

# **LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**

Wednesday 5 December 2007

Session 3

£5.00

© Parliamentary copyright. Scottish Parliamentary Corporate Body 2007.

Applications for reproduction should be made in writing to the Licensing Division,  
Her Majesty's Stationery Office, St Clements House, 2-16 Colegate, Norwich NR3 1BQ  
Fax 01603 723000, which is administering the copyright on behalf of the Scottish Parliamentary Corporate  
Body.

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by RR  
Donnelley.

---

# CONTENTS

Wednesday 5 December 2007

	Col.
<b>DECISION ON TAKING BUSINESS IN PRIVATE</b> .....	329
<b>SUBORDINATE LEGISLATION</b> .....	329
Business Improvement Districts (Scotland) Amendment Regulations 2007 (SS1 2007/510) .....	329
<b>BUDGET PROCESS 2008-09</b> .....	330
<b>“SCOTTISH ELECTIONS 2007”</b> .....	356
<b>BUDGET PROCESS 2008-09</b> .....	375

---

## **LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE** **12<sup>th</sup> Meeting 2007, Session 3**

### **CONVENER**

\*Duncan McNeil (Greenock and Inverclyde) (Lab)

### **DEPUTY CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

### **COMMITTEE MEMBERS**

\*Alasdair Allan (Western Isles) (SNP)  
\*Bob Doris (Glasgow) (SNP)  
\*Patricia Ferguson (Glasgow Maryhill) (Lab)  
\*Johann Lamont (Glasgow Pollok) (Lab)  
\*David McLetchie (Edinburgh Pentlands) (Con)  
\*Jim Tolson (Dunfermline West) (LD)

### **COMMITTEE SUBSTITUTES**

Robert Brown (Glasgow) (LD)  
Rhoda Grant (Highlands and Islands) (Lab)  
Tricia Marwick (Central Fife) (SNP)  
Margaret Mitchell (Central Scotland) (Con)

\*attended

### **THE FOLLOWING GAVE EVIDENCE:**

Martin Booth (Convention of Scottish Local Authorities)  
David Henderson (Scottish Government Public Service Reform Directorate)  
Rory Mair (Convention of Scottish Local Authorities)  
Sir Neil McIntosh (Electoral Commission)  
Andy O'Neill (Electoral Commission)  
John Swinney (Cabinet Secretary for Finance and Sustainable Growth)  
Peter Wardle (Electoral Commission)  
Councillor Pat Watters (Convention of Scottish Local Authorities)

### **CLERK TO THE COMMITTEE**

Martin Verity

### **SENIOR ASSISTANT CLERK**

Jane-Claire Judson

### **ASSISTANT CLERK**

Ian Cowan

### **LOCATION**

Committee Room 1



## Scottish Parliament

### Local Government and Communities Committee

*Wednesday 5 December 2007*

[THE CONVENER *opened the meeting at 09:17*]

### Decision on Taking Business in Private

**The Convener (Duncan McNeil):** Good morning and welcome to the meeting. Item 1 on our agenda is the proposal to consider items 6 and 7 in private. Is the committee agreed?

**Members** *indicated agreement.*

### Subordinate Legislation

#### Business Improvement Districts (Scotland) Amendment Regulations 2007 (SSI 2007/510)

09:17

**The Convener:** Item 2 on the agenda is consideration of a statutory instrument under the negative resolution procedure. The Subordinate Legislation Committee has not drawn the Parliament's attention to the instrument on any of the grounds within its remit. No member has raised points on the instrument and no motions for annulment have been lodged. I ask for members' agreement that the committee has nothing to report on the instrument.

**Members** *indicated agreement.*

## Budget Process 2008-09

09:18

**The Convener:** For item 3, we welcome Councillor Pat Watters, the president of the Convention of Scottish Local Authorities; Rory Mair, the chief executive of COSLA; and Martin Booth, the head of finance of COSLA. They are with us this morning to give evidence on the budget. We have already taken some evidence on the budget from the Minister for Communities and Sport, Stewart Maxwell MSP. I invite our witnesses to make a small statement before we begin to ask questions.

**Councillor Pat Watters (Convention of Scottish Local Authorities):** You have clarified our purpose in attending the committee. We thought that we were here to discuss the budget but, because of the range of our responsibilities, committee members might have other questions. We will try to deal with them if any come up.

**The Convener:** Thank you. We appreciate that.

**David McLetchie (Edinburgh Pentlands) (Con):** Can you describe the process by which the concordat was arrived at and the extent to which individual local authorities were involved in the process, as opposed to there being a negotiation between COSLA office bearers and the Scottish Government?

