



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Local Government and Communities Committee

**Wednesday 9 October 2019**

**Session 5**



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**LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**  
**25<sup>th</sup> Meeting 2019, Session 5**

**CONVENER**

James Dornan (Glasgow Cathcart) (SNP)

**DEPUTY CONVENER**

\*Sarah Boyack (Lothian) (Lab)

**COMMITTEE MEMBERS**

\*Annabelle Ewing (Cowdenbeath) (SNP)

\*Kenneth Gibson (Cunninghame North) (SNP)

\*Graham Simpson (Central Scotland) (Con)

\*Alexander Stewart (Mid Scotland and Fife) (Con)

\*Andy Wightman (Lothian) (Green)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Callum Chomczuk (Chartered Institute of Housing Scotland)

Professor Kenneth Gibb (University of Glasgow)

Fionna Kell (Homes for Scotland)

Gordon MacRae (Shelter Scotland)

Craig McLaren (Royal Town Planning Institute Scotland)

Professor James Mitchell (University of Edinburgh)

**CLERK TO THE COMMITTEE**

Peter McGrath

**LOCATION**

The James Clerk Maxwell Room (CR4)



## Scottish Parliament

### Local Government and Communities Committee

Wednesday 9 October 2019

[The Convener opened the meeting at 09:45]

#### Decision on Taking Business in Private

**The Deputy Convener (Sarah Boyack):** Good morning. I welcome everyone to the 25th meeting in 2019 of the Local Government and Communities Committee. I remind everybody to turn off their mobile phones. Our convener, James Dornan, has submitted his apologies, so I will be chairing the meeting today.

Under agenda item 1, do we agree to take in private item 4, which is consideration of the evidence that we will hear today in relation to our pre-budget scrutiny?

**Members indicated agreement.**

**The Deputy Convener:** I also invite committee colleagues to agree to take in private in future consideration of our draft report on empty homes and our draft recommendations to the Scottish Government on the 2020-21 budget. Is that agreed?

**Members indicated agreement.**

**The Deputy Convener:** Finally, do we agree to take in private item 5, which is consideration of our future work programme?

**Members indicated agreement.**

## Budget Scrutiny 2020-21

09:46

**The Deputy Convener:** Agenda item 2 is pre-budget scrutiny, and we will take evidence from two panels of witnesses. Our first panel comprises representatives of housing-related organisations and our second panel will comprise Professor Gibb from the University of Glasgow and Professor Mitchell from the University of Edinburgh. The purpose of the evidence sessions is to help to inform the letter that we will send to the Scottish Government over the next few weeks suggesting issues for it to prioritise in next year's budget. The committee has a long-term interest in housing policy and the future of local government, and the evidence we have taken and will take today is crucial to that.

I put on the record that, in line with our parliamentary policy, we should avoid discussion of or reference to the on-going legal proceedings between Shelter and Glasgow City Council. That refers to an action that Shelter has brought concerning Glasgow City Council's policy on homelessness. I stress that it does not mean that we cannot talk about homelessness across Scotland in the round. There may be issues that members rightly want to raise in our discussion with the panel members, and we can talk about homelessness; it is just that one specific reference that we must avoid. I see everybody nodding. Thank you for your understanding.

I welcome our first panel. Fionna Kell is director of policy at Homes for Scotland, Callum Chomczuk is national director of the Chartered Institute of Housing Scotland, Craig McLaren is director of the Royal Town Planning Institute and Gordon MacRae is head of communications and policy at Shelter Scotland. I thank you all for your written submissions, which have been very helpful. They enable us to move straight to questions, and Graham Simpson will ask our first question.

**Graham Simpson (Central Scotland) (Con):** Good morning, panel. It is good to see you all. We will all have our own thoughts about what should and should not be in the budget. You are all from the housing sector. Given that the committee's remit is to do with councils, will you all tell us your thoughts on how budgets—cuts or otherwise—have affected your sector?

**Callum Chomczuk (Chartered Institute of Housing Scotland):** As the Accounts Commission has noted in a number of reports over the past couple of years, local government has been receiving a decreasing share of a decreasing budget. For the housing sector in local authorities, that has been compounded by the increasing

responsibilities and duties that have been placed on it, such as the development of rapid rehousing transition plans, proposed changes to temporary accommodation for folks who are on the housing first programme, energy efficiency and the 50,000 homes programme. Those are all significant responsibilities. We can go into them all, but I will touch on the last one now, because it is the big pressure that is facing local government.

Over the past three and a half years, the sector has successfully delivered on the 50,000 affordable homes. That is a testament to the sector's ability to deliver massive infrastructure projects. However, we have a concern about the last phase of that programme and the next affordable homes supply programme. We should be scaling up towards the end of the affordable homes programme to get to the 50,000 homes, but we do not have an indicative sense from the Scottish Government of what the funding will be from April 2021. As you will appreciate, if the programme was put in place, the work would begin now, in the weeks and months ahead. Unless we have clarity from the Scottish Government about what the funding will look like from April 2021, we might find that local authorities start to wind down the programme before the beginning of 2021, which will undoubtedly have an impact on the affordable supply programme.

The sector is broadly on track and the Government money has been incredibly welcome. We can pick up on the other issues that I mentioned, but the uncertainty about what the funding will look like for the affordable supply programme in the next session of Parliament is the biggest risk and concern that is facing councils.

**Graham Simpson:** Are we on track to hit the 50,000 target?

**Callum Chomczuk:** Absolutely. Our report that came out on Monday looks at the evidence, and the Scottish Federation of Housing Associations and Shelter produced a report last year that looked at the pace of development. Everything points to us still being broadly on track. However, if local authorities start to pull back on investment because they do not want to have 100 per cent liability for developments that are landed on 1 April 2021 rather than on 31 March, it will have potential to undermine our delivery of the 50,000 homes. We know from speaking to local authorities that that is their concern. Programmes for April 2021 should be initiated in the next few months, because there is that risk of pulling back.

**Craig McLaren (Royal Town Planning Institute Scotland):** Planning is an enabler of the housing target. The planning service, like the housing service, is finding that there is increasing demand for its services and that increasing

burdens are being placed on it. We published some research recently that shows that the Planning (Scotland) Act 2019 will introduce 49 new duties on local authorities and that it could cost between £12 million and £59 million over 10 years to implement them. The 50,000 affordable homes programme is putting pressure on planners as well, and there will be increasing pressure from the zero-carbon agenda, because we need to make sure that we take a planned approach to that, which will require more planners.

Those things come at a time when we have seen some fairly strong and large decreases in resources for planning. In the past 10 years, there has been a 25 per cent decrease in planning staff and a 40 per cent loss of budget. The average net revenue spend on development planning and development management in local authorities is 0.34 per cent, which is a tiny amount.

If we look at what other people are saying about planning, the short-life working group that looked at new housing and future construction skills talked about the need to support planners to ensure that the planning targets can be delivered, so there is an issue there. I argue that we are coming to a crux point.

**Fionna Kell (Homes for Scotland):** Good morning and thank you for the opportunity to address you this morning.

Homes for Scotland and its members are fundamentally committed to the delivery of new homes across Scotland regardless of tenure, and to the target, which we think is about 25,000 new homes per annum. The support of local authorities is fundamental to the delivery of that, particularly in terms of planning, roads construction, consent and building control warrants, and the continued cuts in those departments are undoubtedly having a knock-on effect on the ability to continually deliver more homes. For example, we know that only 11 per cent of the 98 major housing applications across Scotland in 2018-19 were determined within the statutory deadline, so over 80 per cent were not determined within it. That has had an knock-on effect on the ability to deliver new homes.

One of the key points is that it is not just about the delivery of new homes; it is also about the associated benefits that that brings. For example, if we achieve the target of 25,000 new homes a year, circa £27 million a year will be brought into local authorities in council tax. We want to get the message across that investment in planning, building control and so on is an investment in the delivery of homes and the local economy. That fundamental message needs to be recognised.

**The Deputy Convener:** The point has been made in previous evidence sessions that councils

are rightly protecting statutory services. It has been suggested that planning and transport are getting less resource. Is that the RTPI's view?

**Craig McLaren:** As I said, planning budgets are being cut down considerably. The focus has been on putting resources into the statutory side of planning—into development management and development plans. Quite often, however, it is the creativity around the edges that makes the difference with some of the things that Fionna Kell mentioned. We need to ensure that we do not just stick to the statutory stuff. It is important to put planning in at the front of the process and to have a clear idea of what vision we can establish and how we can deliver it, but that idea is getting lost a wee bit because we are losing the resource to do it.

**The Deputy Convener:** You mentioned low carbon. We passed the Climate Change (Emissions Reduction Targets) (Scotland) Bill last week, and we have the Planning (Scotland) Act 2019. In terms of low carbon, what does that mean in practical terms across the country for housing and planning?

**Craig McLaren:** It is interesting that—for the first time, I think—the First Minister's introduction to the programme for government mentioned the national planning framework as a key means of delivering the zero-carbon agenda, and there were some interesting references throughout the document to the fact that we need to radically change the way in which we design our towns and cities. That will take time, resource and a change to how we do things. It might mean that we have to get planning in at the start of the process more often, with planning being more of a corporate player in taking things forward. We might need to bring together different services and different parts of local government and other public sector bodies to make that happen. I cannot quantify it just now, but I am sure that it will have a major impact.

**Callum Chomczuk:** On the delivery of energy-efficient homes, the committee will be well aware that, over the past year, there has been a significant rise across Scotland in social tenants' rents. The figure is 3.7 per cent, which is massively up from last year, when it was 2.4 per cent, and about 80 per cent of landlords are expecting to increase their rents again. That is undoubtedly partly due to the 50,000 homes that we are delivering, which are half-funded by tenants, through their rents, and the debt that landlords have taken on to build them. It is also partly to do with the delivery of homes that are more energy efficient.

It is an interesting discussion, in that there is a point at which tenants cannot continue to pay for more and more energy-efficiency measures. The returns that they see from cost savings are starting

to get out of sync with the extra costs that have been put on to their rents. There is a balance to be struck between how much we can expect tenants to pay for that and how much money is going to come from central Government to support the energy-efficient measures.

We are in a state of climate emergency and we agree that a lot needs to be done, but it cannot simply happen as a consequence of putting more and more rent increases on to tenants. We need more investment from central Government. I know that the Existing Homes Alliance Scotland has made representations to the committee on a doubling of the energy efficiency budget. More needs to come from central Government to address that.

**Graham Simpson:** Before Gordon MacRae comes in, because I presume that he will talk about homelessness, I have another question for Fionna Kell and Craig McLaren. You both spoke about the pressures in planning and building control, and Craig mentioned the extra money that will be required as a result of the Planning (Scotland) Act 2019. Some of us are to blame for that. Are you looking for at least a nod to extra resources for planning and building control in the budget?

**Craig McLaren:** The Scottish Government is drafting a paper on future resourcing for the planning service, and we hope that it will be a mechanism to start having discussions. At present, planning fees cover only about two-thirds of the costs. If we can move towards something that covers the costs, that will be a good thing. There are some provisions in the 2019 act that allow more discretionary funding, and I know that local authorities are looking at different ways in which they can charge for some of their services, such as for pre-application advice. Some authorities already do that, but they might be looking at other things as well. We want to explore that.

