Who do you benchmark yourself against?

Colin Mair: I suppose that is an interesting and relevant question.

The Convener: It is obviously a question that cannot be answered.

Malcolm Burr: From the SOLACE perspective, I say that if the Improvement Service was not doing what chief executives and councils wished it to do we would find other means, so there is a negative affirmation.

The Convener: I will be honest with you, Mr Burr. In some regards, I am not interested in what council chief executives might think; rather, I am interested in what the public think. I want to know how SOLACE and the Improvement Service benchmark what they do doing and against whom.

Colin Mair: We evaluate what we are doing. It is fair to say that I know against whom I would benchmark in Scotland and the rest of the United Kingdom. In some cases it would probably be private consultancies, if they were willing to benchmark against us.

The Convener: Our successor committee might want to look at that issue at a later date. I thank you for your evidence today.

I suspend the meeting to allow a change of witnesses.

11:09

Meeting suspended.

11:13

On resuming—

Subordinate Legislation

Assessment of Energy Performance of Non-domestic Buildings (Scotland) Regulations 2016 [Draft]

The Convener: Agenda item 3 is consideration of a Scottish statutory instrument. I welcome to the meeting Marco Biagi, Minister for Local Government and Community Empowerment; and Gavin Peart and Steven Scott, building standards division, Scottish Government. First of all, we will take evidence on the instrument, after which the minister will move the motion for us to recommend that the instrument be approved.

Minister, do you wish to make an opening statement?

The Minister for Local Government and Community Empowerment (Marco Biagi): A brief one, convener, and thank you for the opportunity to do so.

Through building regulations, this Government introduced step changes in 2010 and 2015 to address the emissions and energy performance of new buildings. Each year, however, new buildings represent only a small addition to our overall building stock. If we are to address climate change and the effective use of resources, we cannot ignore the need to improve our existing buildings, too. The new regulations take that first step for non-domestic buildings in response to section 63 of the Climate Change (Scotland) Act 2009.

The ambition set out in the regulations is a measured one, with improvement targets set at a level that will pay back investment in a few years. We hope that that will reinforce the message that simple improvements make sound business sense. By applying regulations only to larger buildings at this point, we are also developing the skills and capacity to do the work at a sustainable rate.

The regulations also allow owners to defer improvement by formal reporting of annual energy use. That offers flexibility to an industry that has told us that it wishes to show that it can deliver savings through other action than just fabric improvement works.

This is the first step in a longer journey. Further regulations will be needed and a review will be necessary before the end of the decade. That is why I am glad that we have now identified the improvement of the energy efficiency of Scotland's building stock as a national infrastructure priority.

The Convener: Thank you, minister.

As members have no questions, we move to agenda item 4, which is formal consideration of the motion that the regulations be approved. The committee has up to 90 minutes to debate the motion with the minister. Officials may not participate in that debate, and after it, the committee must make a decision on the motion.

Motion moved,

That the Local Government and Regeneration Committee recommends that the Assessment of Energy Performance of Non-domestic Buildings (Scotland) Regulations 2016 [draft] be approved.—[Marco Biagi.]

Motion agreed to.

The Convener: I suspend the meeting briefly for a changeover of witnesses.

11:16

Meeting suspended.

11:17

On resuming—

Commission on Local Tax Reform

The Convener: Agenda item 5 is an evidence-taking session on the commission on local tax reform. I welcome Marco Biagi, co-chair of the commission and Minister for Local Government and Community Empowerment; David O'Neill, co-chair of the commission and president of the Convention of Scottish Local Authorities; and Robin Haynes, Emma Close and Adam Stewart of the commission secretariat. Would anyone like to make an opening statement?

Marco Biagi: We wish to make a joint opening statement, which—with your permission, convener—I will begin.

The Convener: Please do, minister.

Marco Biagi: Good morning. Both co-chairs of the commission thank the committee for its invitation, and I should note that we are joined today by officials from COSLA and the Scottish Government who work together to provide the commission's secretariat.

