

# **FINANCE COMMITTEE**

Tuesday 13 September 2005

Session 2

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## FINANCE COMMITTEE

### 19<sup>th</sup> Meeting 2005, Session 2

#### CONVENER

\*Des McNulty (Clydebank and Milngavie) (Lab)

#### DEPUTY CONVENER

\*Alasdair Morgan (South of Scotland) (SNP)

#### COMMITTEE MEMBERS

Ms Wendy Alexander (Paisley North) (Lab)

\*Mr Andrew Arbuckle (Mid Scotland and Fife) (LD)

\*Mark Ballard (Lothians) (Green)

\*Derek Brownlee (South of Scotland) (Con)

\*Jim Mather (Highlands and Islands) (SNP)

\*Mr Frank McAveety (Glasgow Shettleston) (Lab)

\*Dr Elaine Murray (Dumfries) (Lab)

#### COMMITTEE SUBSTITUTES

Alex Neil (Central Scotland) (SNP)

Iain Smith (North East Fife) (LD)

Janis Hughes (Glasgow Rutherglen) (Lab)

\*attended

#### THE FOLLOWING ALSO ATTENDED:

Professor Arthur Midwinter (Adviser)

#### THE FOLLOWING GAVE EVIDENCE:

Professor Glen Bramley (Heriot-Watt University)

Norma Hurley (Blake Stevenson Ltd)

Professor Alan McGregor (University of Glasgow)

Professor Matt Sutton (University of Aberdeen)

Professor Stephen Syrett (Middlesex University)

Professor Ivan Turok (University of Glasgow)

#### CLERK TO THE COMMITTEE

Susan Duffy

#### SENIOR ASSISTANT CLERK

Judith Henderson

#### ASSISTANT CLERK

Kristin Mitchell

#### LOCATION

Committee Room 2



# Scottish Parliament

## Finance Committee

*Tuesday 13 September 2005*

[THE CONVENER *opened the meeting at 09:54*]

### Budget Process 2006-07

**The Convener (Des McNulty):** I welcome people to the 19<sup>th</sup> meeting of the Finance Committee in 2005 and apologise for starting slightly late. I welcome the press and public as normal and remind people that pagers and mobile phones should be switched off. We have apologies from Alasdair Morgan, and Wendy Alexander has indicated that she will be joining us but will be a bit late.

Before we begin agenda item 1, I inform members that the Scottish Executive has not announced its review of baseline budgets—we were told that there was to be a review. Professor Arthur Midwinter's paper has therefore been rewritten so that it makes recommendations to the Executive, rather than being a submission to the baseline review.

We are distributed around the table slightly differently today because some experts will join us for item 2. The idea is to mingle them among us, so I hope that when we reach that item, we will each sit next to somebody unfamiliar. I am sure that that is fine—for us, if not for them.

Item 1 is consideration of a presentation and paper about the Scottish budget from Arthur Midwinter. The paper is on decisions that have been taken, the scope for change and possible approaches to the next spending review. Arthur has offered to give us a short PowerPoint presentation, after which we can discuss the issues that are raised. The paper suggests recommendations to the Executive. At the end of the discussion, I would like us to consider whether we agree to send the paper to the Executive.

I expect the item to take about half an hour, so I will try to conclude it by 10.25, when we might have a five-minute break to allow the experts to join us for the next item.

I invite Arthur to give his presentation, after which members will comment.

**Professor Arthur Midwinter (Adviser):** We discussed the paper at the away day, but several members were not at that event, so it was suggested that we should bring it back for the meeting, to give those members a flavour of the thrust of the arguments. The paper was intended initially to kick off the spending review exercise

and to allow us to look back at what has happened, with a view to beginning to think strategically about how the committee would approach the next spending review. Of course, when the paper was nearly finished, the United Kingdom spending review was cancelled. The paper is probably back to its original draft form. We had to amend it halfway through, but we now have roughly the paper that was intended in the first place.

I liked the way that the convener said that I had “offered” to give a presentation; it was the result of severe pressure from a leading member of the committee who is not here today.

I will summarise the paper quickly, because I am aware that people will have read it. The paper examines how the expenditure pattern has changed post-devolution by considering the framework of what I have called committed expenditure. That covers ring-fenced expenditure, demand-led expenditure and contract-based expenditure, which constrain the ability to shift the budget in the short term. That is particularly important, because all the messages from the Treasury are that the next settlement will be tight compared with those of previous years.

The paper also contains evidence that we have brought together on outputs, on the growth in service staffing levels and on output measures to give a flavour of what has happened. I will talk about issues for the spending review of 2000 and whenever. We will have to discuss fairly shortly with the finance ministers the implications for Scotland. I will also examine how the budget will be managed if the budgetary context is tighter.

I move on to what is called committed expenditure. The table on the slide shows that the committed amount has grown since we first undertook the exercise back in 2000; roughly 5 per cent more of the budget is now committed and that is a minimum. The figures contain big contracts that we are aware have been let but, from our discussions with Executive officials, we know of others of which we could not take account.

Unfortunately for us, our friend and colleague Richard Dennis was promoted in the middle of the exercise. I take the opportunity to thank him for his help over the years with such exercises. His promotion left the Executive a person short when we tried to obtain up-to-date information. I hope that whoever replaces him has his combination of analytical skills and Treasury scepticism about spending programmes.

The committed expenditure represents just under £6 billion of the budget that it is very difficult for the Executive or us to do anything about. That figure has risen since 2000.

The public-private partnership figures are different from those that Jim Mather received in a parliamentary written answer. I will explain that later to him, if he wishes.

10:00

We decided to consider the growth pattern over the whole period. Members can see that education does not appear in the list on the slide, because of the complications that result from education spending being spread over three budgets. Roughly, health and transport have done well, while other sectors have received below-average increases. That is reflected in the list of outputs that is in the paper, which shows growth in all the major public professions—in the number of teachers, doctors, nurses, policemen and others.

We tried to find out what happened to the growth moneys. Members will recall that roughly £1 billion a year of additional money has been provided each year for the past five years. That period has experienced the highest sustained growth in public spending. The media have often suggested that much of that money has just been spent on additional pay rather than on developing services, so we went to some lengths to obtain a reasonable assessment. We discovered that the overall increase in public sector pay was roughly in line with the real increase in pay throughout the economy as a whole. Probably less has gone on additional pay than has gone on additional staff. Pay levels showed less growth than I expected.

We disaggregated the growth into developments to existing programmes, which I have called core programmes, and new programmes, of which the paper has a long list. Most new programmes involve funding outside agencies rather than employing staff directly. New programmes have shown considerable growth.

The conclusion is that there has been major service growth and growth in commitments over the period. The paper shows the interesting fact that only a few programmes have been trimmed over the six years. We could find only three or four level 3 programmes for which budgets were lower than they were at the start of the exercise and only one level 3 programme that had been terminated. That confirms the view that, because of the large increment of growth each year, the budget exercise has focused on allocating the increment of growth. We are aware that, this year, the messages from Whitehall and our Minister for Finance and Public Service Reform are that they expect the period of 3.5 per cent real growth to end when the current spending review period ends.

I suggest that if the Executive and the Parliament are serious about taking forward their

strategy, simply to rely on any increment of growth will not be enough. If that amount is to fall, the strategy must be progressed. That will not be possible from the increment of growth or through painless efficiency savings, as they are described. The sums of money that we are being offered as part of the efficient government agenda will not release enough resources.

Two choices are available: to continue the approach of taking the easy decisions on the allocation of the increment of growth; or to conduct a more fundamental base budget review exercise that not only considers the efficiency gains but reasserts priorities and looks at programmes that can be trimmed and cut to allow the real priorities to be progressed. Those are the really hard decisions that, until now, the Parliament has not had to address, because of the budget's high growth.

**The Convener:** The committee has anticipated the last point for the past 12 to 18 months—the hard decisions and the way in which the committee will have to respond to matters will be important defining issues for us.

I invite members to ask Arthur Midwinter questions or to comment on the information that he has given us.

**Mr Andrew Arbuckle (Mid Scotland and Fife) (LD):** You said that the Executive had refused to do a base budget. Is it just timing, or is it refusing to consider it? I know the answer, but I wanted to ask.

**Professor Midwinter:** A review is under consideration at the moment, but the Executive has not yet made any public announcement about it. We learned that a review is being considered after I had drafted my paper arguing for an extensive base budget review.

**The Convener:** If we were to agree the paper in its current format, that could be interpreted as the Finance Committee saying that there needs to be a review of the base budget.

**Professor Midwinter:** That was what was intended in the initial stages, in June, before the suggestion that the Executive might consider such a review anyway came out of discussions with officials. However, there has been no public announcement about it yet.

**Mr Arbuckle:** You indicated that the current proposals for efficiency savings will not be sufficient. Could the Executive consider a more robust series of efficiency savings, as is happening south of the border? Would that option be open to the Executive?

**Professor Midwinter:** The message that I am trying to get across is that you should stop thinking that it can all be done by efficiency gains. You

have to get serious about reallocating priorities, and in some cases that will mean trimming services rather than simply making what are called efficiency gains. I was intrigued by the First Minister's statement last week that the business rate cut would be paid for by £200 million-worth of further efficiency gains. I do not think that it will be possible to release anything like enough money. All the experience of public sector retrenchment shows that to get to 2 per cent or 3 per cent savings on a budget it is necessary to start trimming programmes rather than just looking for what are regarded as more painless savings. I am still sceptical over whether we will get to the figure that is in the plans for the efficient government statement, without thinking that the business rate cut can be paid for through even more efficiency.

I hesitate to say it, but when politicians are talking about things that they call efficiency gains, they are often talking about real savings; it is easier to dress them up as efficiency gains. There is a need for a more robust approach if the Executive is serious about trying to achieve some of the targets that it has set for public services in the longer term.

**Jim Mather (Highlands and Islands) (SNP):** I would like to go back to the efficiency issues. In *The Scotsman* today, Caroline Gardner gives an interview to Peter MacMahon in which she pulls apart the whole efficient government scenario. According to her,

"the tools to measure time-released savings are 'rarely in place' ... there is 'uncertainty about targets' ... some claimed efficiencies are only 'proxy' savings and cannot be properly measured ... assumptions on inputs and outputs, the key test of efficiency, are 'often untested'."

Given that, are we liable to have a £731 million hole in the budget, or will outcomes be inhibited?

**Professor Midwinter:** It would be fair to say that there is evidence that savings will be made. Savings have already been made, as the money has been taken from health and local government and allocated to other functions. However, what Caroline Gardner is saying is more sophisticated than that. If I understand it from how you have repeated it, she is saying that there is no baseline for measuring outputs, and the output measurement is central to whether something is an efficiency gain. Without that, we can measure that savings have been made, because there is a budget baseline for them, but without serious output data we will not be able to demonstrate that there has been an efficiency improvement. I think that that is the thrust of the criticisms, which are similar to what she said when she came to the committee.