However, there is a need to increase planning fees to make sure that the service that is required can be provided. If planning fees are below the cost of processing applications, it does not make sense.

10:00

**Fionna Kell:** Recent research with our members shows that, in the five-year period from 2013 to 2018, the average length of time to get a building warrant was just short of 60 weeks. We fully welcome the commitment to low carbon and the recognition of a climate emergency and we fully understand where it is coming from. However, if we are going to place additional burdens on building control in particular to resource the

requirements, it is essential that it is, in turn, adequately resourced to be able to deliver. The 60-weeks average over the past five years is not going to improve if we do not resource that and we place an additional burden for additional building standards. We welcome the commitment, but it needs to be resourced appropriately.

**Craig McLaren:** I should have mentioned that planning fees go into a big local government pot. Perhaps we need to look at how we can ensure that the money that is generated through planning fees is put back into processing planning applications. An increase in the maximum planning fee for major planning applications was introduced a couple of years ago. Heads of Planning Scotland did some research on that and it worked out that only about a third of local authorities had had that money reinvested in the planning service.

**The Deputy Convener:** That is a useful statistic for us. Gordon, do you want to come in on the overall funding for services?

**Gordon MacRae (Shelter Scotland):** I echo the concerns that have been expressed about the cliff edge that we are facing with the social house-building programme. We need to have due regard to the potential loss of skills if the uncertainty continues there. If new plans come forward, we will need to check that we still have the ability to deliver on them.

On the point that local authorities have withdrawn into just providing statutory services, we are also seeing that on the homelessness side. We believe that there is now a crisis of enforcement. Multiple local authorities, based on their own figures, which they put in to the Scottish Government, are acting unlawfully. We recognise why that is the case. In no small part, it is because some of the other services that are not statutory have been under pressure, and the homelessness service is often where the problems land.

When we look at last year's homelessness statistics, we see that homelessness was on the rise across nearly every indicator for the second year in a row. The one exception was prison leavers, but two weeks after those statistics were published, the Scottish Prison Service announced that it was suspending the throughcare service that had done so much to introduce the sustainable housing on release for everyone—SHORE—standards to ensure that people leaving prison were settled in a good place.

We are very anxious, because the people who rely on local government services are being systematically let down. There is not sufficient focus on homelessness services in particular, yet these are legal duties. We would not accept legal duties for the provision of education or other public

services going unchallenged. We believe that there are opportunities for local authorities to do more.

On the point about statutory services, there is a really cheap way for local authorities to bring some empty properties back into use, but not all of the 32 local authorities have empty homes officers yet. If we consider the role of the private rented sector, a lot can be done to support the good landlords that are out there to deliver professional services, but it requires local authorities to invest in things such as private rented sector officers to support that good practice. Those are good investments that local authorities can make, which will impact on the provision of statutory services and reduce some of the burden that local authorities are experiencing.

**The Deputy Convener:** There has been new money for homelessness, so where is the disconnect?

**Gordon MacRae:** It is £50 million over three or five years—I cannot quite recall.

**Graham Simpson:** It is over three years.

**Gordon MacRae:** It is significant, but it is spread quite broadly. Looking at new innovations, I note that Shelter provides a housing first service in Manchester and we very much support the model, but we are concerned that that approach is being scaled up too quickly. We do not yet have the evidence in place, and the transition period for local authorities to get there is quite short. We have a real lack of confidence in the leadership of some local authorities, which have been systematically failing to deliver on their legal duties, being the same people who lead the transition to a new service.

It is not just about money; it is also about practice and enforcement. That is really a leadership role for senior managers in local authorities and elected members to hold them to account.

**The Deputy Convener:** Graham Simpson has a follow-up question.

**Graham Simpson:** Without touching on any council in particular, are you suggesting that some councils are deliberately not meeting the legal requirements?

**Gordon MacRae:** I cannot talk to the intent; I can only look at the numbers. Year on year, multiple local authorities are reporting breaches of unsuitable accommodation orders and failing to accommodate. They have not taken steps to eradicate that. Those are legal duties; they are not just performance measures to enable a local authority to keep abreast of how well it is doing. That has human consequences for the people we work with. When we talk about what councils'



priorities are for financial stability, we think about the concerns of the people who rely on the services. It is a case of ensuring that they can access the right advice, the right support and the right housing when they need it, and that is not universally the case now in Scotland.

**The Deputy Convener:** Does anyone else want to come back on that?

**Callum Chomczuk:** To pick up on the point about temporary accommodation, it is a challenge. I said at the outset that local authorities are constantly having extra duties and responsibilities placed on them. Earlier this year, all local authorities agreed their rapid rehousing transition plans. Subsequently, the Scottish Government rightly consulted on the new unsuitable accommodation orders. We all support the intention—I think that everybody in the room would support minimising the use of inappropriate temporary accommodation. That is a positive thing, but simply putting more and more duties on local authorities to meet those expectations without providing adequate resource will lead, ultimately, to more breaches. That was the case a couple of years ago, when we saw a strengthening in the previously limited use of inappropriate accommodation. The number of breaches rose from 165 in 2017 to 345 in 2018. Simply placing more and more duties on councils will not deliver the change that we need. We need to see money, resources or new stock being provided. Fundamentally, all roads lead back to supply. Unless we fund local authorities to deliver that, we will hear of more breaches and lack of enforcement.

**The Deputy Convener:** Thanks for that. We have got through our first two questions.

I want to move on to the issue of longer-term funding, which the committee is keen to explore in the context of the sustainability of local government finance and which other witnesses have given us evidence on. How would longer budget settlements—for example, three-year settlements—enable local authorities to provide preventative services? You have given us examples of things that local authorities are not currently providing and examples of lots of new duties. Would longer-term budgets enable people to react better at the local level? How would you monitor and evaluate the impact?

**Gordon MacRae:** From a third sector perspective, if local authorities have longer-term budgeting, that means that they are in a position to procure services from partners over a longer period of time, which brings stability and the development of expertise. One of the struggles that the third sector faces is year-on-year budgeting. We are often in a position in which a successful service that can be evaluated against

the local authority's duties and responsibilities exists with a sword hanging over its head, because when we come to March, we do not know whether we are going to have the money. That is not due to a lack of desire by the purchaser—the local authority—but is often a consequence of the way in which local government settlements take place.

In our view, people who struggle to access services would be more able to access stable services if there was more stable funding out there for local authority services and the third sector.

**Callum Chomczuk:** To echo what I said earlier, part of the success of the affordable housing supply programme has been to do with the guarantee of money over a five-year period. We can talk about deliverability, because we have the confidence that the money will come in. I know that Fionna Kell's members will agree that that supports the private sector. Investors will look at affordable housing as a sure thing over the five-year period. That has given us huge confidence. As I mentioned earlier, where we get to a sticky point is that cliff edge where we are moving from cycle to cycle. Although I recognise that there will always be a finite period of time and a cycle will end, there needs to be better consideration of the transition.

The committee held an extremely good inquiry into homelessness. Housing first absolutely stands out as the solution to supporting those people with the most severe and multiple needs, but we need to ensure that the money and the political will are there. Housing first is a new model and there are risks. We are perhaps not achieving the scale that was envisioned originally, which was to deliver 830 homes over two years, but I am fairly confident that we will get there. Local authorities need the commitment that the money will be there so that they can put their political will behind that, otherwise we will not only compromise the programmes that we have committed to but let down the people we said we would commit to. Housing first is a commitment to support people, no matter what.

**The Deputy Convener:** Fionna Kell wants to follow up on that.

**Fionna Kell:** It is a simple fact that building new homes takes time—it is not something that can be done overnight. You have to go through a planning process, which involves identifying a site—it might be a brownfield site with contamination that needs to be remediated and new roads might need to be put in. It is only then that you get to the stage of building the houses. That is not something that can run from March to March. Having longer-term certainty will assist. Regardless of the tenure, it will certainly assist our ability to deliver more homes.

**The Deputy Convener:** That point has been well made.

**Craig McLaren:** Three-year budgets would be useful. From a planning department perspective, most of the budget goes on staffing. Having the ability to plan your staff over that three-year period and to ensure their commitment to the three-year term would help us to look at how we could make best use of other services that have capital budgets, which can be used to provide things such as infrastructure. Having a more planned approach would be good. I have always said that good planning is preventative spend in action, because if you make sure that you have those discussions at the start of the process and you plan things properly, you will get a place that works properly and you will not have to mop up the pieces later on. If we are working on a very short-term basis, often that does not happen. I imagine that a more considered approach would help with that.

**The Deputy Convener:** That takes us neatly on to our next question, which is about preventative spend. Andy Wightman will lead off on that.

**Andy Wightman (Lothian) (Green):** I will in a second but, first, I want to pick up on a couple of points.

In its submission, Craig McLaren's organisation says:

"some of the income allocated to local authorities by the Scottish Government is protected for particular purposes prescribed by Scottish Government, for example, the pupil equity funding and attainment challenge funding. Considering the severe nature of the resourcing facing planning service, RTPi Scotland would advocate that the Committee consider comparable arrangements to be put in place for planning services."

In other words, the committee should recommend to the Government that we ring fence planning money.

Ring fencing is something that I am not comfortable with. The principal duties in relation to planning lie with local government. It is up to local government to allocate its resources. You have welcomed the chief planning officers, which will give a higher corporate focus to planning. Do not get me wrong—I totally understand the resourcing question. I just want to hear your view on whether asking the Government to tell local government what to do is an appropriate solution. Are there other ways in which we could go about tackling the problem?

**Craig McLaren:** We need to make the case in some way that the money that is generated through planning fees, for example, should be invested back into the planning service.

**Andy Wightman:** Yes, I get that.

**Craig McLaren:** I do not really care how that is done, but I want it to happen. We have talked to the Government about the issue. We have talked to Derek Mackay about it, and he says that it is an issue for councils; the Government cannot do it. We are trying to approach the issue on two fronts. We want to find out whether the Government can help us with that idea, but we would also like to convince local authorities of the importance of planning in helping them to deliver their broader objectives.

10:15

People often forget that if you want to build more homes, you need to have planners processing planning applications and putting in place development plans to show where things will go and where the infrastructure will go. We are trying to make a much better case to show the value that planning can bring. I can give an example of that. A couple of years ago, my colleagues in RTPi Cymru did some work to look at the value of planning and what it brought in for local authorities. They discovered that it brought in £2.3 billion a year in terms of land-value uplift, planning fees and lots of other things. We are trying to make the case for planning to be properly resourced. We think that it is really important that that happens.

**Andy Wightman:** You have the committee's support in attempting to elevate the role of planning. I will come back to that in the context of the question of preventative spend, because I think that it is important.

This is a question for Gordon MacRae of Shelter. In the preamble to your submission, you say:

"Shelter Scotland helps over half a million people every year struggling with bad housing or homelessness through our advice, support and legal services."

How many of those half a million people, roughly, come to you because they are homeless?

**Gordon MacRae:** I do not have a figure to hand. That number comes largely from things such as visits to our "get advice" website.

**Andy Wightman:** Can you give a rough proportion—is it half, a quarter or three quarters?

**Gordon MacRae:** The number of homeless people applications is in the region of 35,000. The biggest issue that people come to us with is the private rented sector. People tend to come to us for advice at the pre-homelessness stage.