It has been our privilege and pleasure to chair the commission on local tax reform together. In saying that, we must also acknowledge the committee's role in the initiative, because the commission's beginnings can be traced to the committee's inquiry into the flexibility and autonomy of local government, which reported in June 2014. Its recommendation of a cross-party approach was, we feel, the right one. Other bodies have considered alternative means of local taxation, but the commission was the first to have a membership made up of representatives from Scotland's political parties and from local and central Government working alongside experts in public finance, law, housing, welfare and equalities.

Our report, "Just Change: A New Approach to Local Taxation", fulfils a very comprehensive remit that was determined jointly by the Scottish Government and COSLA. Although it sets out the factual position associated with different systems of local taxation, it does not advocate a single preferred alternative. Ultimately, that must be a political choice, but we expect that all parties in Scotland will offer their own proposals for alternative systems of local taxation for the Scottish Parliament election in May 2016. The intention is for our report to inform the design of any political party's alternative and, more important, to help the public and civil society

understand the implications of the choices that they are offered.

Councillor David O'Neill (Commission on Local Tax Reform and Convention of Scottish Local Authorities): Our commission, which was convened in February last year, met in full on 16 occasions. Our remit required us to

"engage with communities across Scotland to assess public perceptions",

and we invested substantially in that process. Indeed, the steps that we took were perhaps the most comprehensive to date in this country, with 12 oral evidence sessions engaging 58 experts and representatives from a huge range of interests; a formal consultation that received 203 responses; an online questionnaire that was intended to give us a flavour of the views held by the public and which gathered around 4,500 responses; and 12 public engagement sessions across the country. To complement that substantial body of qualitative evidence, we undertook in association with Heriot-Watt and Stirling universities the most comprehensive analysis ever performed of Scottish housing stock, including modelling up-to-date property and land values and examining how property taxes and income taxes relate to household incomes.

The commission was committed to being open; for example, our oral evidence sessions were streamed live on the internet—they are still available online, if anyone wants a box set for Christmas. All the research and evidence conducted by and for the commission have been published in the two companion volumes to our final report. The more than 600 pages of evidence and analysis, which can be downloaded from the commission's website, set out the breadth and depth of our research in more detail.

That is the briefest of summaries of the commission's work. We will be pleased to answer your questions as best we can.

The Convener: Thank you very much. Even I will forgo the offer of the box set, Councillor O'Neill.

Thank you for recognising the committee's role in the establishment of the commission, which came from a recommendation in our report on flexibility and autonomy in local government. I am glad that your work has now been concluded.

Let us cut to one of the main questions. Why has the commission come to such a strong conclusion that the present council tax must end, and how will the report have a different outcome to previous attempts at reform?

Marco Biagi: It will deliver a different result to all the previous reports that have ended up sitting on a shelf, because the people who will have to

look the electorate in the eye and implement the reforms were sitting around the table when the work was being done.

It is common to get the great and the good—those who often have a “Sir” in front of their name—to take a panel of experts who are quite detached from practice and come up with what, in the abstract, would be an ideal system. However, what we found—because we had all the different interests around the table—was that there is no ideal system. Indeed, it was quite a concrete finding that implicitly refuted past reports that said, “It’s all right—all you need to put in place is this or that form of tax.” None of those reports have ever come through in that respect, and recognising the difficulty involved is a core strength of what we have produced at the end of the process.

The council tax has a great many problems. Fundamentally, it is regressive, and there is no way of looking at it analytically that makes it look progressive or even proportionate. As the core base for local government autonomous finance, it creates a base for that finance that is regressive. Anybody who wants to ensure that those who have the ability to pay are the ones who are paying is going to find problems in making council tax fit that definition. That is why we need change.

Councillor O’Neill: As members will recall, the present system was brought in to replace the poll tax, but it has to be said that it was botched. It was introduced in a hurry, and it was seen as a stopgap measure until something better came along. However, nothing better has come along until now.

As Marco Biagi has said, the current system is regressive. It means that some people, primarily those at the lower end of the income scale, are paying far too much while people at the top of the income scale are paying far too little. There was universal and almost instant agreement among commission members that the council tax as we know it is way beyond its sell-by date and must be changed.

The Convener: Gentlemen, how long do you think that it will take for any replacement to come into play?

Councillor O’Neill: I suspect that there would need to be a degree of primary legislation and possibly some secondary legislation. Realistically, I do not see a replacement coming in before next year’s local government elections; it will probably be about halfway through the next session of Parliament, or even later.