**The Convener:** I do not think that there is anything different or surprising arising out of that interview, because it is what she said before.

**Jim Mather:** Without showing or feigning surprise, I feel that—

**Professor Midwinter:** It is a cause for concern.

**Jim Mather:** Genuine concern. In essence, the baseline has to be not so much outputs as outcomes. I have done a lot of reading over the summer and have seen that where people are genuinely serious about making a step change in efficiency they set a consistent aim. That consistent aim is invariably outcome based and in the interests of the common good. One of the things that disturbs me about the current proposals is that I do not see that consistent aim expressed in such a way that people can get their heads round it. A multitude of departments and ministers need to get their heads round it to converge on delivering that outcome.

**Professor Midwinter:** I will have a paper before you next week on that topic, and that will bring us up to date, but I agree with what you are saying.

**The Convener:** We will have the Deputy Minister for Finance and Public Service Reform before us next week precisely to answer questions on that matter.

**Mr Frank McAveety (Glasgow Shettleston) (Lab):** Essentially, the critical problem will be that if we do not identify an assessment base for working out what the outcomes are, then even if we want to make difficult political and economic judgments about projects, there will not be enough analysis to enable us to make the right choices—never mind the fact that, by and large, the natural instinct of all politicians is to try to minimise the pain and maximise the publicity. It strikes me that we will have difficulty in getting there. Even if there were a consensus in the Parliament about going in the direction that you hinted at over the next two or three years to deliver the overall figures, could we be in for a turbulent period in debates among politicians on how to address the issue?

**Professor Midwinter:** It is much easier to get consensus on allocating growth than it is to get consensus on what should be saved.

**Mr McAveety:** A number of us have come from local government backgrounds.

**Professor Midwinter:** You will be used to it.

**Mr McAveety:** I think that there have been two periods of wonderful turbulence in local government. The early 1980s, before I was involved in local government, was a particularly turbulent period, when such decisions had to be made for the first time in a long time, and the post-reorganisation period was also turbulent, partly because of reorganisation but due to other factors too. Can we learn any lessons from that experience, other than the fact that some folk here have survived it? I think that that is a challenge facing any politician sitting in Parliament.

**Professor Midwinter:** The committee's role is to try to ensure that there is a robust, evidence-based, structured approach. I fully accept that you will not get perfect information—politicians always have to make judgments without having all the information that they would like—but we have to ensure that the approach is as rigorous as is possible. We must certainly have an end to ad hocery, like last week's announcement out of the blue about business rates. We have a three-year strategy for the budget, and then out of the blue comes the statement that business rates will be cut. That is totally contrary to the approach that the committee and the Executive have been trying to work up together for the past two or three years. We do not respond in ad hoc ways; we deal in a systematic way with such things.

**Mr McAveety:** I understand the concern about process on that specific issue. The question that I want to ask about the announcement on business rates is about what measurements we can put in place to demonstrate that the business community can deliver the growth outcome that many folk in the business community have argued for rhetorically. It may not be a discussion for today, but it strikes me that that kind of debate will be important. If somebody said to me, "You've got £200 million to find. What would you put it into to try to get growth?" some honest debates could be held about the most appropriate location for that money.

**Professor Midwinter:** I need to be perfectly frank about this. I do not think that £200 million will make a hoot of difference—zilch. We are talking about 0.3 per cent of our gross domestic product being shifted from the public sector to the private sector. All the evidence that we have seen in the past 20 years—during which time there have been three major Government reports, in 1986, 1995 and 2003—suggests that there is no link between the level of business rates and investment and employment. In fact, the First Minister recorded a lot of that in his statement, and then went on to announce the decision anyway.

The figures for the post-devolution period show that the Scottish business share of the business rate taxes across the UK, relative to England, has been falling since 2000. Part of the problem is the obsession with the rate poundage, which is only half the equation. People are not looking at the whole thing. It is the bills and what people pay in rates that matter. I am not convinced that the cut in business rate poundage will have any impact. A great deal of research into the matter—including reports by the Thatcher and Major Governments, as well as the Executive's report of a few years ago—has been done.

10:15

**The Convener:** We are getting away slightly from where we should be.

**Mark Ballard (Lothians) (Green):** My question relates to some of the previous discussion. The first sentence in the penultimate paragraph of your paper states:

"This will also require a fundamental reappraisal of spending priorities by the Parliament's Subject Committees".

That seems to be the key point in the paper.

Unfortunately, I was not able to attend the committee's away day, at which the issue may have been discussed. To what extent should the reappraisal be concerned with the importance of priorities and the need for them to be more rigorously applied, and to what extent should it be an exercise in setting priorities? I understand why, for reasons of political expediency, a cut in business rate poundage may have seemed like a priority to the First Minister in last week's debate on the Scottish Executive's programme. However, you make the point well that it does not measure up against the overarching priorities of the Parliament, such as increasing employment and sustainable development. How do you see the reappraisal of spending priorities working?

**The Convener:** You may be pushing Arthur Midwinter into a political arena in which it is not fair to put him. It is fair to say that the subject committees will have decisions to take about how they respond to the situation. There are choices to be made. It is not for the Finance Committee to set parameters. All that we can do is say that there is a budgetary constraint or backdrop to which committees must respond.

**Professor Midwinter:** Mark Ballard summed up the point that I was trying to make. I am seeking a more rigorous approach to setting priorities. Next week I will submit a paper to the committee that points out that 119 priorities are set in the draft budget. As we have said in the past, that is far too many for the exercise to be meaningful. Almost any area of expenditure could be justified under those priorities. If the cake is no longer growing as fast as it has been and we are still trying to meet the same objectives, there must be a rethink and a systematic reordering of priorities. It is not for me to say what the priorities should be—that task falls to you as politicians. My point concerns the way in which the budget should be managed. I am quite clear about the fact that we will fail in our task if the number of priorities is not reduced and if budget decisions are not more closely focused to reflect those priorities.

**Mark Ballard:** You are seeking a reappraisal of the way in which we deal with spending priorities, rather than something else.



**Professor Midwinter:** Both the Finance Committee and the other committees of the Parliament need to take part in such a reappraisal. For the four years in which I have been involved in the process, we have worried about how to spend the growth moneys. Now we will make advances in some programmes only if resources are reallocated. That requires committees to ask themselves what their top priorities are. In some departmental spending chapters, every programme that is identified is described as a priority. I am getting into next week's paper on this year's budget. Basically, I argue—as the committee has argued—that there need to be fewer priorities to ensure that resources are targeted on the areas that the Parliament wants to support.

**Mark Ballard:** I know that before I became a member of the committee it raised several times the issue of the sustainable development cross-cutting priority. How does that relate to the notion of our reappraising budget priorities?

**Professor Midwinter:** Sustainable development is listed as one of what the Executive calls cross-cutting themes of the budget. Occasionally those themes are called priorities. We want to see a framework developed that provides as much support as possible for agreed priorities. We have not yet reached the point at which departments' spending proposals are clearly linked to the overarching priorities. We have all wanted to push the Executive in the long-term strategic direction of linking its proposals to overall priorities. However, at the moment there are too many priorities. We have not gone as far as I would like.

**Dr Elaine Murray (Dumfries) (Lab):** Like Frank McAveety and Des McNulty, I am one of the people who survived the turbulence of the 1990s. When I look back on that period, it strikes me that the difficult discussion that we must have about what Government no longer does will have to extend beyond the subject committees. It is not just about the subject committees saying that in health we do one thing but not another. We may decide that there are whole areas of work that we will no longer do and that we will put much more money into doing something else. That is a more profound discussion than even the committees can have. There needs to be a public angle to the discussion, because people expect Government to do everything. Whenever anything goes wrong, they ask, "Why doesn't the Government do something about it?" Whatever Government is supposed to do about it usually involves spending taxpayers' money, so if the discussion is to be successful, it must be quite fundamental. I do not know how that can best be progressed within the available timescale.

**Professor Midwinter:** One of the advantages of the postponement of the UK spending review—

presumably, the same will happen here eventually—is that it gives members more time to think about how they want to handle the issue. It is properly the duty of subject committees to examine the priorities among the programmes within the portfolios for which they are responsible, but the much tougher, more complex task is the overall one of deciding how programmes meet the overarching strategic priorities of Scotland. The year's grace that we have been given will allow us to think about how to do that. Next week we will consider a paper about issues that will come before the committee in the budget process on which we are about to embark.

**Derek Brownlee (South of Scotland) (Con):** I do not want to encroach inadvertently on next week's debate. However, when I was going through your paper and the budget document to which you referred, I was struck by the fact that the quality of information on spending seems to vary between departments and spending programmes. You talk about our carrying out a baseline spending review. Would you expect a significantly higher quality of financial information to enable the Finance Committee and subject committees to have a more detailed look at what individual spending programmes entail?

**Professor Midwinter:** We have had a long debate about the issue that you raise. You have come into the Parliament during what we call a light year in the budget process, because the big decisions were taken last year, at the time of the spending review. There used to be more information—another 50 pages—in the budget document than there is now. However, members said consistently that information from the April document was being repeated in the draft budget. We have tried to sanitise the system, so that the strategic decisions are taken at the time of the spending review. This year's budget document is meant to be only fine tuning. That is why it contains less information than you expected, coming in from the outside. There are no additional moneys, as the three-year allocations were made last year. We have asked departments simply to report to us the changes that have been made since then, so that proper parliamentary authorisation can be given. That is why the budget document does not contain the full amount of information that we would normally get at the time of a spending review.

**Jim Mather:** Earlier you used a throwaway line that grabbed my attention. You referred to the relative tax burdens in Scotland and elsewhere. Could you expand on that point?

**Professor Midwinter:** I was referring to the amount of money that is raised from business tax in Scotland compared with the amount that is raised in England. I can send you a table with that

information. It is not something that is due to come before the committee—I was working on it in another context. Because of the revaluation exercise, property values rose less here than they did in England. What matters is how the Executive decides the outcome, and that requires it to consider the poundage and the valuation. The sums of money raised at the end of that process have been falling relative to those raised in England. At the start of the process, the difference in the relative tax burdens was 11 per cent; it is now 10.2 per cent and it has been dropping every year. Interestingly enough, the number of rated properties in Scotland rose during the same period.

**Jim Mather:** Is that the number of physical properties?

**Professor Midwinter:** Yes. That is what we would expect to be roughly in line with past levels of economic growth. Presumably, the number will be rising faster in England. From my background, I think that it is a bit difficult to have a serious discussion just about the rate poundage.