**Councillor Watters:** I can certainly do that. Prior to the election, the leaders at the time decided that we needed a different approach to tackling the spending review. Given that a line-by-line approach on the pressures that we faced and the bids that we required would probably arrive at more than what the Scottish Government would receive by way of grant from the Treasury, we decided to take a different approach and seek to establish a proper capital and revenue base for local government. The leaders agreed to adopt that tactic.

After the election, we put that position to COSLA's new leadership, which agreed that we should proceed in that way. We then entered into discussions with the Cabinet Secretary for Finance and Sustainable Growth on how we might establish that. We kept the leaders updated through our monthly meeting of leaders of local government in Scotland. That is the process that we adopted to achieve agreement on the concordat.

**David McLetchie:** Can we be given an update on how many of COSLA's member councils have, as of now, endorsed the agreement and the commitments that it contains? How many councils are still considering it? Indeed, have any of them

rejected it? Of the 32 councils, which have agreed the concordat?

**Councillor Watters:** It is easier to say that no council has rejected it. When we reached the agreement, we took it to the next leaders meeting on the following Friday. That meeting accepted that the concordat was probably the best position that we could achieve in negotiations. The leaders have taken the agreement away for detailed consideration at local level. They will take into consideration the fact that the cabinet secretary will not announce the moneys available to individual local authorities until 13 December. After the authorities know their individual allocation from the cabinet secretary, they will look at the concordat and the agreements that it contains and come to a conclusion on it.

**David McLetchie:** As matters stand, no council has endorsed the concordat; every council is waiting to see how much money it gets before it will make a judgment on whether it considers that its funding allocation will be sufficient to meet the commitments that are required of it. Is that a fair assessment of the situation?

**Councillor Watters:** I choose my words carefully. The concordat was accepted by all leaders without any objections.

**David McLetchie:** Yes, but very few leaders in Scotland's councils have the luxury of a majority behind them on their council. Is acceptance of the agreement by all 32 of Scotland's councils essentially conditional on the assessment that they make of the allocation that the cabinet secretary will announce next week?

**Rory Mair (Convention of Scottish Local Authorities):** We need to recognise that this is quite different from any previous situation, when leaders would have had no choice at all. Previously, the first that leaders would have known about what money their councils would receive was when the announcement was made. Leaders have much more advance knowledge of the position than was the case before.

You are right that, until leaders know exactly what their council will receive, they will not be able to respond to the bit of the concordat that provides £70 million for the council tax freeze. Leaders have accepted the generality of the concordat—and the other things to which the presidential team signed up—as the best deal that could be negotiated. Indeed, our view was that, without that negotiation, the money would not have been on the table for leaders to reject or accept.

**David McLetchie:** I accept that. So that everyone is no doubt about the matter, I want to clarify that there is no done deal until the money is on the table. Therefore, there is no agreement by Scotland's 32 councils that the council tax will be frozen next year.

**Councillor Watters:** That is absolutely right. I have made clear from day one that neither the cabinet secretary nor COSLA's presidential team—nor even the First Minister in his statement—can freeze the council tax. The only people who can take a decision to freeze the council tax are the 32 individual local authorities. That decision will be taken when councils decide on their budgets. I have made that very clear in every statement that I have made both to leaders and to the Government.

**David McLetchie:** I also want to ask about a specific concern that the Parliament's Finance Committee raised about the implications of single status and the equal pay claims that might follow from that.

When the Finance Committee examined the subject nearly two years ago, it estimated that the cost of back payments as a result of the single status agreement was between £310 million and £560 million. What is the current quantification of councils' liabilities? Who still has issues to resolve? Have you quantified liabilities that might still be off balance sheet? To what extent does the overall settlement in the budget reflect what could still be a significant liability on councils?

**Councillor Watters:** The overall settlement does not reflect any outstanding liabilities that councils might have for equalities claims. The total for Scotland is difficult to assess, because each authority's situation is different. The agreement that authorities have been asked to implement is geared to an authority obtaining agreement with its local trade unions and configuring its job structure to meet its needs, so it is difficult to say what the outstanding balance is—it is different for each authority. Many authorities have made tremendous progress. Some have reached agreement with their trade unions, some have not and some are further behind. Many cases are going to industrial tribunals.

**David McLetchie:** Is it fair to say that a big financial question mark still lies over the cost of those liabilities and the extent to which they are reflected in any agreement with the Scottish Government?