It will take some time to do the necessary work to get in place a new system that is not rushed or botched. The legislative process is at its best when we take our time instead of doing something in a rush.

Marco Biagi: I largely agree. It partly depends on what each party wants to bring forward. There are different timescales for different types of taxation based on how much change would be involved; the more one wants to change the base of revenue, the more time it is likely to take.

There are quite pressing factors here, and it will be necessary for anybody who puts forward detailed proposals to sketch out a clear route map that shows what is going to change in each year so that people are familiar with what is happening. However, the length of time it will take will depend very much on the desired outcome.

The Convener: The committee has done a fair amount of going out and about and seeking the views of members of the public, and you have done likewise in the course of the commission’s work. What were the main issues that were brought to bear by members of the public when you were out and about? What were their responses to the survey and in the online work that you did?

Councillor O’Neill: It is fair to say that the vast majority of people to whom we spoke had not given the matter a great deal of thought other than that they did not like the present set-up. We found when we started some of the sessions that people had preconceived ideas, but by the end of the session some of those ideas had been turned round. We got good information back from the public about what would be more acceptable. One thing that we are clear about is that, if we end up with a system that we cannot explain to the public, it will never be acceptable.

The Convener: Minister, do you have anything to add?

Marco Biagi: At the start, there were different degrees of familiarity with each of the different types of taxation. I found it remarkable watching people who had never been exposed to the most unusual option—land value taxation—go through both the learning and the assessment process in about 45 minutes. That was far more useful in giving us a feel for how people’s thought processes worked than any bit of written evidence that I have ever been given.

Cameron Buchanan: Good morning. A few criticisms have been levelled about why the commission did not deal with business rates or non-domestic rates. It was a commission on local tax reform—surely it should have included business rates as well?

The Convener: Who wants to take that one?

Marco Biagi: Our remit that was agreed on the basis that we needed a detailed and substantial piece of work on council tax, because council tax is the largest chunk of local government revenue

over which councils have the greatest level of autonomy and there was a real identified issue in that respect.

I am not saying that there is not a discussion to be had and work to be done on non-domestic rates. As a Government, we have signalled our desire to have a review of non-domestic rates, and there is on-going dialogue in that respect. However, the amount of time and resource that we had available and the amount of detail that we wanted to apply meant that the report had to be relatively narrow in its focus. That does not mean that we do not look at those issues elsewhere and in parallel, but the commission's report was designed to be focused on that aspect. That said, many of the people who gave evidence to us raised those wider issues, and there was a great deal of consideration of such matters in the discussions.

The Convener: Do you think that, if the commission's work had been broader, there may have been less public engagement?

11:30

Councillor O'Neill: It must be borne in mind that the commission followed Ms Sturgeon's appointment as First Minister and was announced in the programme for government. Hindsight is a wonderful thing, however, and we should have started it three years ago rather than 18 months ago.

Cameron Buchanan: The word "parallel" has been used. That is the key. People felt that non-domestic rates should be considered in parallel with the council tax, but that did not really happen. In the evidence, there was a fair amount of criticism about that, if I am not mistaken. Do you accept that?

Marco Biagi: I have been in discussions with local government. We have had regular meetings with local government and with the cities alliance, and the issue of non-domestic rates has often come up and been discussed in both spaces. There was a recognition of the priority of the issue that we are discussing, but work has been done before, after and alongside that, on non-domestic rates.

The two things are qualitatively different. They are both parts of local government finance and revenue, but the experiences of individuals and households that pay their domestic tax are rather different—they have rather different challenges and questions of fairness and administration from those that businesses or non-domestic entities have in paying their charges.

Had that work come together, trade-offs would have been made. I agree that, given more time,

that approach would be worth while. That is why the Government wants to have a further review of the non-domestic rates system.

Councillor O'Neill: The two things are very different. If my memory serves me correctly, there are 2.5 million domestic properties in Scotland and around 60,000 non-domestic properties. We are looking at two very different creatures, and there should—absolutely—be continuing dialogue about non-domestic rates.

Cameron Buchanan: That is very interesting. However, to the councils and the public the two are one and the same thing, as the issue is how councils raise their money through non-domestic rates and the council tax.