**Jim Mather:** Sure, but you used the word “complex” earlier and there is an element of complexity given that the economy down south grew at 3.1 per cent and ours grew at 1.9 per cent. That 3.1 per cent might reflect itself in considerably different profits for individual businesses beyond that gap and thereby result in—

**Professor Midwinter:** The assumption is that setting the same rate poundage will lead to something called a level playing field and that is just nonsense.

**Jim Mather:** I agree.

**The Convener:** We will stop the discussion on item 1 and break for four or five minutes to allow our witnesses to join us.

10:26

*Meeting suspended.*

10:35

*On resuming—*

**The Convener:** I reconvene the meeting. Before we finish with item 1, I ask that members endorse the transmission of Arthur Midwinter’s paper to the Executive as the committee’s view. Are members comfortable with that?

**Members indicated agreement.**

## Cross-cutting Inquiry into Deprivation

10:35

**The Convener:** Agenda item 2 is our inquiry into deprivation. I welcome the experts who have joined us—they are intermingled among members. Let me remind participants of the inquiry’s remit:

“To review Executive spending on deprivation, and to assess the efficiency and effectiveness of such expenditure and its coherence and consistency as cross-cutting issues, and to make recommendations, where necessary, to improve Executive performance.”

That rather condensed remit essentially says that our inquiry should look into what the Executive is spending on deprivation, consider how that money is allocated, determine whether the money is being used effectively and identify any mechanisms to make improvements.

To begin with, we commissioned Professor Glen Bramley—who is two to my left—to produce some research, which has been circulated to members along with today’s meeting papers. After Professor Bramley has given us a brief introduction to his research, members may ask questions about his report. At around 10.50 am, we will start our round-table discussion. I will give the rubric of how that should be done at that point. If members are agreeable, I am happy to proceed in that way.

Although I could go round the table identifying the backgrounds of the various experts present, I propose not to spend any time doing that, as members’ papers provide those details and we all have name-plates in front of us. When we come to the round-table discussion, we can just roll on with things. Therefore, if the expert witnesses who are with us can take their introductions as read, that will be helpful. I ask Professor Bramley to speak to his paper.

**Professor Glen Bramley (Heriot-Watt University):** My paper begins with an executive summary, which is probably what I will speak to. The paper attempts to provide an independent review of the Scottish index of multiple deprivation, as requested by the Scottish Parliament information centre on behalf of the committee.

The paper’s main aim is to assess the construction and application of the Scottish index of multiple deprivation, including its statistical validity and its appropriateness as a mechanism for targeting resources on deprivation. I underline the fact that the paper is essentially a piece of desk research or a second-order review; it is not primary research or an attempt to create an alternative index. I also emphasise the fact that the paper’s focus is very much on the index of multiple deprivation, which is obviously a lot

narrower than the remit of the committee's inquiry. Therefore, the paper will be only one input into the committee's cross-cutting inquiry rather than a general report to support the whole range of issues that the committee might want to address.

The 2004 version of the SIMD is intended to identify those areas in Scotland—small areas—that are most deprived. The index is based on 31 component measures, which are grouped together into six domains or broad categories of deprivation: low income, employment, housing, health, education and skills and geographic access. Identifying small areas that have the most concentrated and multiple deprivation is the primary purpose of the SIMD. For that primary purpose, the SIMD is an effective measurement. It is also an improvement on previous deprivation indices that were available in the 1980s and 1970s. Therefore, it is not the first attempt at measuring such things but simply the latest round of such attempts. The SIMD might be called the third generation of such indicators.

Any broader review of how deprivation should be measured and of what its policy implications are will conclude—this is not an original conclusion, as it was also the conclusion of a review by the Scottish centre for research on social justice a couple of years ago—that small-area measures need to be complemented with additional measures that focus more on individuals, groups and themes. Most of that effort will probably be directed to developing national surveys and other sources as complementary measures. There is a feeling that more investment is needed in developing that part of the agenda in Scotland.

Although deprivation indices such as the SIMD are particularly helpful for targeting selective area-based programmes that tackle the types of problems that can be compounded by area concentrations, they can also serve wider purposes. For example, they can provide information for the policy and research communities and they can be relevant for allocating resources, both in special programmes and, potentially, in mainstream programmes. They can also be valuable for monitoring policy outcomes, such as whether the wider targets that have been set are being achieved.

However, although the SIMD contains much information that is useful for those wider purposes, some of the procedures that are used to construct the index and some of the ways in which the information is presented make the index less helpful for those wider purposes than for the narrower purpose of identifying the most deprived areas. For example, the SIMD puts an emphasis on ranking areas and transforming information into rankings, but I have reservations about the

usefulness of that for wider purposes. There are also issues with some of the procedures for handling the small numbers that need to be dealt with in looking at particular data zones, such as particular problems in areas that have relatively small populations. Such statistical problems need to be dealt with, but the way in which they are dealt with by the SIMD is perhaps questionable.

It is unfortunate that the SIMD is not designed to be easily aggregated from those smaller areas to medium-sized areas. Many people in local authorities tell me that they would like to be able to do that more easily. Critically, for monitoring how we are doing, the ability to measure change over time is a key requirement that we should look for from such systems. At present, the SIMD does not meet that requirement, which perhaps needs to be included in the brief for future work.

From the point of view of resource allocation, which is the particular focus of the committee's inquiry, we need to be able to say how much more deprived—whatever we take deprivation to mean—one area is than another. That is the key question that such a measure needs to answer if we are to use its information for mainstream resource allocation.

The process of producing the SIMD is pretty transparent and open and involves a lot of consultation at different stages. Inevitably, some measures are included while others are not, mainly because of the availability and reliability of the different statistical information. I think that everyone is agreed that the current index is a bit uneven in its coverage of issues. We know that there are big gaps in respect of crime and community safety, for example. The issue is about getting the data into shape.

10:45

All indices that focus on small-area concentrated deprivation do not highlight—and certainly do not give much weight to—deprivation that is not geographically concentrated. The SIMD is no exception. The general situation in rural and island areas in Scotland is that deprivation is not sufficiently concentrated to show up on the SIMD's radar. It is therefore understandable that local authorities and agencies in those areas of the country do not think that the index helps them very much, but that is a fundamental characteristic of it.

The SIMD and related measures play varying roles in the allocation of resources in a number of programmes. Some of those programmes—such as the housing investment programme—are medium sized, but others are quite small in respect of resources. Questions have been asked about whether the SIMD has been appropriately used in some instances—an example is the

supporting people programme. However, I emphasise that the money that flows to deprived neighbourhoods and groups is not only influenced by the use of the SIMD, which may be rather marginal in some ways; other factors influence where resources go.

I have been involved in research that has attempted to measure where mainstream resources go at the neighbourhood level in England and Scotland. The general conclusion of that research was that the most deprived areas receive more resources per capita, the most affluent areas receive fewer resources and the areas in between receive pretty similar treatment—that is a broad summary of the situation.

There are many reasons for that. A lot of money goes on benefits and, if deprivation is measured with respect to people who receive benefits, that will be a main reason behind the fact that a deprived area receives more resources. Such areas have many problems and the purpose of a lot of the spending is simply to try to plug the gap or to respond to those problems, whether through policing, housing regeneration or whatever. Therefore, the conclusion is not totally surprising, although the money is not necessarily consciously directed through the formulae that are used to distribute mainstream programmes. One must be aware of those general points when considering the wider picture of resource allocation and deprivation.

**The Convener:** Thank you very much. Members who have technical questions about Glen Bramley's report should ask them now. We will postpone the more general debate until the round-table discussion.

**Jim Mather:** I do not know whether I have a technical question, but I would like some clarification. It would be helpful to get a colour-coded version of figure 5 on page 41 of the report so that we can unscramble the data. It would also be helpful to find out whether spending on economic development could be factored in, so that we can get a feel for what is being done to remedy the situation in the long term.

**Professor Bramley:** I am sorry about the figure, which appears in colour on the Microsoft Word version. I do not know whether the committee's budget runs to colour printing.

Only certain services were selected for the study—we were not able to consider all categories of expenditure—and economic development expenditure, which is in any case a bit diffuse and complicated to analyse, was not directly included. However, spending on training, which might be seen as part of the training programmes, was included.

**The Convener:** You say two or three times in your research document that the SIMD is perhaps particularly useful—and has been used in particular—for targeting areas for special initiatives. At least a couple of the indices do not seem to be particularly relevant in that context.

The implication of what you say about the geographical issues in relation to identifying disadvantage in rural communities is that there are not many area concentrations of deprivation in rural communities. The evidence is that the information that we get from the index is different from that which we receive from other indices. Is the SIMD a mechanism through which we should try to measure rurality issues? I am not saying that those issues are not relevant, but is that mechanism the best way of measuring them in numerical terms?

I am interested in the fact that the index identifies need, in a sense. It identifies the extent of deprivation, some of which is relative, but there are absolute measures, such as morbidity and mortality in the health area. The index does not measure the effectiveness of the use of expenditure. In other words, it gives an idea of where the most needy places are, but does not give a mechanism that identifies how appropriate or useful the intervention that has been applied—which may not be in the indices that you have identified, but may be a community work intervention or something of that kind—has been in changing the conditionality that has been identified in the SIMD.

**Professor Bramley:** There are two questions there. The geographic access domain's full title is "Geographic Access and Telecommunications domain", but there is nothing about telecommunications, so that word might as well have been deleted from the title to make it shorter.

There is no complete consensus about whether it is appropriate to include the access domain, although there is broad support for doing so. The rural communities would be even more outraged by the use of the index if there was not that one major concession to their perspective and situation through having such a domain in the index. It includes some measures of access to a number of representative service facilities, which seems to be a reasonable approach as far as it goes.

In the current version, that information is not combined with information about car ownership, for example. One might expect a little more targeting on the people for whom distances and access would be particularly problematic and things could be developed further in that direction. Perhaps it is inevitable that the domain has an inverse correlation with all the other domains, which are more related to concentrations of poverty and so are more of an urban phenomenon

in Scotland. The index essentially accepts that there is more than one aspect of deprivation and it tries to measure that. It so happens that the geographic access dimension is very different in its geographic distribution.

**The Convener:** If there is a sparsity dimension to access to services, for example, would that not be more appropriately included in a local government multiplier that takes account of the costs of delivering those services rather than in something that is geared towards measuring area deprivation? That is what I was trying to get at.

**Professor Bramley:** It depends on what you mean by “area deprivation”. The Prime Minister has said that people should not be disadvantaged by where they live, or something like that. Under such a broad rubric, it is perfectly reasonable to argue that a person can be deprived and that living in a remote rural area in which access to a range of services is quite difficult can have adverse consequences for their life chances. That is a disadvantage. If that is then compounded by joblessness and other factors, a person will be multiply deprived in the way that an urban resident can be and they may be additionally deprived relative to an urban resident. That is a perfectly reasonable argument.