**Andy Wightman:** Yes, that is my impression—the vast bulk of the inquiries that you receive are not directly about homelessness; they are from people who are dealing with things such as bad housing, rents and repairs. In that space, where

people are housed but have issues, how should we be considering the role of local government and spending and budgets and so on?

**Gordon MacRae:** When people apply as homeless, they are asked where they were staying before. The biggest increase that we are seeing is among those who were staying in the private rented sector. It is clear—as we have argued in our submission—that local authorities could play a bigger, leading role when it comes to supporting good private landlords to avoid the rise in homelessness that is coming from the private rented sector.

There have been good initiatives in the past few years. We have greater security coming in, but we know that there is a large, non-professional private rented sector. The majority of landlords tend to have one or two properties; they might have become landlords accidentally. They are not professionals in and of themselves. They lack support in trying to navigate what is quite a complex system. As part of their preventative spend, local authorities have an interest in reducing the demand on homelessness services by improving the standard of the private rented sector.

We did some work with the Oak Foundation, which has made some recommendations. It identifies the benefits that local authorities can gain from private rented sector officers or by working with landlord organisations to drive up standards locally.

**Andy Wightman:** That is helpful. That brings me to the question of preventative spend. It is certainly my view that housing is a critical element in alleviating and preventing a lot of problems. You have mentioned the private rented sector. I have constituents who can no longer afford their rent and are now homeless and in the City of Edinburgh Council's homeless service. That costs a fortune compared with living in the private rented sector. I have constituents who are being evicted because of short-term lets and who are struggling. We are creating problems and potential costs.

First, what role does housing play in preventative spend in justice, in the national health service and in other areas of public expenditure? How can we better account for preventative spending? A double investment is required: you need to keep going with what you are doing and you also need to invest in avoiding problems in the future.

I mentioned to Craig McLaren that planning has a critical role to play here. You all have a lot of experience in this area. I would be interested to hear some very broad thoughts on how we might go about that because, to my mind, we have not really cracked that nut yet.

**Gordon MacRae:** I would point to yesterday's publication by the Joseph Rowntree Foundation, which identified some of the factors in poverty in Scotland. That leads into many of the opportunities that exist around preventative spend. It showed quite clearly that Scotland's relatively lower social rents were the major factor in the difference between poverty in England and Scotland. Although, arguably, that is because of bad decision making south of the border rather than lots of positive decision making up here, it demonstrates that investing in new social housing is one of the best forms of preventative spend, whether we are talking about child poverty, climate change or just building good communities. Social housing is a major driver of social good. We would certainly argue that when it comes to capital expenditure, in multiple areas of the national outcome framework, the best pound that a local authority or the national Government can spend is one that is spent on investment in new social housing.

**Callum Chomczuk:** We briefly touched on this in our submission with respect to housing first. We drew on the example of evidence from England and made the point that if the housing first approach was rolled out across England, it would lead to around £200 million in savings. Therefore, investment in housing first is preventative spend.

At the heart of Andy Wightman's point is the fact that the housing sector takes on a lot of the burden for delivery, but the savings are realised in health or in criminal justice. I agree. Unfortunately, I do not have an answer. I wish that I could say that there was a way to ensure that the sector claws that back. For us, it is a case of delivering housing first and ensuring that health and other sectors contribute towards the delivery of services such as housing first on a proportionate scale so that the responsibility does not rest only with housing, but I do not think that we have a clear means to refinance housing from the preventative spend savings that will be accumulated.

Fionna Kell mentioned the important point about the economic growth that comes from house building, which is as sure a thing as you can get in helping to grow the local economy and creating jobs. As well as the social good that programmes such as housing first deliver, there is the local economic benefit that comes from housing.

**Andy Wightman:** I think that you indicated that the health service should potentially invest in housing. If a good, affordable warm home is what will make someone better, why should some of that money not come from the health budget?

**Callum Chomczuk:** Absolutely.

**Andy Wightman:** You were saying that, were you?

**Callum Chomczuk:** Yes, absolutely. As I think we noted in our submission, the health outcomes for people who are homeless are horrendous. It is an entirely appropriate use of the health budget to support someone's housing conditions. We have all repeatedly said that if we can invest in healthier homes for people, we will reduce the health inequalities and poor health outcomes. That is a benefit to the NHS.

**Andy Wightman:** Does anyone else want to comment?

**Craig McLaren:** If we build sustainable, liveable communities to high standards, that will undoubtedly improve people's health, their mental health and their wellbeing. If we make sure that there is sustainable and active travel built in, that will undoubtedly have an impact on people's health and wellbeing as well. If we build our communities to make sure that they reach the zero carbon targets, that will mean that we pick things up early so that we do not have to spend money later on. From a planning perspective, if we do that properly, I think that we can build communities that stop us from having to spend money later on.

There is an important role here for the chief planning officer, which is in the new planning act. The provisions are merely on the appointment of the chief planning officer. There is work to be done on guidance, which will alert us as to what role the chief planning officer should have. That could be pivotal in bringing together early discussions about council decisions on asset management and policy and financial matters with a view to future proofing the way in which we develop our communities and build our assets. Bringing in the director of education and the health and social care partnership to think through how the place would work better could bring in that preventative spend agenda. However, we need to make sure that the guidance allows us to do that and allows the chief planning officer to be heard by the other people on the corporate management team.

We have a real opportunity to make sure that the places that we deliver give us the preventative spend that we need. As part of that, as you mentioned, we should be looking to see how the health budgets, for example, can be used to help with that, because they will not need to do the reactive stuff later on.

**Andy Wightman:** You are suggesting that if planning had a higher profile in local government, there could be earlier discussions on priorities, budgets and asset management that could identify the kind of savings that preventative spend is intended to make. The process could be short-circuited by identifying those up front. Do you accept that there is a contradiction between that approach—which I agree with, incidentally—and the approach that seeks to ring fence critical

funds, because they become beyond negotiation at that stage? There is somewhat of a tension between the two approaches.

**Craig McLaren:** I am perhaps being selfish in saying that we should ring fence for planning and bring in other funds from elsewhere. It is maybe a case of trying to catalyse funds for planning. I understand what you mean. There is a need for fluidity in funding to recognise the fact that if we want to build communities that work better, that will mean that budgets later down the line will not be required.

**Andy Wightman:** So it would be better to characterise this discussion as being about the need to break out of silos in education, social work, environmental services and so on in an effort to optimise outcomes by spending all the money in a better way. Would that be fair?

**Craig McLaren:** Absolutely. That is the role that I anticipate the chief planning officer performing. They will be the integrator who will have an eye to the longer-term as well as the short-term decision making. They will need to be supported to do that, but they should bring together all those different budgets in an attempt to make that happen.

**The Deputy Convener:** That takes us neatly on to Alexander Stewart's line of questioning.

**Alexander Stewart (Mid Scotland and Fife) (Con):** The Shelter submission talks about the long-term stability of local government and the problems that it faces. You say that service transformation is needed, but that it takes up management capacity and must also have transformation funding with it. Colleagues have covered the priorities that councils and the Government might have: it seems at times that their aspirations are disconnected.

When we are looking at the current financial settlement and the powers that come with it, we can look at examples such as integration joint boards. You have talked about how you feel that health services should be integrated into the process. What will councils be able to achieve through IJBs, which give them the opportunity to try to bring services together?

We have heard that the approach does not always work within councils: there are difficulties. Funding will continue to be a problem because of changing dynamics—the ageing population and all the rest of it, so there is not enough. You have talked about the silos that exist. How would each of you manage that to ensure that there are connections in the context of the current financial settlement?

**Gordon MacRae:** That links to the previous conversation about ring fencing. The investment that has gone into the housing first approach and

rapid rehousing plans has been mentioned in passing. There is no question: funding is getting to the front line, but it is worth noting that the Scottish Government does not have a lever by which to direct investment specifically to those priorities. Funding goes into the pot and is allocated through agreement with the local authorities. There is a challenge in respect of how national priorities are resourced and whether the resources are always directed properly to where they need to be directed.

There is good work going on on joint working: NHS Scotland focuses strongly on health and homelessness, for example. However, as is the case in many large and bureaucratic organisations, the reality in respect of aspiration percolating to the front line can be very challenging.

To be frank, a cultural shift is needed, which is why I come back to our concerns about the leadership in some local authorities, because the issue is not just money. It is also about corporate will, prioritising, and ensuring that the people in leadership roles have the space to drive the change that is required. With so many competing priorities, it is not always fair to expect a local government officer to be able to balance all the national and local government and health priorities.

10:30

The housing and homelessness system in particular suffers from a bad dose of initiativitis. There is always something new to be getting on with, but most of what needs to be done is relatively straightforward. For example, people have basic housing rights that need to be enforced, but there is a chronic supply shortage. If we can address that in partnership with the public bodies—not just local authorities, but the justice system and the health system—all parts of the public sector will benefit. Academics are right now working on research, which cannot yet be shared, on the economic benefits of social housing and the social benefits of registered social landlord housing.

There is more evidence coming on how we address supply, but in terms of the current local government settlement, it is about saying truly what priorities we are asking local authorities to deliver. Let us give people the space to go and do that without asking them to do something different in 12 or 14 months.

**Fionna Kell:** I will take a slightly different tack on that. South of the border there is a very clear target to build 300,000 houses per annum. Regardless of whether or not the target is achieved and what the number of homes built is,

that is sending out a very clear message about the vision that housing is a priority. The feedback that we get from our members who build both north and south of the border, is that there is, across agencies in England, often a more joined-up approach being taken to delivery of new homes because of the very clear message that they are all to be focused on delivering new homes. Homes for Scotland feels strongly that a similarly clear vision and target, and the message that that would send, could help to unite the industry in its widest sense, including public agencies and the private sector, to deliver more homes. Such is the anecdotal evidence that we hear from our partners in England.

**Craig McLaren:** I will bring in a planning-specific perspective. There is a changing agenda in respect of the future of the planning service and planning, given the new Planning (Scotland) Act 2019. We need to think about how we can ensure that we have the people with the right skills, behaviours and knowledge sets, and that we have organisations that have the right culture in order to deliver. Planners as a profession would welcome that, so we are keen to see how we could do it.

The move towards a more outcomes-based approach is good. There are a couple of things that I think are important that could help to drive those different behaviours. There is, for example, thinking being done now about a future performance framework for planning authorities. That would, obviously, drive behaviours. A more outcomes-based approach might give us better measures of the success of planning. Obviously, that is partly about the speed of processing a planning application, which is important, but there are other factors to think about, including the quality of a proposed development.

There is a role there for the new national improvement co-ordinator—which was established in the 2019 act—in measuring performance and driving the performance framework that we need to think about.

Also, we need to think about how we can prepare not only the people who working in planning departments, but all the other people who contribute to the planning service. We need to make sure that they have the skills to take that forward.

The Planning etc (Scotland) Act 2006 included a fund called the planning development programme. It was £1.2 million over three years, which supported that culture change initiative, but there is nothing like that in place, thus far. We are doing some thinking on what we are calling a performance offset, whereby we would take, for example, 1 per cent of planning fees, as they come in, to invest in a pot to help that culture change. That could help local authorities and

others, and could be used to support the office of the national planning improvement co-ordinator. Taking 1 per cent would bring in about £250,000 a year—which is not insignificant—to help with such work.