Councillor O'Neill: With all due respect, by and large, the public were not aware of how local authorities raised money. The vast number of people thought that the bulk of their money came from the council tax. In fact, only around 12 per cent of revenue expenditure comes from the council tax.

John Wilson: One of the criticisms that has been made of the commission is that it tried to work within the existing financial parameters of local government and looked at raising the same level of revenue. That should be seen particularly in the light of demands that will be made this afternoon by two political parties that will ask for more money to be raised at a local level. Why did you want to work within the existing financial parameters rather than consider the possibility of increasing the amount that is raised through implementing a new taxation system other than the community charge or council tax system?

Councillor O'Neill: Initially, we looked at something that would be cost neutral but different from what exists currently. Would that remain cost neutral in the future? Who knows? That would be a matter for individual local authorities and Parliament. In my experience, the rate of taxation will always change either up or down at some point. Initially, however, we looked at something that would be cost neutral.

Marco Biagi: I would not say that we took a view on that. There is clear recognition of the fact that there is a positive way of not taking a view on something. For example, we excluded from our detailed work those taxes that clearly could not match the council tax's revenue-raising potential. If something would be worth only millions or tens of millions of pounds, it simply could not fill the gap of around £2 billion a year that the council tax currently occupies. In the analytical work that we did, we looked at the consequences of that and found implicit messages about scaling council tax up should we wish to do so. For example, all the things that we found out about council tax

suggested that it would be a bad idea to try to scale it up to provide £4 billion of revenue and reduce the grant by £2 billion.

What you want your taxes to add up to is a separate question. We have said, "Here are the ups and downs and the consequences if you raise money through this mechanism." It would be entirely possible for a party to put forward proposals that together added up to more than 12 per cent of local funding coming through local taxes. However, we have created an analysis of each of the major revenue-raising tools that exist for local authorities under the various options that we looked at, which involved roughly benchmarking each to about £2 billion of revenue.

John Wilson: Minister, you talked about the 45-minute session in which you looked at the land value tax issue. Not only for political parties but particularly for the members of COSLA, how has the learning from the experience of the commission been translated so that people—particularly elected members of local government—can understand the issues around how we raise local taxes and the impact that they might have on the residents of local authorities?

Marco Biagi: I think that everybody who was involved knows a lot more about the process than they did before. Certainly, those who came along to our participation sessions left with an understanding and appreciation of some of the difficulties, and the commission's legacy of analytical work can be accessed by individuals and practitioners. The Institute of Revenues Rating and Valuation recently held an event at which most members of the commission spoke and presented findings in order to continue to disseminate that knowledge.

A great deal of work was done on land value tax that had not been done before. I pay tribute to the academics at Heriot-Watt University who did that modelling work, which will provide a basis for the analysis of potential land value taxes. There is now more evidence than there has ever been before in Scotland on the question of whether those taxes would be a good or a bad idea, which must be good for the general state of awareness.

Councillor O'Neill: I think that this is the first time that there has been a serious discussion about the three different systems of taxation. Personally, I knew nothing about land value tax beforehand, but the minister and I could now take you to the pub and bore you rigid on land value tax and the other options. There is an on-going discussion and dialogue to be had there.

We are looking for a system that will work and that will probably be in place for quite some time. However, we are not restricted to having only one system; there could be a variety or a basket of

systems. It is important that the dialogue continues.

The Convener: After the previous evidence session, I am sorely tempted to go to the pub, but it is probably better to be here.

Willie Coffey: Mainly for the benefit of the public who might be listening to this discussion, can the minister give us a flavour of the pros and cons of the three options that the commission looked at: local income tax, a reformed and proportionate council tax and a steeply progressive property tax?

Marco Biagi: That is, in essence, 90 pages of the report, but I will try to summarise it.

Economists value property tax and consider it stable, and people are familiar with it. However, it is rather difficult to make it progressive on the basis of income, which many people apply as the test of fairness. That said, some people dispute that that is the appropriate approach to take. Income is a fair and abstract basis, but we must ensure that the fairness carries through into the implementation, and we have to be careful about how we plot that through.