The reality is that deprivation has a differing geographical distribution—it is not well correlated. Whether that factor should be in the mainstream resource allocation formula for local government spending is a big question, which I guess the committee will address during its inquiry. It is the same as the question whether the urban concentration should be reflected more or less in the formula. Should there be a multiplier or mark-up in the social work formula or the education formula? There is a case for that and I will comment on it if you want me to. In principle, the issue is the same.

You are broadly right that the index identifies need. You might want to interpret some of the indicators as being measures of outcomes but, as with all measures of outcomes, they are not solely attributable to the public services or public interventions. In fact, they may be more attributable to other things that the public interventions find difficult to reach. In the case of morbidity or mortality, people's diets and lifestyles, the conditions in which they have worked and the stresses of their life may be the key factors. Public interventions through health services or other provision may be at best marginal or may alleviate those conditions rather than fundamentally changing them. You could call the indicators “needs” or you could call them “outcomes”.

To be positive, the SIMD and similar exercises provide us with a lot of extra information and evidence that can be fed into research that is more

specifically geared to evaluating the impact of policies, because they can provide evidence on local conditions that constrain or affect the effectiveness of public services.

I have done a lot of work on educational attainment in which it has been valuable to be able to combine the information that we get from administrative systems—such as the Scottish exchange of educational data system, or ScotXed, that is being developed and local systems such as Phoenix software, which measure information about pupils and schools—with information about the neighbourhoods in which pupils are living and the background conditions. That provides a better picture of what influences attainment in schools and the information can be fed into the research. That is what I meant by the wider uses of the index, but I have to say that those wider uses would be better served if the data were not, if I can put it this way, mucked around with quite so much and subject to the limitations about disclosure and so on that go with very small areas.

**The Convener:** We should move on to the round-table discussion and get into some general issues. The object is to have a discussion rather than a question-and-answer session such as the one that we have just had. I suggest that contributions should be made one at a time through me, otherwise we will end up being a bit of a rabble. People should indicate to me if they wish to speak. The discussion is open to members and experts to ask questions of one another or to make general comments, if that is what they want to do.

There are four broad questions in which we are particularly interested. I suggest that we use the time available—about an hour and a half—to deal with those questions. First, what are the most effective types of funding in tackling area deprivation? Secondly, what are the major financial barriers to tackling area deprivation and what types of action can overcome them? Thirdly, what are the best ways of allocating funding for deprived areas and how can the benefits of available funding be maximised? Finally, how can the people most affected best be involved in funding decisions?

We want to deal with those four broad issues. We should pitch into the first one: what are the most effective types of funding in tackling area deprivation? I am thinking whom I could put on the spot. Given that he is next to me, Alan McGregor might be a good person, as he has many years of experience of the issue.

11:00

**Professor Alan McGregor (University of Glasgow):** Although I have been invited to the

committee as an academic, a lot of my work is practically oriented, so I see the issues from a number of different angles. I have been a board member of Castlemilk Economic Development Agency for 15 years. The agency is charged with regenerating a housing estate with a population of 20,000 on the south side of Glasgow, so I tend to see things partly from that perspective.

I will raise a few practical considerations about the most effective types of funding. The first is an old chestnut, which is partly to do with timescales. When one is out there doing the business, there are still many complaints about short-term funding. For physical projects, funding tends to be on a longer-term basis, but the more that we get to the human services, such as training, the more the money is released on a short-term basis.

If anyone thinks that that is yesterday's problem, I point out that I am currently doing a piece of work in a place that will remain nameless to try to advise people on how to spend £3 million this financial year—due to an underspend—on issues of addictions and worklessness. That does not lead to a good use of money in the area regeneration sector: people scramble about looking for projects and services that can be quickly resourced to get the money out the door. We need seriously to consider the timescales issue. Apart from anything else, the organisations that deliver services to short timeframes have less incentive to invest in capacity in their staff and in the development of a service.

A second important issue is that we have always tended to be comfortable—it is partly the nature of the beast—with spending a large amount of money on a housing unit or a physical development, whereas we shudder at the idea of spending more than £3,000 or £4,000 to get a long-term unemployed person into a job. There is an irony in that, because in many ways it is a lot easier to throw a house up, although a lot of materials and labour are involved in that, than to take an individual or a household from a state of long-term worklessness into sustainable employment. We must revisit how we spend money on area regeneration and how we allocate the money across the major blocks of spending.

The third issue is that money flows into area regeneration from lots of different sources. Some of it comes through the Executive, some of it comes partly through the Executive and partly through Europe and some of it is sourced through national agencies such as the Department for Work and Pensions. Money comes in from a variety of sources, but there is rarely an appreciation of the fact that there are different funding streams, which can affect whether more money might be allocated to one area or another.

More important, there is a failure to integrate effectively the spend and the services that flow

from it in the areas that we are trying to regenerate. The silos that exist in national organisations tend to find their way down to local organisations in one way or another. Funding systems should be aware of the other funding streams, so that we work to maximise the value of the funding for the purposes of more sustainable regeneration. Those are a few practical observations to kick off the discussion.

**Mr McAveety:** If I am picking up elements of Professor Bramley's contribution and the report properly, there may be an echo of the point that Alan McGregor alluded to at the end of his comments. It is about individuals who find themselves located in areas that by any index would be identified as being deprived—in some cases, in urban parts of Scotland, a substantial number of people are concentrated in one area. The concern of colleagues throughout the Parliament is how the index can accurately reflect deprivation in island or rural communities.

How do we break away from putting money into area deprivation that can be tied up with bureaucracy and structures, whether of the Department for Work and Pensions, the Executive, local government, the voluntary sector or special projects? It strikes me that it is about getting the basic schooling right pre-five, through commitment, targeting and identifying families early, so that we know how to try to provide the support. Individuals will still need to make choices about what they do with their lives, but they will at least have some support structures. The vast majority of people will get through life, but there are folk who fall off, whether they live in island Scotland or urban Scotland. What mechanisms do our agencies have through which to try to make a change?

This is a hell of a difficult topic, in terms of definitions and details. Forgive me if I find some of the stuff incredibly difficult to process—maybe that is why I am not a professor. You are dealing with some very complex issues and trying to distil them. In an area such as central Glasgow, how we shift resources or how we shift what we do with existing resources is what will make the real difference in tackling deprivation. If I can get even a sense of that this morning—I do not know whether I will—I might benefit from it.

**The Convener:** We will try to get three or four contributions on that.

**Norma Hurley (Blake Stevenson Ltd):** It seems to me that what does not work is having a number of short-term, separately funded initiatives, as Alan McGregor said. One of the major problems is that those cannot be measured: there are no standard measures for outcomes and performance. For example, the working for families fund, the changing children's services

fund and surestart are all channelled towards and focused on children, but there are totally different measures for them, although they are all funded through the same source, and there is no coherence across the board—nothing that says, “What we are trying to do for individuals is to achieve a certain outcome, and here is how we are going to measure it.” Therefore, it is hard to see value for money in those initiatives, far less their effectiveness in terms of the outcomes for the children and their families.

My feeling is that, if we could change the mainstream services to make them much more responsive, more coherent and better planned, and if we could build in much better quality measures of what they are trying to achieve and what the outcomes are, we would get away from some of the confusion and overlapping that exist at the moment with these special initiatives, which may or may not be working. The problem is that we do not know enough about the outcomes, as the data that we have are all input-based, based on measures of deprivation. Of course, those are very important, but there is very little output measurement and what there is is not coherent.

There needs to be more local planning, with development of a community partnership approach and local collaborative structures that are based on the needs of the individuals. That is what it is really all about. We can measure deprivation in terms of unemployment, poor health and all the rest of it, but the work that we do in interviewing and conducting focus groups with people who live in deprived areas shows that much of their deprivation is to do with lack of knowledge and lack of awareness of what is going on. Even if there is funding, they do not always know that it is available. They may have a lack of skills in handling the system and a lack of understanding of how the system works, or a lack of confidence in engaging with the system.

Deprivation is not always material deprivation, but it is incredibly hard to assess non-material deprivation. The only way that we can help people to help themselves is by addressing some of the softer issues and tying those in with a much better planned response at a local level.

**Jim Mather:** I am very taken with what I have heard so far today. One thing strikes me regarding the index, especially in a rural and Highland context. My experience is that rural Highland Scotland exports its deprivation in the same way as it exports its unemployment. People do not stay unemployed or with a job in McDonald’s in Fort William when they have a degree; they get up and go.

There is a cry from both Norma Hurley and Alan McGregor for common aims and a more consistent approach. I welcome that enormously. I

am also interested in what Alan McGregor was saying about getting people back into work. I do not know whether any of you saw “Newsnight” last Wednesday night, in which the Shell Foundation commented on poverty initiatives in Africa. It talked about the creation of a poverty industry and said that accountability for achieving economic growth should be paramount because that, at least, will start to tackle the core problem and, hence, the source of the deprivation.

**Professor Stephen Syrett (Middlesex University):** One of the key tensions is the relationship between the funding of central Government mainstream programmes and the funding of area-based initiatives. Despite research, there is often not much clear evidence on the relationship between the two.

There is a danger in going down the route of having too many area-based initiatives, as the types of money and funding that are available for those are incapable of tackling the problem. Mainstream funding programmes bring the majority of resources into deprived areas, and that is where a large amount of the emphasis needs to be. However, the fact that area-based initiatives have evolved over time is partly a result of some of the problems of national programmes and their failure to deliver in some of the most deprived areas. They have failed to engage with local areas and take-up of, for example, some of the training schemes in some areas has been very low. The relationship between area-based initiatives—and the extent of those—and the key role of national programmes is an important issue in thinking about delivery.

There has been a proliferation of area-based initiatives, which few people speak in favour of. The confusion on the ground, the amount of bureaucracy that that creates and the short-termism seem to be not helpful to anyone; however, if the rationale for those initiatives is clear, they do have a role as experimental and pilot projects. That issue needs to be at the heart of some of the discussions.

**The Convener:** It strikes me that there is an awful lot of sloppy thinking going on about poverty alleviation and area regeneration activities. Often, it is not clear that the resources that are allocated are geared towards delivering a specific outcome or are adequate to allow an outcome to be delivered.

There are some very good examples—Castlemilk might be one—of places where a range of people with appropriate expertise are developing a plan and a framework for transforming an area. However, there are many examples of money being invested in an area without appropriate expertise or a clear vision of what change it is intended to bring about. If the

money comes in without the infrastructure on the ground to make effective use of it in the first year, about 12 to 18 months of a three-year funding period can be wasted while people get to grips with things. Also, there is often no effective exit strategy to deal with the withdrawal of that funding stream. For example, some areas of Glasgow have received help over a period of time but nothing has fundamentally changed; yet, other areas of Glasgow have shown significant changes. I am sure that that has happened elsewhere in Scotland.