**Callum Chomczuk:** I will build on points that Gordon MacRae and Fionna Kell raised. When we have seen leadership from the Scottish Government, we have seen a real difference in delivery. In rapid rehousing transition plans, in delivery of the housing first approach and in the affordable supply programme, that leadership has helped to catalyse a lot of the relationships and has allowed us to change things. Leadership makes a difference.

Gordon MacRae touched earlier on changes and improvements regarding the SHORE—sustainable housing on release for everyone—standards and the relationship between local authorities and prisons. It is disappointing that there has been a pulling back from that because of the change in the approach of the Scottish Prison Service.

Political will forces organisations such as the NHS to get involved and to work with the housing sector to deliver outcomes. Where there is less attention and focus, we find it more challenging to catalyse relationships.

**Alexander Stewart:** You have all made very strong points. The reality is that councils are struggling. They have dealt with efficiency savings and they have dealt with redesign of their services—some people would call that cuts. They are trying to manage the crisis.

Gordon MacRae mentioned the cliff edge that we are facing. Some submissions say that funding is unsustainable, going forward. If we are in an unsustainable situation and at a cliff edge, where do we go from here, if there is no prioritisation of the outcomes and no resource behind that? Will the system continue to split at the seams, and only projects that are given a real push by the Government will go forward, while others diminish or disappear?

**Gordon MacRae:** We have to look at the tax base on which local authorities are able to draw, which is becoming narrower. National priorities are funded through national money, but local authorities are quite constrained in respect of their ability to raise money locally for local priorities. Shelter does not have a view on what a new system should be, but we certainly think that now is the time to look differently at local taxes.

Property taxes are an important part of that; they are an important part of a stable housing market in terms of ensuring that housing wealth and land values are accommodated within the tax system. If the tax system is allowed to continue

unchecked, as it is, we will get to an unsustainable place. We do not want the most vulnerable people in society to be the ones who will suffer.

**Craig McLaren:** Some very practical things can be done, as I have said. They could be quite short term in approach, but they could help. We could, for example, generate more income through planning fees, through reinvesting properly and through full cost recovery. We are also looking at adapting processes to try to make sure that we deal only with the things that we need to deal with, and not with all the other stuff. Some work is about to start on permitted development rights in planning, which might take out of the system some cases that do not need to be looked at.

Also, we can look at digital services. A digital planning task force has been established to consider how we can use digital services to speed things up and make things more effective. There is some stuff that could be done.

There is still a debate about how we fund the infrastructure that supports housing. We had that debate through the passage of the Planning (Scotland) Act 2019, in some respects, but I still wonder whether there is a need to explore land-value capture, for example, to try to bring in funding, because everyone is pleading poverty in relation to the funding infrastructure.

**Fionna Kell:** I will make a final point. Local authorities are not just spending: spending of money on housing is also investment. That is an important message to get across. They are investing and are getting a return on that in terms of tax that is raised, and from investment in additional schools and other educational facilities or community facilities through section 75 contributions, and so on. It is not just spending; it is genuine investment.

**The Deputy Convener:** I will pick up on the point about investment. We have rightly focused strongly on new housing, but I wonder about the existing housing stock. You briefly mentioned energy efficiency, and there is also the accessibility issue in the context of people being able to stay in their homes longer. The adaptations budget was frozen for seven years. Given the demographic pressures, does anyone have any comments about adaptations as a cross-cutting preventative measure? Callum Chomczuk is nodding his head.

**Callum Chomczuk:** We have an ageing population. The mix of social tenancies is a little bit different: its make-up includes more younger families, so there is, perhaps, less concern about adaptations for new entrants to the social sector, compared with the broader population. That does not undermine the thrust of the question. Obviously, we need to build homes to higher

standards—to a more accessible standard and with increased energy efficiency.

To go back to my first point, I say that the only way that we will do that is if we keep investing, and if we give everybody—the house-building sector, local government and housing associations—certainty that money will be invested. If we drop off a cliff edge come March 2021 and then have to scale back up for the following six months, we will be wasting time, energy and money. We need continuation so that we can address some of the big challenges that the sector is facing.

**The Deputy Convener:** Thank you for that. Gordon MacRae will come in.

**Gordon MacRae:** Local government needs to start thinking now about an issue that is related to the adaptations budgets. We have a population aged 50-plus who are now living in the private rented sector. Those are people who would traditionally have seen their housing benefit in retirement cover their social rent, or who would have paid off their mortgages and not had to consider housing costs. We now have the prospect of older renters having no recourse and who will need support. They are living in—not always, but usually—low-standard housing that will require more investment to bring it up to a standard that can keep them in that home when they might acquire disabilities in later life.

**The Deputy Convener:** Thank you very much.

**Annabelle Ewing (Cowdenbeath) (SNP):** Good morning, panel. We have had a very interesting discussion thus far. On the issue of funding, there is certainly one elephant in the room that has not been touched upon but was highlighted in paragraph 3.8 of the CIH Scotland submission, which states:

“the UK Government’s welfare reform programme has had, and will continue to have, a significant negative impact on hundreds of thousands of households across Scotland”.

It goes on to say that the Scottish Government

“estimates that UK Government welfare reform measures will have removed £3.7 billion from Scottish households by 2020-2021. The loss of income means that more households are struggling to pay for essentials including rent, heating, food and clothing and relying more on local services to support them.”

It is important to note that. In the light of what has been said already this morning, do the panel members feel that it is the role of the devolved Scottish Government—with devolved powers and a limited devolved budget, and without access to the entirety of Scotland’s resources—to seek to mitigate every single negative impact of UK Government policy?

**Callum Chomczuk:** The welfare cuts are happening on a huge scale and the freezing of the local housing allowance has put massive pressure on people in the private rented sector. Undoubtedly, making the private rented sector more unaffordable in cities such as Edinburgh will ultimately put more pressure on local authorities to address homelessness. That is why building social housing is a good thing. We need more social housing. Despite the scale of the programme that we have built over the past three and a half years, given the demolitions in the sector we are almost at a standstill.

I do not see building social housing as mitigating welfare reform; I see building social housing as addressing the need that exists in Scotland. We have waiting lists of more than 100,000 people. We are ending rent to buy and this scale of programme is only beginning to get us to a standstill position. Building during the next parliamentary session will start to address some of the issues.

As Gordon MacRae said earlier, research from the Joseph Rowntree Foundation demonstrates that building social housing has helped to keep downward pressure on poverty in Scotland. Building social housing is a good thing in itself; building housing across all tenures is a good thing in itself. I would probably focus on that aspect rather than on the mitigation of the undoubtedly awful impact of some of the welfare cuts.

10:45

**Annabelle Ewing:** I understand what you say. However, the £3.7 billion that is being removed from households in Scotland is having an enormous impact. Trying to catch up and alleviate the damage that that does involves money—money that needs to come from a devolved Scottish budget. If that money is to be spent to mitigate UK Government policy, it has to come out of some other budget. That is how things are at the moment in the devolved situation.

It is all very well to have all those aspirations, but realistically, given that elephant in the room, what do you foresee in relation to your call for spending on more houses and so on? What budget is that money to come from?

**Gordon MacRae:** House building is a capital expenditure, so we would want to ensure that within the choices that the Scottish Government has, it is putting funds where they will have the most impact. It is not realistic to expect the Scottish Government to plug the gaps that are being created by the roll-out of universal credit and the welfare reform changes. We are hearing some positive words just now about what the Scottish social security system will look like, but it remains

to be seen how that will roll out. It forces some tough choices on the Scottish Government and on Scottish local authorities as they need to determine how best to target the resources that they have.

From our perspective, one of the best choices that they can make is to protect front-line services that prevent homelessness, prevent poor health and prevent drug and alcohol addictions. Something else that we have not really touched on is the addictions crisis, which is absolutely impacting on housing and on homelessness. Within the limited envelope that Scottish public bodies have available to them, we would certainly advocate that they prioritise rather than try to spread their money too thinly across too many priorities.

**Annabelle Ewing:** If you have a balance sheet, it is important to look at the entirety of it. It is not very practical to look only at one bit. You have to have the whole picture otherwise you will not effect practical solutions, which I am sure everybody is concerned to achieve.

The deputy convener raised the important issue of adaptations; this is an area of interest for the committee. Given your experience of the sector, is there a smarter approach that can be taken to housing adaptations? Is there a way to have the process better managed and to accelerate the process? The wait for adaptations causes significant blockage to people being able to live in their homes. Do your organisations focus on that to any degree at all, or will you start to look at that area in more detail because it impacts on people's experience in their homes?

**Gordon MacRae:** When someone is trapped in a home that is unsuitable and either it cannot be adapted or they are failing to access adaptations, we see that from a rights perspective. As a rights-based body, we seek to give those individuals representation to ensure that they can move house, which is not ideal if their current home could be adapted.

I do not have an off-the-cuff answer on how adaptations can be better delivered, but it is certainly not an area where we can expect savings over the coming years because the demographics are only going one way.

**Callum Chomczuk:** It comes back to the earlier discussion about the interface between housing and other services, and how the health service and other services can recognise the benefits. The evidence is startling about what happens if we can support someone to stay in their home longer; it will undoubtedly release massive savings, which is an outcome that everybody wants. Unfortunately, much like Gordon MacRae, I cannot prescribe what that model looks like, but that is the direction

of travel. We need other services that would benefit from supporting people to stay in their own homes to be willing to support the funding. Having the health service invest in that, for example, would deliver on its outcomes.

**Annabelle Ewing:** On a more positive note, there are ways to progress matters; reference has already been made to joint working where relevant. Certainly, that shared services approach has a lot of mileage in it. I do not think that we are nearly as far down that road as we could be, given the size of Scotland.

Shelter's submission referred to the Scottish empty homes partnership, which is an example of joint working across local authority boundaries. Perhaps Gordon MacRae could expand on that a wee bit and then the other panel members could chip in with examples of where that shared working with local authorities and other public sector organisations could help to deliver some of the things that you all wish to see.

**Gordon MacRae:** Shelter Scotland hosts the empty homes partnership, which receives funding from the Scottish Government. The real success of the partnership has been the engagement of local authorities. The local authorities that get on board and have an empty homes officer become part of a network and are able to share best practice. They are seeing homes being returned to the system—not always for social rent; very often, it is because we see the impact of derelict or vacant properties on the local community. Very often, private owners—for instance, people who have inherited a property and do not have the cash to hand—need quite small sums of money to make a property available. The partnership has been a positive form of engagement with local authorities, which can see the benefit of it. They can usually take part for the cost of one post or by sharing a post between local authorities; sometimes it is just a part-time post. That investment can have a real multiplier effect.

It is also a model of a centralised network that is supported from the middle and shares best practice. It is a model that could be applied to private landlords—officers could drive that best practice and that shared services model, whether that is hosted by a landlord organisation or someone else.

The partnership has been a real success. Unfortunately, not every local authority has joined, but lots of good and positive conversations are happening. When we can make a business case, that is what makes the difference, rather than making an appeal to some sort of moral obligation; with the partnership, authorities can see the financial benefits to their local area.



**Fionna Kell:** On the practical issue of building control, I mentioned the length of time that it takes to receive a building warrant. We know of some local authorities that are particularly under pressure. They are using other local authorities that may not be under quite so much pressure to provide some of those building control services, so that joint working is happening—not formally, not through statute, but that informal joint working exists and it is having an impact.