Land value tax is probably the big favourite with the pure economic theorists, but in many ways it is the most abstract and the furthest from people's understanding. It can also be difficult to explain how it works—for example, when there is a tenement block with 10 people sharing the same land underneath. There is a serious communication issue there.

We said that targeted or general land value taxes are "promising" but that it is far too early for us to be able to assess in sufficient detail the impacts of implementing them, because that approach is so far from the system that we have now and from the data sets and analytical tools that we have. However, we said that it should be more possible to do that in the coming years, as we get a better impression centrally of the valuations of land and, indeed, the ownership and use of it. In a way, we left a bit of a question mark over land value tax, because it would be a much bigger change and so is harder to quantify.

Councillor O'Neill: It is fair to say that the public were very keen on the idea of local income tax. As I said, perceptions at the start of the sessions tended to have changed by the end. For example, a local income tax does not actually tax wealth; it taxes income, and somebody can be very wealthy without having income. Also, people can have smart accountants. As Marco Biagi said, land value tax was perhaps further from people's perception, but there is an awful lot of interest in features of it that should be looked at and considered for the future. Everybody recognised that the current property-based tax is unfair. It can

be changed and made less unfair but it cannot be made completely fair.

As Marco Biagi said, all this is contained in a great big report, and it is not possible to summarise it in the short time that we have today.

Willie Coffey: Did a favourite option emerge in the commission, or it is that no favourite came through?

Councillor O'Neill: We were absolutely clear that our role was to inform the discussion and that it is for political parties to put forward their options.

Willie Coffey: I assume that the modelling data that you obtained and used to inform the report will be available to the parties as they formulate their proposals to the public. Is that correct?

Councillor O'Neill: Yes.

Cara Hilton: I have a wee question to follow up on that. If we are going to stick with a property-based tax, what would be the impact of revaluing property prices so that the tax is fairer? How long would that take and how much would it cost?

Councillor O'Neill: We had evidence from the rating and valuation people, who said that they certainly could do that job. I am probably the oldest person in the room, and I remember when revaluations used to take place, before the days of the poll tax. That was very controversial. We have not had a revaluation since 1991, it will be controversial if it has to happen, and we are clear that part of the reason why it will be controversial is that it has not been done since 1991. Valuations need to be done regularly to keep up to date.

Marco Biagi: The evidence is fairly clear that revaluation or valuation is one of the big challenges for any property tax, in terms of public acceptance, transition and simply making it work in the political sphere. We were aware of that challenge. We heard extensive evidence about the difficulties and why there has not been a revaluation since the institution of the council tax. It would be politically challenging to deliver for anybody who wished to do it. The issue has to be considered in the context of the reforms. Anybody who makes detailed proposals will undoubtedly be asked about revaluation if a property tax is part of those proposals. Based on what is in the report, they would be wise to be cautious.

Cara Hilton: That pretty much sums it up.

11:45

John Wilson: One of the problems with revaluation and land value tax is the fact that not all land is registered, and knowing who owns the land is important if you are going to have a land value tax.

Did the commission look at the underregistration of land? In response to work that was done by another committee of which I am a member, the Registers of Scotland said that it would be difficult to address that issue in a short period of time and it set out a longer period of time for it. I am glad that Fergus Ewing, the Minister for Business, Energy and Tourism, asked for the process to be speeded up.

How quickly can any new system—either revaluation or a land value—be put in place? If we want the political parties to come forward with alternative plans at the election in May, we will want an idea of how realistic the alternatives are. I remember that, nine years ago, a political party put forward an alternative that was not taken forward. It would be good if the public were aware of how quickly any proposed change could be put in place, particularly in the context of claims from local authorities that they are cash strapped in times of austerity.

Councillor O'Neill: I do not think that we came to a conclusion about actual timescales but it would take longer to do that valuation if we were using a system of land value tax because there is no base to start from. If you were starting with a property-based tax, there would be a base to start from, although I have to say that it would be a poor base. Part of the evidence was that, in 1991, streets were valued rather than individual properties, and it was done in an extremely haphazard way that often involved only a drive-through by the valuation officers.

It is difficult to put a timescale on the work that needs to be done, but I suspect that it would be quicker to value a domestic property than to conduct a land valuation—note that I said quicker, not quick.