We need to identify where there have been successes in achieving transformations—where the money has been planned, co-ordinated, geared towards a target and properly monitored—and where the money is not being delivered effectively. That might be an appropriate role for the Finance Committee to take on.

Another issue that I want to highlight arises from something that Alan McGregor said at the beginning of his contribution. Like him, I have been involved with dealing with worklessness over a long period, especially as a director of the Wise Group. One of the difficulties that the Wise Group and other organisations that work in the field face is that their method of funding is almost specifically geared towards denying them the capacity building that they need as a third-sector organisation. They are always further down the food chain, dependent on funding decisions that are made by others, which may sometimes be erratic and inconsistent in achieving the objectives. The Wise Group is not unique in being in that position.

If we are to make third-sector organisations effective in supporting area regeneration or—as is more the case for the Wise Group—the development of individuals, we need to provide a more structured funding regime that, as Alan McGregor said, makes the funding mechanisms more aware of each other, provides a measure of continuity and is fair. One of the problems with regeneration is that success is penalised rather than rewarded—once something positive has been achieved, instead of recognising that a valid outcome has been delivered, the funders look for ways of squeezing the money that is available. Government needs to be much more honest, both about what it seeks to achieve and what can be achieved and about how it supports organisations to make such achievements. In my view, for the Government to say that it has allocated money to certain areas and that it hopes that something good will come out of that is not a proper recipe for delivering change.

11:15

**Professor Ivan Turok (University of Glasgow):** There is a long history of confusion

about the rationale for area-based working that goes back to a period when area initiatives were more about being seen to be doing things in poor places than they were about being sincerely committed to addressing the problems.

Under development activity that genuinely seeks to resolve problems, I would include human development, training, capacity building, education and economic development. A key issue is how we define such small areas. In the past, they have been defined tightly and narrowly, which has constrained what could be done to resolve the problems. If an area is defined as deprived purely because it is a poor residential area, that excludes any development opportunities in job creation and results in an emphasis on housing. Such an emphasis, rather than a jobs emphasis, has characterised area policy in Scotland going back to the 1970s and that has been a major weakness.

I would distinguish between an approach that is based on the alleviation of poverty and one that is based on genuine development, which takes longer-term funding, has job creation at its heart and is a more expensive business than throwing money at poverty.

**Professor Syrett:** I want to pick up on points that Ivan Turok and the convener made. It is extremely important that we think about deprived areas in their wider context, especially in economic terms. Some of the work that we have done on the neighbourhood renewal fund has identified the danger of area-based initiatives. The focus on very small areas means that many of the economic initiatives tend to have a narrow focus and so are highly ineffective, because the economic problems are much wider and solutions are rooted in much wider change.

The convener said that some areas have been transformed while others have not. There is a good chance that the transformation that has taken place has nothing to do with public policy, but was largely to do with such factors as changes in the labour and housing markets, on which public policy has a marginal impact. From an economic development perspective, it is important to concentrate on the wider changes to tackle the roots of problems in deprived areas. This is my area of expertise, and something that has come through in our recent work is that it is vital to root strategies that are aimed at deprived areas in activities that are carried out on wider spatial scales. That was probably the point that Ivan Turok was making.

**Professor McGregor:** I want to come back on the points that Ivan Turok and Stephen Syrett have made. We recently completed a study that examined developments on the south bank of the Clyde and the potential for linking those developments to the areas in that part of the city



that require regeneration. We are about to start a similar study for the north bank of the Clyde.

It is clear from the first study that we still have highly primitive notions about the process of linking job generation opportunities and need in deprived areas. I keep forgetting that I worked on the Glasgow eastern area renewal project—the GEAR project—which started back in the 1970s; some of you might have studied it in history at school. It was a major urban renewal project of its time but, for a variety of reasons, it failed to get the job benefit linked into the development opportunities that were being created. That has been the history in many patches.

We still have problems. Scottish Enterprise is considering developing a thing called linking opportunity and need—LOAN—and there are debates about whether extra resources are needed to deal with the issue. The point about development opportunities is that, often, they come with a relatively short window of opportunity. You need to be able to mobilise significant resources in anticipation of that window of opportunity and during the process in order to leave something behind and raise the amount of economic capture for the more deprived communities. We need to understand that, if we do not put in the supporting physical and human resource development infrastructure, we will lose the opportunity to do so and we might not have such an opportunity again for a considerable period of time.

The second thing that has come out of our work is not so much a funding issue as something that funders should be aware of. When we drilled down on the issue relating to the south bank of the Clyde, we found out that, in effect, no one had clear responsibility for linking opportunity and need. People literally sat around a table, pointing at other people who were sitting around the table, saying “It’s not us, is it not them?” The Scottish Executive is involved in the waterfront developments in Glasgow and, if funders are going to put significant amounts of money into them, processes, management systems and people with clear responsibilities for ensuring that the money is spent effectively will have to be in place.

**Dr Murray:** I want to comment on the urban/rural dimension. Further, some of the analysis is beneficial in relation to the identification of communities that are deprived. Obviously, someone who is brought up in a deprived community will have worse life chances and lower expectations than someone who is not. It looks as though tackling even that issue will be difficult.

However—and this ties in with what Jim Mather said—in rural communities, people of working age can move away, which means that, quite often, the

people in those communities who are deprived are the elderly. I do not feel that there is much in the indicators that reflects poverty and deprivation among elderly people. I can illustrate that briefly with a local example. Dumfries and Galloway was one of the supporting people initiative pilot areas and part of the money was used to support elderly people in rural communities. Using the indicators, it was difficult for the local council to illustrate that it had been successful, but the anecdotal evidence suggested that, given the way in which people had been supported by the voluntary sector and so on, the funding had been successful, although there was no way of monitoring that. To an extent, that ties in to what was said about the drive time to the supermarket. If you are an elderly person who does not have a car or who is unable to drive a car, the drive time to the supermarket does not make a lot of difference to you—I realise that I might sound as though I am about to join John Swinburne’s party.

I think that the indicators are useful in urban settings but I am not sure that they are quite so useful in relation to solving the problems of people in rural communities.

**The Convener:** We should perhaps move on to the second question. What Dr Murray has said reflects what I was saying earlier about the fact that it does not make sense simply to add a rural dimension to a system that is geared towards providing an area deprivation framework. If we are to deal with the vast rural dimension, we will have to deal with it at the level of individuals rather than on an area basis. Perhaps that is something that needs to be captured.

To draw together what has been said on effective types of funding, there is a feeling that funding streams need to be more explicit to ensure that we know where the money is coming from and that the approach should be long term and consistent.

To pick up Alan McGregor’s point, we need to have flexibility so that we can take advantage of opportunities that arise. There needs to be ownership by an agency or agencies of responsibility for delivering funding. The experience of people round the table parallels my experience of trying to get agencies to accept responsibility. I managed to do it, but it took a long time.

There needs to be a link between the funding and the outcome rather than between the funding and the need. The need can indicate where the money might go, but the money should be linked to outcomes, which need to be planned and co-ordinated. There also needs to be a mechanism through which the expertise on the ground can access the funding so that it does not need to be set up each time anew, which wastes time and

resources. It is clear that a number of issues have come out of our discussion.

Our second question is, what are the major financial barriers to tackling area deprivation and what kinds of action can overcome them? Perhaps Matt Sutton will kick off.

**Professor Matt Sutton (University of Aberdeen):** I wanted to come in at one point, but not—

**The Convener:** Come in as you want to.

**Professor Sutton:** I will think on my feet. I wanted to comment on the point that the convener raised about the way in which rurality is captured in this kind of exercise. In health funding, we distinguish between factors that affect need and factors that affect the cost of meeting that need. My view is that those measures of rurality or access do not belong in a deprivation review; they belong to the practice of how one sets up a funding mechanism to deal with higher unit costs in rural areas. I find it confusing that rurality is being used in the review as a measure of deprivation.

The discussion that you had about gathering evidence about what works tended to focus on area-based initiatives rather than looking at how mainstream funding and organisations target their resources. Around Scotland there is a lot of variation in the extent to which health organisations target their resources at their most needy communities. You do not need to look for experimental evidence about what works or what the barriers are; you could get a lot from asking the mainstream organisations how they go about targeting and comparing the performance of those that have been rather good at targeting their mainstream resources at deprived areas with those that have not been so good.

**The Convener:** In the Greater Glasgow NHS Board area, for example, might there be a choice between spending more money on community-based midwifery rather than on yet more maternity services in hospital? If one made an argument based on deprivation, one might do more of one and less of another. Is that the type of example that you were thinking of?

**Professor Sutton:** I was not thinking about making decisions between types of services. My question was about how, given that we have a service, we ensure that people from different areas have good access to that service. I was not talking about community versus hospital; I was talking about the extent to which hospital services are used equitably and the extent to which community services are distributed equitably.

**The Convener:** To refer back to the discussion that we had earlier in the meeting, we are in a

context in which resources are limited and choices have to be made between one type of service delivery and others. Is there an issue about how we address the needs of deprived communities, or people in deprived areas, and how we deliver more effectively the type of service that we provide for them?

11:30

**Norma Hurley:** We have just done a bit of work for NHS Scotland that looked at the health needs of young homeless people. The difficulty with taking an area-based approach in that context is that young homeless people are scattered all over the place. Many of them come from deprived areas and backgrounds originally—many have come out of care and become homeless and have serious problems.

The area-based approach does not work, nor does having a pattern of assessment through indices, because most homeless people also have problems with addiction or their mental health. They have a range of problems, so targeting one deprivation index, if you like, does not necessarily work. Those people need us to take a holistic approach that cuts across targeted and area-based initiatives. I understand the difficulty of developing an individual index but that is what those people need because they have a range of problems. If we do not take a holistic approach, people have to go from agency to agency and area to area, and they are always falling between two stools. Our evidence shows that although a huge amount of resource is going into the problems, individuals do not benefit because the effort is not co-ordinated and planned and the delivery is not holistic.

**Mr McAveety:** I will start again, then.

What are the five things that we have to recognise during the next period if we are to shift towards a holistic approach? When we get right down to the core of the problems, they are probably caused by a combination of factors. First, there are individuals who have multiple difficulties and problems with navigating life. The second big issue is physical regeneration—Alan McGregor touched on that. Some of that work is welcome, but unless it is linked to and co-ordinated with the other problems, we could find that two thirds to three quarters of the folk who get employment out of it do not live in the wards or districts that have the most appalling worklessness statistics.