**Craig McLaren:** I have two quick examples. We did some research a couple of years ago to see how we could better connect community planning with spatial planning. Some simple things came out of that around how we can better join up community engagement processes, which could be done quite quickly. Different local authority departments and different public sector organisations will ask communities very similar questions a lot of the time and then go back to them quite frequently. It would be useful to join up our engagement exercises and for each different department and organisation to take away the intelligence and information from those shared exercises.

There is also some interesting stuff developing on trying to connect planning and health. West Lothian Council is piloting health impact assessments and the new public health Scotland body could be an early adopter of what is being done there, so some useful things are definitely happening.

**Annabelle Ewing:** I certainly like the sound of that last example, because in the planning process the impact on local health provision—certainly as far as my constituency is concerned—is always a key issue that is raised.

Lastly, and very briefly, when the Robertson Trust gave evidence last week, it highlighted its social bridging finance approach as one route to fund partnership working. Are you aware of that approach and do you have any views on it at this point? If not, it would be helpful to the committee if you could have a look at what the trust does in that regard and get back to us if you have any thoughts. It seemed to us quite an interesting approach and it would be good to get practitioners' views on that.

**Gordon MacRae:** I am happy to get back to you on that.

**The Deputy Convener:** You can see the evidence that was presented and how the discussion was framed if you look at last week's meeting. We have time for a brief question from Kenneth Gibson.

**Kenneth Gibson (Cunninghame North) (SNP):** A brief question? I cannot have the same amount of time as everybody else?

**The Deputy Convener:** We are running slightly behind.

**Kenneth Gibson:** I will try to keep it fairly brief. Callum Chomczuk, in paragraph 2.1 of your submission, you say:

“The provision of affordable housing ... has a key role to play in tackling poverty and child poverty in particular ... 15% of households live in absolute poverty increasing to 18% when housing costs are taken into account.”

Should that not be relative poverty?

**Callum Chomczuk:** Sorry—I do not have the submission with me.

**Kenneth Gibson:** It is just for clarification. In paragraph 3.1, you go on to talk about budget cuts. On local government funding per head, you say:

“Between 2013-14 and 2019-20 this has reduced by an average of £160 per head across Scotland.”

In North Ayrshire, it has reduced by £32 per head, with the largest reduction, by £572 per head, in Eilean Siar. That is obviously a consequence of the £14.8 billion-worth of cumulative cuts to the Scottish budget over eight years and the prioritisation of the NHS. As was pointed out earlier, that means a squeeze between NHS prioritisation and the Scottish budget reduction impacting on local government.

Your submission then goes on to set out your recommendations and the issue is that, with that backdrop, you have suggested that

“housing subsidy levels should be revised with input from stakeholders”,

but you do not say what they should be revised to. You talk about considering local taxation—to increase funding, I take it—but there is no reference to what should be done with local taxation if we were to increase funding; you go on to talk about the provision of longer-term financial certainty.

I have one further point before I let Callum Chomczuk come in. We mentioned disabled adaptations. Seven years ago, Callum Chomczuk came to the Finance Committee when I was convener—he worked for Age Scotland at the time. Everybody used to come to that committee and say, “We want more money for X, Y and Z”. Callum Chomczuk was the only person I recall coming and saying what we could save money on so that we could spend it on something else. He said, “There should be more money for disabled adaptations and that could be funded by increasing the age at which people get the concessionary fare from 60 to 65”. John Swinney decided that we would not raise the concessionary fare age but we would increase disabled adaptations by 25 per cent, so Callum Chomczuk

got a win there. It has not been increased since, it has to be said, but that was an important win.

I feel frustrated that CIH Scotland has set out the situation really well but there is no concrete detail on how to address the issue financially. How much more should be spent on subsidies, what local taxation should be considered, and so on? Can you fill in some of those details?

**Callum Chomczuk:** As the committee knows, there is an imbalance in the level of subsidies between RSLs and local authorities. It is not for CIH Scotland or any one organisation here to predetermine what that rate should be. It has to be negotiated and discussed with the Scottish Government. What are the Scottish Government's ambitions for the housing market, when we look at the state of the market and how we want to address the crisis on housing, recognising what housing can contribute towards social and economic outcomes? That is the process through which we need to determine the budget. While we are going through that process, it is difficult for us to say that we expect the subsidy rate to remain at the same level or for there to be an increase in parity to £78,000 for each home.

We do not have a predetermined model on what local taxation should look like. We have a couple of principles that would guide local taxation. It has to provide a stable income base for local authorities and be raised as equitably as possible. It is not the purview of—

**Kenneth Gibson:** I understand that but it is frustrating. Mr MacRae, in your submission, you state:

“The funding base for councils is too narrow and too tightly controlled.”

When asked about that earlier, you said that you do not have a view on what the system should be. Surely it is important for people giving evidence to have a view because the committee has to make recommendations to ministers. It is okay to say that we should have a basket of additional local taxation, but there are people on this committee who will be fighting tooth and nail this afternoon against just such a suggestion, which is that local government has a workplace parking levy.

Can you help the committee by providing suggestions on what some of those taxes should be? Otherwise, how are we meant to make recommendations to ministers on how we could impact on local government funding for affordable housing and other things if we do not get recommendations from the people who are giving evidence?

**Gordon MacRae:** I would heartily recommend that there be property-based taxes when it comes to housing, and that the wealth that is generated

from planning consents is shared between the public and the private sectors. What is required is a clear understanding from across the political spectrum as to which baskets of taxation models people will be open to. The long-term council tax freeze—combined with the prioritisation of the NHS and national spending—has put a squeeze on available funding elsewhere.

11:00

If we are to go down a route of no ring fencing, local authorities need to have similar flexibility to fund their priorities. As Callum Chomczuk said, we could certainly express principles, but it is ultimately a political choice. It is not a role for third sector bodies to get into the political debate, but we can express the principles that we think would support a well-functioning and equitable housing system.

**Kenneth Gibson:** I am not necessarily saying that you should get into a political debate. However, if you suggest that we expand the funding base for local authorities, why not say, “We think X, Y and Z should be considered because it will bring in £X, £Y and £Z in funding and it could be used for such and such.” Do you know what I mean?

**Gordon MacRae:** My thoughts are that we should be looking at things such as land value and the gain to be made there. Part of the problem is that we do not have access to quite a lot of the information that would enable us to inform the specificity of that. What monitoring do we do of section 75 orders, for instance, to ensure that the anticipated public benefit is delivered?

There is a risk that we pull one thread and we lose sight of non-statutory services and other parts of the public sector that have a consequential impact on the provision of local services, especially in relation to housing and homelessness. The recommendations we would make are that there is a role for property taxation and there is a role for land-value gain to be captured within the system, but that has to be balanced against the expectations that are placed on local authorities and the flexibility that local authorities require to deliver those priorities.

**Kenneth Gibson:** Ms Kell, do you want to comment on funding?

**Fionna Kell:** With regard to the section 75 contributions, in terms of the financial viability of delivering homes, there is only a certain inherent value in that. If you are continually looking for additional contributions towards infrastructure, schools and education, I get all of that and that is why I think that we need this joined-up approach, because continually expecting the private sector to pay for that as well is not realistic either because

there is only a certain amount of value in any one pot.

This goes back to the need for a genuine look at the whole system—the role of the public sector and the tax base that it can generate and the role of the private sector and how they can jointly deliver and tackle some of these big, expensive issues such as infrastructure.

**Craig McLaren:** We have tried in our submission and here this morning to set out some practical ways of generating income. One is through planning fees. I have also talked about land-value capture, which we have always been interested in. We want to see what model would work best within a Scottish context but there is something to think about there.

The other thing that we have talked about is how we can reconfigure public sector budgets to try to make sure that some of the preventative spend can be funded by some of those who would benefit from it.

**Kenneth Gibson:** Thank you very much.

**The Deputy Convener:** I thank the four witnesses for their answers in relation to their own submissions and for giving us some wider views. It has been a really helpful session.

I suspend the meeting to allow the witnesses to change over.

11:04

*Meeting suspended.*

11:07

*On resuming—*

**The Deputy Convener:** I welcome our second panel, which comprises Professor Kenneth Gibb from the University of Glasgow and Professor James Mitchell from the University of Edinburgh.

Thank you for your joint submission. We are keen to move straight to questions, and I will kick off with a broad question. Do the current financial settlements and powers enable councils to invest effectively in preventative spending measures?

**Professor Kenneth Gibb (University of Glasgow):** In our written evidence, we try to suggest what is to some extent a radical challenge. We set out reasons why we think that the underlying financial model and the governance structures between the interdependent local and central Government of Scotland need to be radically changed over a period of time, reflecting a range of things that are mentioned in the submission. To use the words that Kenny Gibson used in your discussion with the previous panel, they are principles rather than our having a lot of

evidence. We might say that they are about starting a conversation.

There are definitely challenges to the principle of trying to increase preventative spending. One area that we pick up on is the absence of multiyear planning and funding. As I understand it, the present proposals try to move towards a degree of multiyear planning, but they do not integrate capital and revenue budgeting, which is a further hindrance to doing preventative things. As the previous panel said, it is a lot easier to think about breaking down silos in local government if we have that planning horizon to work with. As we say in our written evidence, it is also critical for people to have more discretion and be empowered to do some of these things, but instead we have a long-term narrowing of discretion.

**Professor James Mitchell (University of Edinburgh):** Local government has always engaged in prevention in its work. It has not always been badged as such, but much of the work that local government does has that function. I would argue that that is as true of local government, if not more so, than it is of the NHS. For example, leisure and recreation has not always been badged as prevention, but there is no doubt that it is preventative. It is important for mental and physical health, and we therefore surmise that it will prevent certain ailments and illnesses. One of the great challenges with prevention lies in proving the cause and effect, but a huge amount of the work that local authorities have done and continue to do is undoubtedly preventative.

However, in the current financial situation, as we are confronted with cuts, the things that are cut first are the non-statutory obligations. My deep concern is that that means that many of the areas that are affected will be those that are preventative. I have long made the point that it is difficult to statutorily enforce prevention. Even if we tried to put it into statute, that would be difficult. The role that local government plays in those other areas is therefore vital. I worry about the trends that we are seeing, as I think that prevention is being undermined.

**The Deputy Convener:** That echoes what we have heard in previous evidence sessions. Everybody agrees that prevention is critical and cost effective, but is vulnerable to cuts, particularly in non-statutory functions.

Graham Simpson has a follow-up question.

**Graham Simpson:** In your written submission, you state:

“there is a need to reverse the long-term process of disempowering local government, increasing local discretion”.

You go on to say that there should be more shared responsibilities. The committee has looked at IJBs and the fact that they are not working very well at present. Do you have any ideas about how they could be improved? What do you mean by

“the long-term process of disempowering local government”?

**Professor Gibb:** Where should I start? I have long used the phrase “the Rubik’s cube of local government”, which refers to the idea that we cannot convincingly separate out the functions and service distributions of local and central Government. From the way that things are funded to the geography of how we do government in our country, trying to make changes in some areas without making complementary changes elsewhere can be a recipe for problems.