**Councillor Watters:** Yes.

**Rory Mair:** The answer relates to what the president said about the different route that was taken to arrive at the spending review figure this time. In the past, we have tried to say line by line and issue by issue what the cost to local government would be. When we have done that, we have arrived at such a large figure that no Government of any persuasion would be able to fund it. We realised that that was quite an annoying way to approach the spending review, because Governments were being asked for an

amount of money that they could never satisfy, so we were immediately into a dialogue in which we said, "We want this," the Government said, "We can't give you it," and we said, "Well, we can't perform."

This time, we said that we would cost the core of our budget and tell the Government—of whatever party, as we adopted the tactic before the election—what pressures were on us and that we could cope with those pressures only if the base settlement of the budget was reasonable. We had a range of figures from £10.8 billion to £11.5 billion and we have received £11.14 billion, so the overall settlement is very tight for us. The range of pressures from aspects such as the single status agreement, which was difficult to cost for exactly the reasons the president gave, and demographics, which have an impact on all our services, is difficult to cost. We told the Government that we would be able to cope if we got closer to £11.5 billion. The further we are from that figure, the more likely we are to hit a difficulty in the three years.

We have built into the concordat a review process so that, if we hit a difficulty, we will have a route back to the Government to say, "Okay—this has happened. What do we now jointly do about it?" That will be a different relationship from what happened in the past.

**Bob Doris (Glasgow) (SNP):** Mr Mair said that you are ahead of where you would have been, not in cash terms, but in having negotiations with the Scottish Government; that rather than just being told what money you will receive, you are involved in continuing negotiations, which is a new development.

COSLA's submission says:

"there is a firm commitment from both spheres of government to build a relationship of mutual respect and partnership ... We were very determined to deliver a satisfactory outcome on a number of non-cash issues, many of which have been long held by COSLA as signals of respect, a commitment to local democracy and a more equal relationship."

Some of those non-cash outcomes have been achieved.

I am fascinated to know how you compare and contrast situations. What have you achieved with the concordat that you did not achieve in previous spending settlements with the Scottish Government in other guises? If mutual respect and partnership now exist between both spheres of government, what existed before?

09:30

**Councillor Watters:** Beforehand, we had an on-going relationship with the previous Executive. We had discussions with its representatives, just as

we have discussions at present. With the concordat, there is a recognition that some of the things that we were holding on-going discussions about have now been granted to us—or, rather, the opportunity is there in the concordat. About £2.7 billion of funding to local government came with a specific aim. Ring fencing would probably have covered about 50 areas. Some were large tranches of money and some were very small, but we had to report on all of them individually.

Not every local authority is exactly the same as its neighbour. Saying that every local authority must do X might not be the best use of public resources. That is linked to the freeing up of resources, the granting of flexibility to local government on how it spends the money and the single outcome agreements under which individual authorities come to agreement with the Government on the outcomes for the money that has been put in. That is a different approach.

Three years ago, we were the only part of the public sector that was top-sliced for its efficiency savings. Now, we have a commitment from the Government that we can retain efficiency savings and use them to fulfil local priorities.

**The Convener:** We will return to cost savings later. The committee is interested in the impact of the changes. There is a general political debate about local government money. You have used your words carefully, president. What is the difference between the best settlement that you can get—as you described it—and a record amount of money for local government? Are those things consistent with each other? I am using the words of the cabinet secretary.

**Councillor Watters:** As far as the idea of the best settlement that we can get is concerned, we believe that, in the circumstances of a tight settlement, the negotiations have allowed us to halt the downward spiral of our share of the public sector split in finances and we have slightly improved our situation. If you are asking whether the current settlement is the best that we could get, I would say—as the chief executive indicated—that we do not think that it is the best financial settlement, but in the circumstances of a tight settlement we believe that it is the best that we could have negotiated.

**The Convener:** You should not take my question as criticism, councillor.

**Councillor Watters:** I do not.

**The Convener:** There are SNP members who are saying, in relation to various issues all around the country, that the budget is a record amount of money.

If we discount the council tax subsidy of £70 million, do the sums that are available for

spending represent an above-average or below-average settlement for local government?

**Martin Booth (Convention of Scottish Local Authorities):** It is an above-average settlement, but it is still very tight financially.