The third point is about the endemic difficulty of being poor and old and not having the chance through the job market to move on. Fourthly, even with all our ambition, a wider macroeconomic strategy might be more likely to help in some of the deprived areas than a microeconomic or interventionist strategy.

Despite all the agencies that are involved—the Executive, quangos and local government—and the debate that has gone on around community planning, there are marked differences in the progress made in two social inclusion partnership areas in which I have served informally in the past three years. Neither of them has progressed to the level that I would like them to reach, but one has progressed further than the other, for which three factors were responsible. First, there was leadership from locally elected members and community representatives. Secondly, the big players at the top end in the big agencies were responsive and recognised that leadership. Thirdly, the partnership tried to develop visible change projects while making sure that individuals in the community—the Joes and Josephines—got something out of them. That is the message to send back to those communities, whether they are areas such as mine, in city Scotland, or in small-town Scotland, which has also seen economic dislocation during the past 30-plus years.

I am seeking four or five inspirations for the mundane life that I occasionally lead so that we can drive forward some of those changes. Is that a useful suggestion?

**Jim Mather:** It is an exceedingly useful suggestion.

**Mr McAveety:** Thank you, Jim, but I was not asking you; I was asking the witnesses.

**Jim Mather:** It is not a complete idea, although I would like to build on its positive aspects.

At last year's Allander series of lectures, James Heckman made a great contribution on making a huge effort with early-life education and children. If we had a strategy that took that Heckman route and focused on local economic development with a genuine common aim so that agencies, public services, local initiatives, individuals, community organisations, schools, local employers and voluntary groups are all working towards a common aim and participating in the leadership and responsibility that Frank McAveety has just described, the high-profile models would start to come down the production line. Such a strategy would be more about dealing with the core problem and less about treating the symptoms. Youngsters have multiple problems, and the process will be stalled if we treat those problems in isolation forever unless we also create the conditions under which young people can boost their self-esteem and come to believe that they have opportunities and can take those opportunities.

**Mr Arbuckle:** I have been involved mainly with rural areas of deprivation. Frank McAveety alluded to the success that can be achieved in deprived areas. The convener might accuse me of jumping

to a later question, but it seems to me that the secret of success is that even in the most deprived areas there are little sparks of ambition, pride and so on, and all that is needed is a local organisation to fan the sparks into a flame and create success from the grassroots.

The Fife rural partnership is not a big organisation—it employs only two people—but it has been involved in a number of successful projects to regenerate areas with problems, whether those problems are to do with public transport, housing or whatever. The partnership gets local people involved, and before they know it they have an action group. The partnership also provides professional help to reach funders. I agree with every comment that has been made about funding, such as the short-term attitude and the fact that loads of money is available for capital projects but little is available for revenue.

The answer to Frank McAveety's question, at least in rural situations, is to get local people involved and use a lightweight organisation to go in and give professional help.

**Mark Ballard:** I very much agree with what Andrew Arbuckle has just said about community participation and community-led initiatives being the way forward. However, I am slightly confused by the discussion, because I thought that Professor Bramley made interesting and important points in his paper—on page 8, I think—when he questioned whether area-based deprivation measures are good predictors of the incidence over time of persistent poverty at the individual level. For me, Professor Bramley has underlined serious questions about whether the area-based model of deprivation works. Elaine Murray made good points about the domains that are used and how we assess them to bring in rurality.

In his paper, Professor Bramley went on to make the point that there is a lack of analysis of well-being, of where we want to go and of what successful communities look like. Given that definitions of poverty by Townsend and others are about the absence of well-being and the lack of access to resources, it is strange that we are trying to measure things by using the area-based model to describe the problems that exist. We measure only the negatives and not the absence of positives. We must take on board the points about understanding what we mean by deprivation rather than jump straight into talking about what funding approaches are best for tackling deprivation.

I think we all know what deprivation looks like, but I am not convinced that the indices that we have are particularly good at reflecting where the deprivation occurs, how it occurs and how people can get out of it. There is a missing link between the good critique of the indices of deprivation that

we currently use and the discussion that we are having about how to apply funding and what the financial barriers are. The question is one of allocation and understanding what deprivation means in practice. There is a bit of a dislocation in the debate because of that jump.

**Professor Bramley:** I will respond to three or four points. First, I think that it was Frank McAveety who asked us to remember that deprivation ultimately affects individuals. I agree with focusing on families and placing individuals in that context. We must keep that focus while trying to answer combined questions about individuals who suffer deprivation. Somebody talked about support structures, for example, for people who fall by the wayside in the schooling system. That is an important point, which I would link to what Stephen Syrett said about focusing more on mainstream resources and programmes.

There is an awful lot of cumulative failure, or shortfalls in attainment, in the school system, which is strongly related to where people live. The key area effect is the school that children go to and the expectations, culture, behaviours and so on that exist in the school. There are also issues to do with peer-group influence and a lack of support from the home background. A lot more could be done with kids who are on the verge of being excluded or who are exhibiting emotional and behavioural disorder, which often reflects deprivation in the home. There is provision for such groups, but much more could be done. Evidence shows that if enough is done, those kids can be turned around. Such investment is investment for a lifetime, and that links to what Alan McGregor said about how much we are willing to invest in people and families rather than in hardware.

Elaine Murray's point about elderly people illustrated a couple of points that I tried to make in my paper. The first is a technical point about how we measure income and deprivation. Elderly people are particularly prone to not claiming the benefits to which they are entitled. The issue of the lack of take-up of benefits is significant when benefit take-up is the major driver of the SIMD and the most important source of information. The lack of take-up of benefits by elderly people weakens the accuracy of the SIMD. My second, and more important, point is that this is an example of what I and one of the witnesses from the University of Glasgow talked about: the complementary agenda of individual-based measures that are based on surveys and other methodologies that focus particularly on client groups or themes. Elderly people form a client group that is defined by age, and taking such an approach is the way forward to get a better understanding of that group. I agree with Elaine Murray that the SIMD as it stands does not give much insight into that group because its

emphasis is more on the demographics and the broad situation in which elderly people live. We are not concerned about exactly what data zone they live in, but the fact that they live in a broadly rural area rather than in an urban area may be significant in understanding their situation.

I have a couple of further points. The convener and Matt Sutton suggested that the rurality and sparseness issue is a cost issue, rather than a needs issue. I agree with that up to a point, but it depends on the kind of service that we are talking about. If it is a compulsory, universal service that the state delivers to people where they are located—for example, primary schooling—it is clearly a cost issue. It is interesting to note that we spend more per head for primary schooling in rural areas than we do for such schooling in urban areas, because we must meet the costs of providing schooling in those areas. However, that is not the case for most services.

Many services have a more discretionary element and whether people take them up depends significantly on whether they can get access to them. Take-up may also be about quality and, simply, what is available. We find that spending in rural areas on such discretionary services is often lower. That can be because people do not use the service because access to it is difficult, or it may not even be provided. For example, the district general hospital for the whole of Argyllshire is going to be in Paisley in the future, I think. I am sorry to get into a specific issue, but where there are access constraints on take-up, there will be significant shortfalls and unmet need issues or issues to do with quality of service and outcomes.

The general question of outcomes and funding is important but difficult. We are moving to a situation in which Government programmes and resource allocations will focus more on outcomes than on inputs or needs. That is a positive move forward. However, we must be careful about making simplistic links between outcomes and resource allocation and avoid getting into a kind of payment-by-results situation. If that existed in the education system, for example, we would clearly put more resources into the more successful schools in middle-class areas and would not give much to failing schools that did not produce results. But if we turn it round and give resources only to schools with very poor outcomes, are we simply reinforcing failure and not reforming or challenging how the service is provided? The issue is difficult.

11.45

The idea of regeneration outcome agreements is important in this generation of area-based initiatives in Scotland. It should be interesting to

see how it works out. It is perhaps overambitious to try to link particular outcomes to particular initiatives. However, it is good that local community planning partnerships set themselves outcome targets and monitor how they are doing. Whether we can say exactly which intervention is achieving the improvements in outcomes is more difficult.

As researchers, we are very interested in finding out what affects outcomes. That is a complicated research task; it is not something that local agencies can do unaided.

**The Convener:** That takes us neatly to our third set of questions, on the best ways of allocating funding for deprived areas and how the benefits of available funding can be maximised. The difference between an academic who welcomes complexity and a politician who wants to cut through it is that we are not looking for a simple panacea but rather for a way of ensuring that the resources spent will lead to better outcomes than at present.

In that context, I return to Frank McAveety's rules of thumb from his experience, which parallels mine. One of the key issues is leadership. Effective, credible, local leadership that can draw in resources from different funding bodies is probably the most significant factor in determining whether an area will regenerate.

Should greater status, better training, support and credibility be provided for those involved in area regeneration and transformation? Should we give achieving that a higher priority by placing a heavier onus on the funding bodies than at present? It strikes me that tackling the problems of area regeneration is perhaps not given the importance that our policies suggest it deserves. Perhaps we could look at the balance of power and influence at that level.

**Jim Mather:** It would be interesting to define leadership to see whether it goes beyond an ability to pull in the money. What do we mean by leadership? Does it include developing a consistent purpose in getting buy-in from different agencies and entities? Does it mean being able to liaise with people to get a sense of common purpose and perpetual movement towards a worthy aim?

**The Convener:** It would also be interesting to see where in organisations such leadership is based. In most local authorities that I know of, the person in charge of local area regeneration is fairly well down the pecking order from the director of education or any other director. Glasgow City Council is perhaps moving in a slightly different direction now. It gives directors an overarching responsibility for regeneration work. Typically, however, area regeneration is at best a middle-

management function. What managers are asked to manage shows the priority given to an issue in an organisation.

**Dr Murray:** I agree with the convener about leadership. To touch on what Alan McGregor was saying, it is also about who is responsible for doing what and understanding their relative responsibilities. Leadership does not have to be provided by somebody who works for a council; it could be provided by somebody from outwith the council, as Andrew Arbuckle said. It is a matter of the structure being able to provide adequate leadership.

As I said, this is also about understanding who is responsible. We talk a lot about people working in partnership, but sometimes the partners do not know quite who is doing what, and things can slip between them. There can be an awful lot of meetings at which people talk to one another and tell one another what they are doing, but not much action on the ground. It would be nice to see examples of where such leadership and responsibility have been successful.

**Mr McAveety:** I get the feeling that some communities would require a truth-and-reconciliation structure first off, because of the history of betrayal and so on. It is interesting to look at the language that is being used in Glasgow at the moment, although there are some positive developments. The two departmental structures that have been asked to try to think outside the box are one in the education/social work sector and one that is involved in culture, leisure activity, play and a whole range of things. That is an interesting development, because it involves talking about people's real lives.