The IJBs and the well-understood principles that underlie health and social care integration have been applied in a context where local government has had the issues that we have been talking about and is clearly challenged by them. It is perhaps not surprising that there is considerable variation across the country in the effectiveness of the IJBs. I have a PhD student who likes to say that culture eats strategy for breakfast. The cultural issues at local level between the NHS and local government are very important in that regard, so those heterogeneities in experience do not surprise me.

**Professor Mitchell:** We should consider the long term, by which I mean the really long term, going back decades. At the Convention of Scottish Local Authorities’s conference tomorrow, I will be in conversation with Sir Neil McIntosh, and we will be talking about this very point. Sir Neil’s days in local government go back to the 1960s and he was involved through the 1970s and 1980s and into the 1990s. We have had a long conversation on the subject, and he will show tomorrow the way in which local government has been disempowered, which has continued post-devolution.

The McIntosh commission, which was established in 1998, I think, and reported in 1999, argued that we needed a new relationship between local and central Government, with mutual respect and parity of esteem. It said that we needed to address the financial disempowerment, but the evidence is clear that that disempowerment has not been addressed. It comes in the form of local government’s autonomy to raise revenue being taken away. It is not that long ago—I remember the days—that 50 per cent of the revenue that local government spent was raised by local government. I also note the way in which central Government has gradually, over time, told local government what it ought to do,

essentially creating local administration rather than local government. There is less autonomy.

11:15

There have been a number of factors over a long period of time. For me, one of the great sadnesses is that we did not really accept the McIntosh report, which was a cross-party report. Your predecessor committee in 2000 looked at the report and said, “This is what we should be doing”, but nearly 20 years on, we are still here. We need to reverse that urgently.

On IJBs and suchlike, one of the issues is that integration and co-ordination come in different forms. There are minimalist forms and maximalist forms. On the approach that we require, I note that the Christie commission, of which I was a member, argued for a more maximalist approach than we have seen. Bringing chiefs round the table to try to agree on broad outcomes is good, but it is not enough. Ultimately, they go back into their silos and carry on doing largely what they did before. That is particularly the case when money is short. People say, “It’s my money, not yours”, and we get into a really tricky situation.

It is much more difficult to get effective co-ordination, co-operation and integration in these times than it was in, if you like, the good old times, which we did experience at one point.

**Graham Simpson:** It is clear to me that we have people working in silos who are not willing to give up what they have. We have health boards versus councils, and it is never going to work unless somebody bangs heads together.

**Professor Mitchell:** I hope that public health Scotland will do that. I am delighted that its chief executive has been appointed and delighted that it is Angela Leitch. I think that she will do a good job.

Knocking heads together is important, but we also need to think about how we incentivise that change in approach and whether our institutional structures encourage or discourage it. At present, to be frank, I do not think that they help. In a sense, people are behaving quite rationally when they say, “It’s my money, not yours”. They do not say that because they are bad people. The public service is lucky to have really good people. However, we need to give a bit more thought to how we can encourage change in that respect. Public health Scotland will be important, but we will need a lot more than that.

**Graham Simpson:** How would you incentivise it?

**Professor Mitchell:** We could go further than incentivisation. For example, we could start top-slicing, taking money out and saying that it will not belong to an organisation. Returning to local

government funding, another way is to look at the responsibilities and competencies of local government. There may well be things that local government could and should be doing—with proper resourcing—that are currently being done elsewhere.

We need to have a serious debate about what we mean by public health prevention and ask ourselves whether our institutional structures are well placed to deliver. I do not think that they are. That debate is under way to a limited extent under the local governance review. With respect to the review—I declare an interest here as well, because I have been working closely with COSLA on it—my great sadness is that health has not engaged as much as is essential.

**Professor Gibb:** There are also broader opportunities for central Government to incentivise local government. An example might be to try to introduce some payment-by-result mechanisms. We would say, “Here are some objectives that we want you to achieve”—they would be about breaking down silos and working collaboratively across departments in local government—and then say, “Success in meeting these targets will give you access to capital credits.” People would get a bigger capital budget as a result of meeting certain objectives. There could be other mechanisms like that, but providing a bigger capital budget is an attractive way of doing it, and it has less of an immediate impact on revenue.

In putting together our written submission, we were struck by the notion that local government is meeting the cost of inflation, by and large, and fully meeting some of the demand increases that it is seeing, but that is not being fully accommodated by the population-driven grant increases. Is there a way of sharing that and, again, incentivising so that, if savings and efficiencies are made elsewhere, there can be some compensation through central Government meeting some of the costs of inflation or demand increases? We have talked a lot about sharing services, sharing the burden and working in partnership. What I have described is the manifest consequence of that.

**Professor Mitchell:** We presented a paper on that theme—incentivisation and long-term planning—to the Finance and Constitution Committee some years ago. We can certainly dig that out again for you, if you want.

**Graham Simpson:** It would be good to see that. However, is payment by results not just ring-fencing by another name?

**Professor Gibb:** If we want to incentivise things, we have to make clear links. If we want to deliver some preventative work, which is about bringing parts of local government to work

together, we need to fix on a certain target. We will be focusing resource in a certain place, but that will clearly be our objective in the first place.

**Graham Simpson:** However, you complain in your submission about the disempowerment of local government. You are arguing, essentially, for more ring fencing, which is disempowering.

**Professor Gibb:** We are arguing for partnership, which is not the same thing as ring fencing. There are a bunch of different issues around that.

**Professor Mitchell:** Graham Simpson’s comment is fair up to a point. It would be fair if that was all that we were arguing for, but we are not talking about the entire budget being treated in that way. Local government needs to be given a great deal more autonomy and discretion. In some areas, we think that ring fencing should be abandoned. For example, at the centre—I do not think that it is just the Government; it is the Parliament, too—there is this focus on teacher numbers and suchlike. There is evidence that that may not always be the most appropriate way of spending money. It may be appropriate in certain local authorities, but it will not be appropriate in all of them.

It comes back to the point about local autonomy, so we need to think hard about that dimension. I struggle with the Rubik’s cube analogy—

**Graham Simpson:** I certainly do. Can we not use it again?

**Professor Mitchell:** Okay. The point is that there are so many different parts to the whole business, and I do not think that we should dismiss any of them. We need to have multiple tools, but fundamentally there must be a partnership with mutual respect, parity of esteem and greater autonomy.

**Kenneth Gibson:** I have a supplementary question. On the issue of disempowerment, I was just thinking back to the 1960s, when my parents bought their first flat and they got a corporation mortgage and their electricity and gas were supplied by the council. That is how much we have moved.

Do you agree that it is time to declutter? We have a situation in Scotland where we have health boards, local authorities, integration joint boards and community planning partnerships, and then we have city region deals and so on. Often, you get the same people going from one meeting to the next meeting to the next meeting with various different hats on. Do you feel that decluttering would allow not only a more efficient and effective use of resources—with the possibility for health and local government to be merged, which has been a bee in my bonnet for years, as Professor

Mitchell knows—but would also allow the people who are represented to understand exactly how society works? Who among Scotland's 5 million people actually knows about the structures in which they live?

**Professor Mitchell:** There is something in the notion of decluttering. In the case of the examples that you have given, there has been a good argument for moving in that direction. However, we have approached it in an ad hoc way.

**Kenneth Gibson:** Yes, there is layering.

**Professor Mitchell:** This is where I think that Neil McIntosh—you should really have him here—is really interesting. His argument is that, over the course of the past century and into this century, we have had a major review of this area every 20-odd years. He thinks that it is time to do that, and I think that decluttering could be part of it. That is where I would hope that the local governance review will go. That is not to say at this stage that we should get rid of this board or that board.

The other point in this regard is the local accountability angle. I spent a lot of time—a year or so—going around Scotland looking at the business of local governance, speaking to councillors and the public and so on. It was striking how often I heard the point being made that local councillors are often approached about any local issue, including general practitioner services for which they have no responsibility. I think that that needs to be part of the conversation. We need to find ways of ensuring that we have a better way of delivering local accountability. That may well speak to the kind of decluttering approach that you would advocate.

We should be able to make savings in that process. We still do quite a lot of things in duplicate and quadruplicate, and it would be possible to move away from that. We now have the technology to do that, but we are stuck with institutional structures from a previous time. They served us well at that time, but I do not think that they do so now.

**Professor Gibb:** That accountability point is well made. One of the other things that we talk about in our submission is the potential benefits—or the underachieved benefits so far—of joint working across local government. Certainly, from my limited involvement in the city region deal in Glasgow, on the housing side, some really interesting joint work is starting to happen. It is not clear to me that that would have happened in the absence of the city region deal, but, as you rightly say, that does not mean that people out there understand what these different governance structures are or who is accountable to them and in what way.

**Kenneth Gibson:** COSLA always says that it is there to help share best practice. That is a thing that many committees in this Parliament push. I want to ask further questions later on, if I may, deputy convener. At the moment, though, I have one question: what is a “wicked” system, which you have mentioned in paragraph 6? You say:

“We require more explicitly systems thinking around interdependence, complexity and incentive structures. This is especially true of tackling wicked problems.”

**Professor Gibb:** The idea of the “wicked problem” came out in planning in America in the 1960s. The idea is that there are some issues on which the different stakeholders simply cannot agree, because of value divergence, because of causal issues and difficulties around understanding the root nature of the thing, and because of some administrative technical difficulties that mean that it is hard to work out how to get there. There are some problems that are fundamentally more difficult to address and to define than others.

We have tackled some of our more non-wicked problems in the past 50 to 60 years, but the planners in the 1960s were arguing that there were now much more fundamental issues, such as inequality, which are more difficult to get value agreement on and the causes of which are much more difficult to understand. I guess that we are saying that the relationship between the different functions of local government, vis-à-vis the Scottish Government, and the funding structures that we have are difficult to disentangle—that takes us back to the Rubik's cube.

**Kenneth Gibson:** A teacher of English would have a heart attack looking at that Americanism being imposed in here.

**Professor Gibb:** The phrase is very widely used.

**Graham Simpson:** No, it is not.

**Professor Mitchell:** It is commonly used among public sector practitioners; that is all that I can say in my defence. There is a distinction between wicked problems and what we call “tame” problems—

**Graham Simpson:** Oh, please.

**Professor Mitchell:** That is what the literature talks about. Tame problems are easier to deal with: you do X or Y and they are solved. Wicked problems are not like that. They are much more complex and deep-rooted. They require multiple approaches and there is often no agreement about what to do, and they always involve lots of different agencies coming together.

If you break your leg, you go to the hospital and it will be dealt with. That is a tame problem—it

might not seem tame to you if you break your leg, but that is a tame problem. Poverty is a really wicked problem. Hopefully that explains it. I think that it is actually a really nice term.

11:30

**Kenneth Gibson:** Saying “deep-rooted” would have saved us having this conversation.

**The Deputy Convener:** I want to link this back to the national performance framework and think about how national objectives link to local levels. I want to think particularly about a challenging issue or emergency, which is the climate change agenda. Most of our discussions are going to focus on existing challenges and demographic change, but how do we see local government contributing on climate change, which is going to require resource rethinking? It is a key objective in the national performance framework, and we have new climate change legislation. How does local government step forward and deliver on something that is going to be a major challenge with annual budgets?