Marco Biagi: Land valuation would definitely take longer because of transparency around the ownership and delineation of land. As you might imagine, with Andy Wightman being the nominee of the Scottish Greens on the commission, land value tax was explored in great depth, and the issue that you mention was raised. However, given that it was a non-tax issue, we did not want to come to a view on how long it would take to achieve land registration, but we certainly recognised that it would be necessary to allow a land value tax to be put in place, and that it was still some years off.

Jayne Baxter: Earlier this morning, people who are involved in the local government benchmarking framework told us about the variation in the costs of services across Scotland. When you did your public listening events, did the issue of public accountability seem to be a big issue for communities? How much control did

people seem to want to have over what they pay for services?

Marco Biagi: At those public participation events, I was surprised at how often people wanted to broaden the discussion to expenditure and to talk about the pluses and minuses of what their local authorities did. Certainly, the idea of the connection between how much you pay and what you get is quite strong in a lot of places. You often hear people saying, “I deserve this because I pay my council tax.” That comes from the belief that council tax is the sole method of funding councils, when, in fact, it is responsible for only around 12 per cent. That is the figure that we use and, although different accounting methods will give different numbers, all the numbers are in that sort of territory. It is important that people understand the broad range of ways in which local government is funded, because it will help them to understand the wider situation for local government.

People have not yet taken on board what we have done in this regard over the past decade. Any reform should make a lot clearer to the public how much money they are putting into the local authority. Right now, that is perhaps not as clear as it could be.

Councillor O'Neill: A much wider discussion needs to be held about local accountability and local democracy. Previously, I chaired the Scottish commission on strengthening local democracy. Through the evidence that it took, the commission recognised the link between the ability to raise finance and how that finance is spent locally. That has diminished over the years in Scotland and the wider UK. The UK and Scotland are way out of step with what happens elsewhere in the developed world.

Jayne Baxter: In that context, what is your view of local authorities using other tax instruments? There is a lot of talk about tourist tax—the bed tax. That seems to be controversial in some places, but acceptable in others. Do you think that it could sit alongside local accountability? Can the two operate in parallel?

Councillor O'Neill: We have recognised that a basket of taxation would be useful. You talked about a tax. You did not say bedroom tax, did you? [*Laughter.*]

Jayne Baxter: No, we are not doing that again. I said tourist tax—the bed tax.

Councillor O'Neill: There are some places where a tourist tax would be absolutely right, but there are other places where something different might be appropriate. For local government, it would definitely be advantageous to have flexibility in raising funds and to have a basket of taxation.

Marco Biagi: The commission report highlighted some of the options for those taxes. As they were not taxes of the scale of £2 billion, they were not explored in great depth, but work has been done on some of them. In principle, if they are workable, there should not be an impediment. There is a difference of opinion between the Scottish Government and the main local authority about advancing tourist tax, which is the tax that has reached the most advanced stage of discussions in the public sphere. The difference of opinion relates to the benefits as opposed to the costs.

When a workable system is found and agreed on, in principle there is no reason not to go ahead with it. When such proposals are made and appear to be workable, we will have those discussions. That could be part of a wider reform from any party that wants to put that forward.

The Convener: The report was unanimously agreed, although I think that there was a dissenting voice at one point. For the record, is that right?

Councillor O'Neill: Yes.

The Convener: What was that disagreement about?

Marco Biagi: It was about paragraph 13.14.

The Convener: Do you want to expand on that for the record please, minister?

Marco Biagi: No, actually, I do not. I value the consensus that the commission achieved, and I also recognise the work that went in to coming up with the wording for the conclusions and recommendations, which carried virtually unanimous support. The report has 90-plus pages, and one member dissented with one paragraph. I would rather look at our overwhelming agreement than look at any disagreement.

The Convener: Fair play to you, minister.

Councillor O'Neill: He is quite right.

The Convener: He is quite right. So, you are in general agreement on that point as well.

I thank the gentlemen—and lady, even though she did not take part—for their evidence.

When we wrote the recommendation in our autonomy and flexibility report, some of us wondered how long it would be before somebody took up our call for a commission. It has happened extremely quickly, and I am glad that you have put in the effort that you have.

11:54

Meeting continued in private until 12:11.

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