We need to get a culture and a language that everybody buys into. That includes folk in communities that had areas of priority treatment in the 1980s and, prior to that, developments in relation to the comprehensive redevelopment areas of the early 1970s, which I remember from my childhood. There have then been the social inclusion developments post the 1997 and 1999 Westminster and Scottish Parliament elections. However, people are still using the kind of language that shows that they still think that things do not really shift or change.

We need to get a sense of the role of the big agencies. I have done tons of similar meetings over the years—I should probably write a dissertation on it. It strikes me that, at the very heart of the debate—and everybody comes back to this, whether they are a punter living on an estate or a politician who thinks that they are responding to folk—is the need to get the basics right. We need to get the major departments and agencies to open up and engage a bit more openly about how they are arriving at decisions

and to run the systems in favour of the individuals. The historical experience has been the reverse of that. I think that the Glasgow eastern area renewal project finished in 1979 or the early 1980s—is that right, Alan?

**Professor McGregor:** It was in the mid-1980s.

**Mr McAveety:** People are still bitter about that. Some good things came from it—some good-quality housing emerged out of GEAR, which should never be underestimated. The housing stock in the Calton area, in particular, has been dramatically transformed over the past 30 years. However, the core issue of a community that feels desperately poor is still there. How do we shift that dynamic? How does the debate connect into things such as inspirations at school level and nursery level and getting young people to believe that there is a chance for them in life? If there is an economic upturn—as I think that there has been in some places—people believe that they can get a job, instead of thinking, “Well, I’ve never really got a chance of getting a job. My daddy’s been out of work for a long time, and my brother’s been in and out of work.” It is about how we change that language in those communities. I can speak only from my own experience in Glasgow—other people will have other stories to tell—but it strikes me that we really need to make a shift, and that is about major agencies opening up a bit more.

**Norma Hurley:** I can give a very good example of work that is going on in Glasgow that shows that major agencies are changing. We have been working with Glasgow City Council for three or four years on anti-poverty measures, money advice and financial inclusion. At the start of that four-year period, Glasgow City Council put all the money in and set up a strategic planning group in which the major agencies have worked together. Now, money is being pooled from Glasgow City Council, the Scottish Executive, Glasgow Housing Association, Communities Scotland and the Glasgow Alliance. They are all putting their money on the table to fund a joint strategy, which is relatively unusual. That has taken four years, but it is happening now.

We must accept that it is going to take time for trust to build up round the table; however, it can happen, and the example that I just gave is a good one. I hope that it will keep working, as that is the way forward. It is not so much about the allocation of funds as about what the agencies do with the funds once they get them and the extent to which they share them through a joint strategy.

**The Convener:** Yes—sharing one another’s objectives.

**Professor McGregor:** I have a few comments around the leadership issue. Leadership is about pooling resource, but it is also about helping to

identify a focus and a sense of direction, and about keeping to them until there are good reasons to change. The resource has to be added to that, though—there is no point in having a leader if there are no troops behind him, as it were. There are many examples of that in our history.

Management of resources may be a boring subject but it is also a critical issue. Agencies may have the money and know where they are going, but they also have to ensure that they deliver economic development, services or whatever effectively—the money has to be spent effectively.

The issue ties in with the subject of another question. Government has to have systems that tell it whether services are being delivered effectively. As a board member and chairman of the Castlemilk Economic Development Agency, one of the things that amused me was the discovery that our funders did not demand very much of us. They did not ask the question, “Have you spent our money wisely?” As chairman, I decided that we should find out whether we were doing so, because if somebody were to find that we were not, they could pull the money. As the folk who are charged with delivery, we have got to get a lot better at knowing whether we are doing well and, if we are not doing very well, we have to be honest with ourselves.

If we have leadership, resources, management and the effective deployment of resources, we can create the momentum that is sadly lacking in virtually all the areas that we are discussing today. Once momentum is built, confidence rises, people’s cynicism depletes and success stories can be brought forward. Our aim should be to strive to build that into a virtuous cycle of development.

**Jim Mather:** Over the summer, I looked at the work of W Edwards Deming, the guy who turned around the Japanese economy in the 1950s and who adopted entirely those principles. Whether we are talking about Ford, Toyota or AT&T in the States, he said that the system—not the people in the system—dictates performance. He put an 85:15 split on it: if someone puts in a poor performance in the workplace or has a depressing outcome in their life, he says that 85 per cent is the fault of the system. The programme that Alan McGregor advocated, which would change the system and the locale, represents some wonderful and solid movement forward.

**Mark Ballard:** If I may, I will go back a bit to something that was said on leadership. We have talked about the importance of communities and community leadership, and Frank McAveety spoke about aspirations. Somewhere in the evidence, a point was made about the importance of social capital, which is one of the key measures that we should be looking at.

I return to the question of domains. Instead of sticking to the negatives, perhaps the indices should include measures such as the absence or presence of community organisations and social capital. As others have said, the things that transform communities are not just income outcomes but community leadership and community capacity.

**Professor Turok:** A slight contradiction is emerging between those who say that funding needs to be linked to clearer outcomes and the realities of competitive funding, and those who say that we need flexibility. As Alan McGregor said, we need to account for funding and ensure that we are delivering but a lot of prescriptive targets and bureaucracy are associated with monitoring.

We need to be realistic. We are dealing with many of the most serious and challenging problems of our society and we must be willing to take risks and to try things out. We must have the resources that allow us to respond to areas of dynamism in communities. Where there are groups that want to do things, we must be ready to throw a bit of money at them to build up momentum.

We need to be careful that we do not go overboard with bureaucracy and accountability in relation to funding. Over the past 10 years, the granting of public resources has moved in that direction and we have to acknowledge that that has constrained people who have wanted to try out different things. We need to be flexible with people—particularly those who are in areas of multiple, interrelated and complex need, in which problems are not sorted out easily. A bit more risk-taking, flexibility and dynamism are needed.

12:00

**The Convener:** I agree; I was trying to raise precisely that issue in the debate on leadership. In a sense, there has to be some process of empowering the people who are given such jobs. We need to give them the status and resources that they need to do the job effectively.

One of the problems with area-based regeneration is that initiatives are often strangled by local government. The activities that are taking place are seen to some extent as a criticism of what happened in the past in mainstream services or as a diversion of resources from mainstream services; those activities are viewed as being undertaken at the expense of the person in charge.

In community planning, local government is required to engage with health and economic development, Communities Scotland and other agencies. However, there must be a move away from the silo of local government running

everything to a genuine partnership that focuses on local delivery rather than the overall management of the system on a silo basis. There are issues of accountability in that context. People spend forever dealing with those who are trying to stop them doing things, whereas the focus should be on creating the space for communities and those who are working on behalf of communities to do what they want to do.

Our final question covers involving people in funding decisions. People should be involved in such decisions, but over the years a kind of African village concept has grown up in community regeneration. We need to get away from the naivety whereby it is assumed that getting people into lots of meetings will improve their circumstances. People in poor communities want the same things that people in better-off communities want: jobs, prosperity and a better environment. Often they need specialist help in the provision of those things, not endless meetings or nebulous support that does not shift the parameters.

**Professor Syrett:** I want to build on some of those last points. It is noticeable that nobody has mentioned private sector funding. I would be the first to recognise that, in many deprived areas, private sector funding is either a limited option or not an option at all. However, we should stress that deprived areas are very different.

There has been an upturn in the economy, and there is more dynamism around. The role of facilitating and engaging private sector money in deprived areas must be considered, and there are mechanisms for doing that that have not been discussed at all.

The voluntary community sector should be allowed to operate more autonomously to raise finance; for example, it could be given community-based assets and community development grants so that it could draw in more money itself. There are mechanisms for doing that. Rather than the process being council led, other groups could be given greater freedom and autonomy through their asset base to pursue their own strategies. That would allow them to be more innovative.

**The Convener:** May I chuck a couple of questions at you on that point? One of the things that the Greater London Council did at its demise was to hand over some of its assets to various third-sector organisations. In some instances, that was very successful in generating the organisations.

Should the public sector stop being the gatekeeper for all funding and hand over assets to other providers? In your experience, does the single regeneration fund in England operate better than the Scottish way of doing things? Here,

people get cheese-pared money or elements of money for different things; they have to put together a mosaic of funding to achieve what Alan McGregor has been involved in with the Castlemilk Economic Development Agency.

**Professor Syrett:** To answer your first question first, yes. The Coin Street Community Builders is most often cited in the GLC context; that has been very successful. Successful initiatives often involve unique situations. A valuable property—the Oxo building—was given to that company as the basis for its initiative. That quality of real estate is not available in all circumstances. At the end of its life, the GLC was fairly generous about dispersing some of its activities and its money to such groups. That example shows that that route could be taken. If we want more genuine community involvement and participation, community and voluntary groups need to be given the ability to act effectively on their own—although that involves making mistakes—rather than feeling that their funding is always tied to local authority streams. There is strong evidence to support that.

A degree of autonomy helps people to feel engaged with leadership and makes people want to be involved. One of the biggest problems of maintaining community engagement—it relates to the last of your four questions—is the feeling that decisions have been taken already, that decisions are just being rubber-stamped and that people are not really involved in the important decisions about strategy and funding. The more autonomy that groups have, the more that problem is overcome. However, that can introduce problems of transparency and accountability. A balance needs to be sought.

Your question about the single regeneration budget is tricky to answer simply. The assessment is that the single regeneration budget has had fairly marginal impacts in many areas—I am trying to bring together a range of studies on a big programme. The budget had the advantage of attempting to be integrative and the competitive element had some advantages. Overall, most of the money went to deprived areas, but of course, problems arise with competitive funding, because much effort and many resources are wasted on bids that are never funded. I will stop there—I could ramble on about the single regeneration budget.

**The Convener:** Castlemilk was one of the Scottish four.

**Professor McGregor:** Yes. That makes us sound like revolutionaries or something.

I have a couple of comments on risk taking. I warm very much to a point that Ivan Turok made. A distinction lies between auditing and measuring effectiveness. For many years, we have given

many people money to take risks and to do innovative things, but we have failed almost comprehensively and universally to assess the extent to which the interventions were good and effective and could be delivered more widely or in other communities. There is no point in research and development if we do not undertake the development stage, roll out a scheme or say that it does not work. We are very bad at that.

I was commissioned recently to do a piece of work—a desk research exercise—with a view to recommending substantial spending. I was given virtually no evidence on the effectiveness of the various experiments and the risk money that had been spent on the subject. That is not a good use of public money. More important, we are not learning lessons about good ways of working that can help the folk whom we are trying to help. All in all, the process is poor.

**Professor Bramley:** I have just one observation, which was stimulated by Stephen Syrett's point that nothing much has been said about private sector funding. If we accept that some evidence shows that living in a neighbourhood of concentrated poverty or going to a school in such an area adds to people's disadvantages and is a serious problem, is the solution just to throw more public money at those areas, or is changing the composition of the population of such areas an element of the response? An obvious way into that would be through tenure diversification in housing and more owner occupation, which would also be private investment.