**Professor Gibb:** I would probably answer that by answering a slightly different question. One of the reasons why the reversing of disempowerment, in the sense of giving more funding powers and discretion to local government, is partly wedded to the belief that greater discretion and resource will lead to more innovation. We should not believe that central Government has a monopoly on wisdom in these matters, and we need to let other actors have a go at working out local solutions. Local government is potentially well placed to do that, provided it is given the capacity and the capabilities to do that. At one level, as a general proposition, giving local government more of those powers could lead to more innovation and experimentation, which we should be in favour of.

**Professor Mitchell:** I am no expert in that area—I know that you are, deputy convener. The only thing that I would say is that there will have to be national and local responses. That conversation is important, particularly in relation to what should be set nationally and what might be more appropriate locally, because local authorities will have the opportunity to address those issues differently. Without being an expert in that particular area, I would be reluctant to say much more than that.

**The Deputy Convener:** Based on what was said by the earlier panel, I am thinking about what the incentives might be in relation to new approaches and sets of skills that are not there at the moment.

**Professor Mitchell:** That is where the centre can play a part, in that it can support and

encourage financially and otherwise, and share information. Again, without specifics, I cannot say more.

**Professor Gibb:** I was struck last night, while watching the BBC news, to see that a local authority in England had won architectural design awards for building passive council housing. I think that that is an interesting example—in a slightly more hostile environment for council housing than in Scotland—of a local authority that has done a remarkable piece of work. That is an example of innovation and experimentation in the area that we are talking about. The initiative was very much to do with the climate emergency.

**The Deputy Convener:** Alexander Stewart has the next question.

**Alexander Stewart:** I will ask about pressures from demographics. There have been huge pressures on a number of councils, which have seen massive increases in such challenges. What is the capacity in the third and private sectors to alleviate the pressures?

**Professor Mitchell:** The third sector already plays a significant role. Ultimately, the challenge for the third sector is not dissimilar to that for local government—it is about resourcing, long-term planning and being able to ensure that whatever funding is offered will not disappear, with the result that organisations have to spend all their time trying to get grants.

I have a slight concern in that what we tend to find in a period of cuts is that either there are central cuts, local government cuts, cuts to communities and cuts to the third sector, or we basically just dump the problem on someone else and say that we will let them do it, which is devolution of penury. We have to be very careful to avoid that.

Again, it comes back to partnership. We know that the elderly population is seen as a problem, but it is also part of the solution; we know that older women in particular play a huge part in provision for families and communities, which we could celebrate more. There is evidence all around the world that that is the case; the World Health Organization has made the point frequently.

I also stress that things have to be decided locally: local government needs to have the discretion to determine how best to do things, so there are areas in which capacity would have to be built up.

The private sector plays a huge part already and will continue to do so. The issue is regulation: we must ensure that we have in place appropriate regulations on meeting standards and so on. I have no objection in principle to private sector

involvement, but I want to ensure that it is for the public good.

**Alexander Stewart:** What are your views on the funding models, Professor Gibb?

**Professor Gibb:** I was very impressed with work that Richard Best did seven or eight years ago on town-centre living for older people in countries including Denmark, Sweden and Holland. That work set off a lot of ideas around the challenges of repairing and remaking our ailing town centres—for example, the notion that they could be master-planned, redesigned and redeveloped, with support from the private sector, to develop high-amenity accessible living for older people who are downsizing and empty-nesting. As Professor James Mitchell said, that is a classic kind of local partnership model that could make use of people's housing equity, of local government capital funding and of private sector investment.

**Alexander Stewart:** Some of the city deal money will be used specifically for that. The Scottish Government and the UK Government are both looking at how that can be advanced. The private sector can make a massive impact, and the universities have seen some developments that they want to effect and support. It is about trying to get a balance.

Professor Gibb rightly said that it is all about safeguards and ensuring that you have the ability to ensure that things will work effectively for communities. In the demographics in some council areas, the percentages on what they are going to have to contend with are quite eye-watering and will mean that they might have to do some things slightly differently, because one size will not fit them all. There might be some areas where people can work together and there is partnership working. For some, that will be a massive issue that they will have to contend with for decades to come, not just the next two, three or four years' budgets. The situation will have a massive impact on their stability—even on their survival, in some respects, and how they continue.

It would be good to know your views on how that should be tackled in the context of efficiency savings and redesign of services.

**Professor Gibb:** Many propositions come forward when we talk about such things. One proposition is that we should look at the global evidence. Everybody around the world is facing those issues. Some countries—Japan, for example—have longer experience of dealing with such issues. We can learn lessons about what we should not do as well as what we could do in the local context of such funding packages and intergovernmental relations.

I am increasingly impressed by design thinking—the idea that we should work with people directly to get the best sense of what they want and of what would not be suitable, in order to bring them with us and to allow testing of various ideas.

**Alexander Stewart:** Good.

**Andy Wightman:** I thank the panel for their papers, which are very thought provoking. Although this is pre-budget scrutiny and we are, to an extent, just looking at the budget, we have also been talking about the much bigger picture. That is important. Professor Mitchell talked about the Mitchell review—I am sorry: I meant the McIntosh review. Maybe we will have a Mitchell review, one day. [*Laughter.*] We then had the Kerley review that looked at multimember awards and pay for councillors, and then the Burt review, which was killed before it was even published. The local tax commission has also got nowhere.

I want to refer to the underscored key point in paragraph 4 of your paper, where you talk about

“the degree to which local government has discretion over the setting of the local tax rates”

The council tax has remained essentially unreformed since 1992; it has been tweaked a bit. Non-domestic rates were centralised by Mrs Thatcher and have never been changed since. I think that only in Malta, Romania and Bulgaria does local Government have less responsibility for the local fiscal environment than local government here has.

There is a practical question, which is also on a principle. Do we need, from the local governance review and so on, a five-year or 10-year programme of re-empowering local government, or do we need—as Professor Mitchell suggested and as Neil McIntosh said—a big review every 20 years? My feeling is that a big review every 20 years has never been terribly good, because reviews have been very politicised. It has also built a lot of politics into the system, and we are still living with the legacy of that.

**Professor Mitchell:** That is a fair point. On having reviews every 20 years, I think that Neil McIntosh was particularly keen on things like Wheatley report types of things that built consensus. He was not keen—I am not keen, either—on what happened in the reforms of the 1990s. I am not keen because there was no consultation on the reform.

Also, we cannot do it with a big bang—certainly not financially, which is always ill advised. Reform has to be done incrementally, but also at pace because of the situation that we are in. We need a sense of where we are trying to get to. I think that in our paper we refer to a suggested attempt over the long haul to reach about 50 per cent of the



revenue that is spent locally being raised locally. If it is not in the paper, it is in something else that we have written that. If so, I apologise. That is the kind of approach that we need.

Andy Wightman is right—there has been a series of inquiries related to finance. I do lectures and talks on the subject and have a slide with a list of them from over the years.

My frustration is that we do not need more evidence: it is down to lack of political will. We are outliers—not just Scotland, but the UK—and we look pretty odd in international terms. The Organisation for Economic Co-operation and Development and other organisations have looked into the subject. We could do with raising our eyes and—as Professor Gibb said—looking at some of the global evidence.

What we are doing is not working and we are at the point at which people keep saying “cliff edge”. One of the previous witnesses was asked, “What next?” Well, it is obvious. We will fall off the cliff. That is where we are heading unless we address the matter fairly urgently, in my view.

**Professor Gibb:** We should try to phase in change over years, and do it so that we dampen year-on-year impacts, so that they are not so massively unpleasant either to certain groups or in certain places, if possible. That is the big task in implementation. Phasing in of local control of non-domestic rates over a period of years would, on average across Scotland, bring us to over 40 per cent of funds being raised locally. That would clearly be a big challenge because it is such a long time since local government had power over non-domestic rates. It is a lot to contemplate. However, businesses benefit from local amenities. There are good reasons why business rates all over the world are paid in different ways.

We would certainly favour, for Scotland, a better property and land based tax base. That would have other knock-on effects at macro scale. For example, it could be argued that you could reduce income tax at a certain level of revenue from taxing land and property more—which are the more immobile factors in production—rather than taxing mobile labour. There must be strong attractions to thinking about doing that over a long period.

11:45

Another thing that stands out in international evidence is how few tax powers local government has in the UK compared to cities and other authorities in the OECD, which often have five, six or seven taxes at their disposal. They do not necessarily use them, and they do not necessarily use them extensively, but theirs is quite a different context to begin from.

**Andy Wightman:** Thanks. I hope that this afternoon Parliament will give local authorities one more power—the workplace parking levy. We will see where that gets.

I want to reflect on the political difficulties. You have talked about “wicked problems”. It seems that in the long and slow disempowerment of local government, central Government has embraced the opportunity to persuade the electorate that it can do things that previously it could not. It might say, for example, “Vote for us and we’ll cut the council tax”, even though it is not within its gift to do that and it must persuade others to do it. It might say, “Vote for us and we’ll increase teacher numbers”, even though it is not responsible for that.

Any Government—it does not really matter which party forms the Administration—enjoys the powers that it has, both for political reasons and for practical policy reasons. What is the evidence that empowered local government with substantial autonomy, freedom, power and flexibility, can do things better—at least, in the medium to long term? That is not to say that it would always do everything right, but could local government do things better than the central state can in terms of pulling the levers that you are talking about? Is that evidence fairly settled or is it contested?

**Professor Gibb:** There is also an issue about the time period. A comparison that I think is useful is Glasgow in the 1980s, where the biggest council housing department in the UK voluntarily gave up a lot of its housing to create a community-based housing sector. That was a tremendous success and is still an amazing feat that has not really been emulated elsewhere. It generated tremendous innovation and experimentation, and lots of lessons were learned about future ways of thinking about non-private housing. Even in the difficult circumstances that Glasgow was in in the 1980s and 1990s, it was able to do something quite remarkable that was led by Glasgow, and not by the central state.

That is not exactly what we are talking about. To be honest, I imagine that there are probably examples of both good and bad practice with powerful local states around the world: that is inevitable. That does not mean that we cannot, in the current state of affairs in thinking about setting up structures, give people the incentives and space to be more innovative and creative without doing things that would be less effective or less efficient. I am not really answering the question.

**Professor Mitchell:** The evidence is, to some extent, not consistent. There is literature on Latin America, where devolution of fiscal autonomy to regional government has certainly not worked. Part of the reason for that was that the central state was ultimately not solely responsible for

driving up huge debts and creating major problems. If you are going to move to a more fiscally autonomous structure, fiscal responsibility must be built in. That is one of the big lessons from the Latin American experience. A number of Latin American countries got themselves into difficulty not just through what the central state was doing, but through what the regional states were doing.

In this country, under the current arrangements that would not be possible, because local authorities would not be able to borrow to that extent, although that factor would have to be played in.

That said, in much of Europe people would look at the question that Andy Wightman posed and say, "What are you on about?" Our situation would be alien to their understanding of how governance works. The attitude that I have encountered is that of course decentralisation will work best. I have to say that I am not sure that it has been as tested as it ought to be, but there is a culture that assumes that decentralisation is good in that there is greater participation, greater efficiencies, and greater local knowledge. It is interesting to note that asking the question that Andy Wightman asked tends to be restricted to the UK. It tends not to be asked elsewhere, which might say something about our being very parochial in how we think about governance issues.

I certainly concede that the Latin American experience has to be taken on board. That is where fiscal responsibility comes in. I think that we used the word "responsibility" in our paper. It is not just about autonomy. Just saying, "You can do what you like and if you get yourself into trouble we'll bail you out" is not a good model.

**Andy Wightman:** I am very interested in local government in the rest of the world. Part of the reason why it is generally more successful elsewhere is that it has not changed that much because it has constitutional protections.

**Professor Mitchell:** Yes.

**Andy Wightman:** The point that I want to finish on comes back to preventative spend and a focus on outcomes; it comes back to Professor Mitchell's point that local government has essentially been doing preventative spend a lot of the time. I think that he raised the question of the accountability of primary care to local people.

As parliamentarians, we do not hear much about the local governance review. It has been announced that there will be no major reforms this session. I have seen some papers with little cartoons. Could you give us a flavour of where that is and how committed you think the partners are to seriously thinking about not just local government but the ability to bring in broader

public services such as the police, the health service and all the rest of it to create a genuinely effective framework of local governance?

**Professor Mitchell:** I have been involved in the review, so I come at it from a particular angle. There are different strands to the review. I think that one of the cartoons that you mentioned related to the community empowerment strand. Initially, an attempt was made to get out there, to go beyond the formal structures—the institutions—and to go into the communities. As part of that, a lot of work has been done to gather evidence and information.

In addition, a lot of work has been done with the institutions and local government, in particular. I helped COSLA on that. We wandered off across Scotland and invited lots of people from public institutions to come along. They tended to be councillors and council officials. Police Scotland and the Scottish Fire and Rescue Service were superb in attending, participating and offering views. That was much less the case with health institutions, frankly. My personal view—this might not be COSLA's official view—is that that was really disappointing. Given that it is a local governance review, not a local government review, we must look at health services as well.

As I understand it—this is where the politicians make the decisions, not people like me—it was decided, as you said, that there would not be legislation, but that the review would continue through this Parliament. Different strands of work are under way to look at three different forms of empowerment, following on from COSLA's submission: community empowerment, fiscal empowerment and functional empowerment.

Community empowerment is, I think, fairly straightforward. Fiscal empowerment is what we have largely been talking about today. Functional empowerment is about the institutional structures and what should be given to local government. It involves great discussions about the power of general competence and the relationships between the institutions, questions about which have arisen today.

Work is under way on those three strands. I have been asked to sit on the groups; I have not yet attended any of the meetings. I look forward to seeing where we go with that work. I do not know what the end product will be. I suspect that there will be a series of proposals. The review involves COSLA and the Scottish Government working together. I imagine that the committee will engage with it at some stage. I am hopeful that it will be part of the process that Professor Gibb talked about as regards the changes that will have to be brought in over time. Some of the changes that could be brought in do not require legislation—we could do some things quite quickly.

I want to stress one thing that I think is fundamentally important. If the Government thinks that we could just make progress on community empowerment without touching fiscal empowerment, I think that it is making a huge mistake, because the three strands of empowerment are interlinked. To do proper community empowerment takes resources, time and money. I would fear that we might say, "We'll dump wicked problems into our communities." We must not do that. We must ensure that fiscal and functional empowerment goes hand in hand with community empowerment. That is my view, and that is what I will be arguing for as often as I can in whichever fora I am invited to.

**Annabelle Ewing:** Good morning. I think that we have had a good, wide-ranging discussion. I have two quick questions that follow on from what has been said. How should silo working be tackled? It always comes back to that. There are good initiatives, which are always supposed to declutter the landscape, to an extent, but they seem to come up against a mentality of silo working. Do you see any solution to that?

**Professor Gibb:** A few years ago, we wrote a wee blog about the problems of trying to get people to change the way that they work. One level at which we need to do that is an organisational level. It really does not matter whether we are talking about local government, a charity or any other provider or stakeholder. How do we create incentives for people to want to think preventatively? We need to incentivise that at the starting point. We asked questions about whether, when people recruit new leaders and senior players, they make prevention a key part of the job role. Does that form part of the interview? Do they reward people for behaving preventatively?

There is a cultural issue here. Despite the fact that we talk about it so much and that it is talked about at all levels of government, the silo mentality is such that the culture does not give encouragement for people to be that creative and innovative in the first place. People are not going to find ways round the silo structures and institutions if they are not engaged with the process in a creative way in the first place.

**Annabelle Ewing:** I can see Professor Mitchell nodding. I take it that you agree.

**Professor Mitchell:** Yes, I very much agree. One of the problems is that we appoint to such institutions in silos, we train in silos and we generally work in silos. Often, silos tend to break down in a positive way at the very local level—at the level of engagement with citizens. There, we see people who work in different agencies coming together. As part of the local governance review and the decluttering work, we need to think long

and hard about whether we need to do more there.

I am a strong believer that the three basic tools are sticks, carrots and sermons. There is a lot of sermonising on the need to get away from silo-based approaches, but I do not think that we are giving enough thought to the institutional structures forcing that. As you will gather, we are keen on incentivising and rewarding people as best we can. I have often asked public servants and politicians at senior levels, "When was the last time you saw someone being promoted or promoted someone because of their work on prevention?" The response is generally, "Hmm." I think that that is interesting.

**Annabelle Ewing:** Indeed.

I have a final quick question. In 20 years' time, what is local government going to look like? That is an easy one.

**Professor Mitchell:** Are you asking what I think will happen or what I want to happen? They are not the same thing.

**Annabelle Ewing:** Okay—you can answer both.

**Professor Mitchell:** I fear that we will continue along the same road, with minor changes. I think that there is a lack of political will and that—with all due respect to members of the committee—it is all too easy for party politics to intrude and to get into a blame game. The blame game is damaging to all that I believe in in terms of local governance reform.

On an optimistic note, I also think that you guys will probably work together to come out with some recommendations that are bold, radical and consensual and that have huge influence.

**Annabelle Ewing:** Do you have a final comment, Professor Gibb?

**Professor Gibb:** I am slightly more optimistic than Andy Wightman was about the future of local taxation. In the housing world, which is my other area of interest, we are hearing a lot at the moment about the vision to 2040 and the notion that, in the principles of the new housing system, we will try to stabilise house prices. We need levers to do that, and things such as local taxation and land value taxation are important levers. For the reasons that I mentioned earlier, I think that there is an extremely strong case for shifting the burden of taxation or the nature of the tax base, and I think that more people will become convinced of that.

12:00

**The Deputy Convener:** Thank you very much. Kenneth Gibson is desperate to get in.

**Kenneth Gibson:** I have just one question, but first, I will say that I think that it was the Blair Government that saved Glasgow by writing off the £2 billion debt from the housing stock transfer. Glasgow was drowning in debt and had demolished half its stock, so credit where credit is due. I was very much involved in that and in persuading the Scottish National Party to support that policy. That is why I am no longer a Glasgow MSP.

You have talked about empowerment and baskets of taxes and reform and all the rest of it. If council tax were reformed, 40 per cent of people might win out of that, 40 per cent might lose and 20 per cent might be in the middle. The 40 per cent who win will not necessarily thank you for it. The 40 per cent who lose out will hate you. You can talk about party politics all you like, but any Administration that brought in such a radical transformation would be likely either not to stay in power or be damaged by it, unless there were cross-party support for the reform, which would be unlikely.

The public do not necessarily want empowerment. They would rather have fewer taxes and better services. They see things from a different perspective to us. How do you square the circle whereby you increase local government accountability and empowerment and give local government a basket of taxes without alienating the electorate? Over the last decade, the public have had to suffer austerity and have had very little improvement in their standard of living. They will see just more taxes and charges coming their way for what they perceive as something that is about bins, schools and street lighting. How do we look at it from that perspective and deliver the change that we need to deliver? I think that there is a lot of frustration: we agree that we need to change things, but it is very difficult to do it in practical as opposed to theoretical terms.

**Professor Gibb:** There are a number of things to say. One recognises that that is the depressing reality. Taken to its extremes, it is the problem of a manifesto of Nordic services with American taxes. If we do not make a more positive case for local services and local autonomy and the benefits that that can bring, we are stuck to some extent.

There is lots of international evidence about property tax reform that suggests how difficult it is when we move too incrementally, make only little changes and tinker with taxes. However, if we want to be bolder, there is a whole job of education to be done. There is Canadian research that suggests that the only way to make significant property tax reform is to invest in the persuasion of it. That is about politicians, but it is also about public meetings, town hall meetings and all of those sorts of things.

It is not easy, but that is another reason why these things have to be phased in over long periods of time. Professor Sir John Hills is in the housing and social policy world. Almost every policy reform that he suggested required at least a 10-year phase-in. Obviously, you can do that only with complete political consensus around the reform, otherwise you cannot guarantee that you will get to the end point. It is very, very challenging, but the entropy of the alternative is so bad that we must do what we can to avoid it.

**Professor Mitchell:** When do you make change when you do not have public support? One circumstance is by building consensus and showing leadership—having the guts to lead on the change. The other is when there is a crisis: you fall off that cliff edge. The trouble with the latter is that what emerges is often suboptimal. The change is not as good as it could have been if you had done it by consensus. Perhaps we will get these changes, because we are getting awfully close to the cliff edge that I kept hearing people refer to. It may be forced upon us.

**The Deputy Convener:** Thank you. We have not mentioned Brexit this morning, which is probably a relief, but it is another element of that cliff edge.

Thank you both very much for your thoughtful contributions and answers.

## Subordinate Legislation

### Caravan Sites Act 1968 (Amendment of Definition of Caravan) (Scotland) Order 2019 (SSI 2019/295)

12:04

**The Deputy Convener:** Under agenda item 3 we will consider a negative instrument, SSI 2019/295. I refer members to paper 3.

The instrument is laid under the negative procedure, which means that its provisions will come into force unless the Parliament agrees to a motion to annul it. No motions to annul have been lodged. The Delegated Powers and Law Reform Committee considered the instrument at its meeting on 1 October and determined that it did not need to draw the attention of the Parliament to the instrument on any grounds within its remit. Do members have any comment on the instrument?

**Andy Wightman:** I am delighted that we are going to allow bigger caravans. I think that the people of Scotland should be very grateful to the Parliament. I look forward to bigger caravans.

**Graham Simpson:** I am the convener of the Delegated Powers and Law Reform Committee, which obviously had a look at the instrument. I was surprised to see that bigger caravans are allowed in England than in Scotland. I also wondered who enforces the regulations. I am not suggesting that we delay the decision—it makes perfect sense that we would allow a maximum size of caravans across the UK—but some questions arose.

**The Deputy Convener:** I do not see anyone else wanting to speak. We will pick up that particular comment about implementation and enforcement and seek—*[Interruption.]*

The clerk tells me that the law will be changed such that there will not be enforcement changes, but harmonisation. Does that answer your question, Graham?

**Graham Simpson:** It seems to me that if there is a maximum caravan size, then, if somebody has a caravan that is beyond that maximum size, someone has to take action. That is my point.

**The Deputy Convener:** I think that we should write a letter to seek clarification on that and report back at our next meeting after the recess.

I do not see anyone wanting to speak against the instrument, though, so on that basis I invite the committee to agree that we do not wish to make any recommendations in relation to the instrument, except for that further clarification, which we can seek while letting the instrument go through.

**Members indicated agreement.**

**The Deputy Convener:** Thank you, colleagues. That ends the public part of the meeting.

12:07

*Meeting continued in private until 12:50.*



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