Owner occupation is now regarded as significant in housing and regeneration policy, although people have been slow to recognise that. Some of our research shows evidence that in the greater Glasgow area in the 1990s, for example, the areas that had a significant increase in owner occupation, mainly through new development—some was subsidised and some was not—had generally better outcomes across a range of areas, whereas the areas that had a lot of social housing investment had worse outcomes. That finding is not universal in all areas, but it is what we found in the data set that looked at greater Glasgow in the 1990s.

**Mark Ballard:** Are those findings about composition change a result of the fact that some people could not live in the area or are they because the people who remained living in the area had their life outcomes enhanced by new people coming in? Could the findings be explained by the introduction of a different population characteristic rather than by the fact that any individual's life chances were enhanced?

**Professor Bramley:** Our research looked at fairly aggregated indicators, so I cannot give you



chapter and verse on that. We did some other work on school attainment and whether there is an effect from housing tenure. There is evidence, as one would expect, that if kids come from an owner-occupied home, they do better. However, there is also some evidence that if there are more owner occupier families in the school where the kids go, the other kids benefit as well. That is certainly true if there is less poverty in the school—there is abundant evidence for that.

**Jim Mather:** That is an interesting observation. However, in Scotland we live in the land of unintended consequences. Come April, when people can include residential property in their personal pensions, it is likely that we will see much less owner occupation in the Highlands, especially by younger, working-age people. That might mean that the deprivation indices improve as we drive those people at the bottom end of the income scales out of the area.

**Professor McGregor:** Perhaps I am saying this because I am such an old guy, but tenure diversification was at the heart of the Scottish Office's policy on urban regeneration in the 1980s. In the four new life for urban Scotland tenure initiatives, that was the objective of the exercise. Some work that we published on that a long time ago, when I was a proper academic, showed clearly that virtually all the beneficial effect was as a result of population change in and out of an area rather than any enhancement in the chances of the people living in the area. I wrote a paper about that and I cannot remember the numbers, but if one knocked down 100 council houses and built 100 private houses, the in-and-out transfer of population would have an absolutely massive effect on the unemployment rate. It overwhelmed any of the longer-term efforts of employment and training programmes.

That work was done a long time ago, but it is all coming back to me now. The other benefits are that tenure diversification creates a more demanding population who want better public services and better schools, and that shops will open in the area. Perhaps that is the case in some inner-city areas, although it did not work to the same extent over that period in the peripheral housing estates. It was not as simple as that.

**Professor Turok:** The possibilities vary enormously between different areas. The outcome depends partly on the location of the neighbourhood and the way in which it functions in the wider housing market. The point about private funding is important. Many of our local neighbourhood agencies are very oriented towards public sector funding; that is an overdependence. There are opportunities not just in tenure diversification, but in land and property development for offices, for commercial, retail and

industrial use. There have been some good examples of that in Glasgow, but they tend to be stifled by the city-wide agencies, which say that land and property are not legitimate areas for those local agencies. That mindset could well be tackled.

The single regeneration budget project in England has now been wound up and one of the replacements is the new deal for communities, which involves a tenure programme with substantial resources targeted at poor estates. It might be worth considering some of the positive lessons that are emerging from the new deal for communities, such as involving communities more effectively, a longer timescale, more flexible resources and a comprehensive approach.

12:15

**Mr McAveety:** I am trying to get a sense about places, and what would work in terms of tenure diversification and the things that Glen Bramley spoke about. I can see evidence in the Gorbals part of my constituency; that would not be replicated if I went to the outer east part of my constituency—the Shettleston end—which has similar economic statistics.

There is an issue of critical mass and of how we create the space that results in more tenure diversification and social balance. That is one of the problems that the post-war estates, particularly in Glasgow, suffered from, followed by the economic difficulties of the mid-1970s—it must be the third oil crisis back. I would say that the estates in Glasgow really started to struggle in 1973. Before that, by and large, aspirational families who believed that education was the way forward for their children were coming out of poorer housing and going into better housing. A generational change took place over 10 to 15 years.

The second issue that I want to focus on is land assembly, by which I mean the concentration of land, particularly in the inner east corridor and south-east Glasgow. I am partisan on the subject because of my own constituency. We are talking about a massive amount of land, which has been contained within the natural structures of local government and bodies such as Scottish Enterprise. Although wee tweaks and changes have been made, there is no sense of engagement with entrepreneurs; nobody has said, "Let's try something utterly innovative and different here for five years. Let's try something that has never been tried before, to see whether we can kick-start things." The agency would get great benefit from that, never mind—hopefully—those communities in the immediate area.

I am sure that everybody has communities like that in their constituencies, particularly in urban

Scotland. We need to get people to think out the box a bit more, rather than thinking that the money must come from the Executive or from local government and believing that only the public sector will deliver. That has to be pushed because there is a social objective. Ultimately, however, this is about trying to achieve a culture in which everybody sees it as their business, whether they are an individual entrepreneur or a public sector agency. We should find common language, to shift some of the thinking and to make a real difference.

**Norma Hurley:** The question was about whether individuals should be involved in influencing funding. I am not sure that they should. The evaluation of social inclusion partnerships showed that local communities did not have much say over how the money was spent. There is a danger of being tokenistic and saying to communities, "You make decisions." Local communities want to influence how services are provided. There is a famous case—I think that it was in Easterhouse—involving the neighbourhood services fund. There were huge complaints about litter, and it was found that the streets were swept on a Tuesday and the bins were picked up on a Wednesday, so the streets were dirty on a Thursday. All they did was to pick up the litter on a Wednesday and sweep the streets on a Thursday. Local people said, "This is what you should do." They were not influencing the funding of the service, but they were saying, "Here's how to deliver it." There are numerous examples of that.

We had a case in Newcastle in which the local health clinic kept complaining that parents did not bring their children and did not pick up milk and so on. That was happening because the clinic was open at exactly the time when the mothers were picking up their children from school. I could go on and on. It is not about money but about how services are delivered. Local people know how best to deliver local services. Rather than asking local people to try to take strategic decisions on big funding programmes that are probably not appropriate, that is what I would do to get the influence of local people.

**The Convener:** To conclude the session, I want to put each of our experts on the spot and ask them a simple question, which may, however, be hard to answer. If there was one change that they thought could be made to improve the efficiency or effectiveness of the use of funding, what would that change be?

I ask the experts to pick something that would make a significant difference. It need not relate to funding, but it should be the one item that is on their wish list. Since I am looking in his direction, I will start with Ivan Turok.

**Professor Turok:** As an academic, I would say that the purpose should be clarified. We need to

talk about money as a means to an end. What are the ends? What are we trying to achieve? If that is clarified, we will go a long way.

Another suggestion is to raise the profile of some activity. It is down there and is not a high priority. It is completely consistent with closing the opportunity gap, social justice and Executive principles, but it does not have the profile that it deserves.

**The Convener:** Do you think that local area regeneration should have a higher profile?

**Professor Turok:** Yes. Scottish Enterprise and other such key agencies should also take it on board.

**The Convener:** That is obviously a controversial issue with them.

**Professor Sutton:** I have probably already said that people who work in local public sector agencies have a small number of performance indicators or targets to which they really pay attention. A set of indicators, a way of monitoring and a way of calling people to account on how they distribute mainstream funds should be introduced. That would be one of the few indicators that really matter. Such monitoring would concern not only how efficiently, but how equitably resources are spent.

**The Convener:** In my experience and Elaine Murray's as Strathclyde Regional Council councillors, the one way in which Strathclyde ensured effectiveness was to make it the director's responsibility to show how what they did made a difference in the areas of priority treatment. Only when the performance indicator became part of the director's job description did they begin to consider it.

**Professor Bramley:** I am tempted just to follow that point. To demonstrate that spending is being made where the problems are greatest or the outcomes are worst, where spending is being made needs to be known. More analysis of data from the administrative systems that are located in local government and central Government is needed to show where spending goes. When that is done to a neighbourhood level and in terms of client groups, that gives people pause for thought and encourages them to think about doing things differently.

**Professor McGregor:** I do not know how the aim is achieved. The matter should probably be handled by community planning, but I have doubts.

The various agencies that plough into an area need to take a serious collective look at what they do in that locality and how they can improve their act, improve the resourcing if required and improve the delivery of service if required. That

must be done actively and honestly. We give money to people who bid as partners, but we never seem to give people money to act as partners. Part of that involves having an organisation, agency or whatever that is responsible for managing that process and pulling it together.

**Norma Hurley:** I would like much more work to go into raising people's awareness about the services that are out there and what they can provide. Masses out there are being funded, but many ordinary people who live in our towns, cities and villages are not aware of what is there and how they can access it. I would like more work to go into information, marketing, one-to-one contact or whatever method to tell people that services exist that they can access.

**Professor Syrett:** I may reiterate some points that have arisen. Much more can be done to link areas of opportunity with areas of need. We need to stimulate the involvement of a wider range of actors and to move away from the local authority-dominated agenda. I pick up on Alan McGregor's point about the integration of agencies on the ground, which is essential.

**The Convener:** The session has been useful and I thank all our experts for their contributions. It may be useful to say what will take place now. We have issued a call for evidence, the deadline for which is 30 September. Following that process, we will hear further oral evidence. Today's session was intended to kick the ball off.

Ministers are scheduled to appear before us on 22 November and the committee hopes to publish its report in the new year. The Executive will have eight weeks to respond to our report, and there is a good chance that we will look for a debate in the chamber thereafter.

The *Official Report* of the meeting will appear on the committee's website, so you will be able to review what was said. If you want to raise any points that you feel you did not cover sufficiently at this meeting, we would certainly welcome a short note from you as part of the general evidence-taking.

Thank you for participating in our meeting; I hope that you found it useful.

12.25

*Meeting suspended.*

12.27

*On resuming—*

## **Committee Away Day**

**The Convener:** The third item on our agenda is to consider and endorse the paper detailing the decisions that we took on our away day.

Are members—those who were there—broadly content with the paper?

**Jim Mather:** I charge myself with not being there.

**The Convener:** Frank McAveety was there. Mark Ballard said that he was content with the broad thrust of the paper. It is a reasonably accurate summary of what we did. Are members content to endorse the paper?

**Members indicated agreement.**

**Item in Private***Meeting closed at 12:28.*

12.28

**The Convener:** Item 4 is to consider whether to take our draft report on the St Andrew's Day Bank Holiday (Scotland) Bill in private at our next meeting. Are members agreed?

**Members** *indicated agreement.*

**The Convener:** Excellent. We have finished with two minutes to spare. Thank you very much.

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