**The Convener:** It is an above-average settlement.

**Martin Booth:** But it depends on your definition of average. It is an above-inflation increase.

**The Convener:** I am not the expert here. You can help me. I have been told that when we take the various factors out, the increase works out at something like 0.5 per cent—

**Martin Booth:** Above inflation.

**The Convener:** How does 0.5 per cent above inflation over the year compare with past settlements?

**Martin Booth:** That is a lower percentage increase than previous settlements since devolution.

**The Convener:** So it is a below-average settlement.

**Martin Booth:** Compared with previous settlements.

**The Convener:** Thank you. That is all. I call Bob Doris.

**Bob Doris:** I did not realise that I was going to get back in at this point. I am interested to continue; I knew that you wanted to come back and talk about the concordat, convener, and then raise another point.

**The Convener:** It is okay.

**Bob Doris:** Councillor Watters, do you feel that the status of local government has been enhanced by the concordat? What are the vital non-cash issues? I am particularly interested in the withdrawal of ring fencing. Do you feel that that is an acknowledgement that local authorities know how to use their money to achieve national targets better than national Government does, and that there must be local flexibility for how that money is spent?

**Councillor Watters:** There are many points in your question. We see ourselves as part of the governance of Scotland; the concordat recognises that. I am elected not to do the Government's bidding but to do the bidding of my constituents. The allegiance of an elected member is to the constituents who have elected them. My first responsibility is not to Government, but to my constituents.

Both spheres of government must work in partnership to ensure that what we are doing

delivers. Local authorities are elected to deliver services. If we do not have responsibility for all the resources that deliver those services, we are constrained in how we do our business. The freeing up of resources and greater flexibility add to the status of local government, which is made up of elected representatives. Local government is part of the governance of this country.

Can you remind me of the first part of your question?

**Bob Doris:** I asked whether you think that local government's status has been enhanced. I also asked about local flexibility. There are national priorities. Rightly, you are elected with a local mandate. Do you think that local authorities know best, not just on service delivery but on meeting national priorities? Is local flexibility vital to that?

**Councillor Watters:** It is, and we need to consider the issue in partnership with Government. I have been the president of COSLA for more than six years, and throughout that period we have had a good working relationship with Government. We have had disputes and arguments with Government, and I dare say that we will have them in the future. Where policies impact on services that local government delivers, we should discuss how we manage those. Government has the absolute right to implement the policies that it thinks are proper for Scotland and its people, but when policies impact on local government, we should discuss how to deliver them and how to manage change. It is important that we are not just a consultee, but part of the governance of Scotland.

**Bob Doris:** The concordat is unique compared with what has gone before, because it acknowledges that you are central to the governance of Scotland.

**Councillor Watters:** It has gone part of the way towards doing that. The whole business did not start in May. We were in discussion with the previous Minister for Finance and Public Service Reform about how to manage the situation that we are facing at present. As you have heard, the financial settlement is very tight. We entered that discussion because, during a tight financial settlement, we want to see how we can free up finance to deliver better in local communities. That is why we discussed how we organise not just local government, but the whole public sector in Scotland. The Government has taken on the discussion, and we are seeing some freeing up of resources and removal of the duplication that we believe exists in the public sector. We believe that we can take that agenda forward, in discussion with Government.

**Kenneth Gibson (Cunninghame North) (SNP):** Is it not the case that you would not have signed



up to the concordat if you did not think that it was for the benefit of the people of Scotland and of local government in Scotland?

**Councillor Watters:** As I said at the start, we think that the concordat is the best deal that we could get in the negotiations. As someone who has a long history in the trade union movement, I know that that is the point that one wants to reach. The thrust of my approach during the negotiations was to ensure that, when local authorities put their budgets on the table, they have options. I wanted to keep the maximum amount not only of finance but of flexibility on the table. The flexibility that we have secured in areas outwith the financial settlement means quite a bit to local government, as it allows us to manage our resources better. We were keen to get that flexibility; in some areas, we have been striving to get it for a number of years.

**Kenneth Gibson:** I think that I am the only member of the committee who was a councillor.

**Councillor Watters:** I remember it well, Kenny.

**Kenneth Gibson:** I understand the frustrations that councils often feel about the lack of flexibility and room to manoeuvre. The Parliament has been bombarded by every organisation under the sun, all of which believe that funding for their particular areas of interest should be ring fenced, even if funding for other areas is not. How important is it that local government has room to manoeuvre in order to reflect the wishes and concerns of the people in specific local government areas?

**Councillor Watters:** It is vital to recognise that with flexibility comes responsibility. I do not think that it is the easiest option for local government. As in anything that we do, such as negotiation with the trade unions, local authorities would rather be told what the deal is and to have no flexibility in how things are to be done. Flexibility provides opportunities for local government, but there is responsibility, too. We are not saying that councils can do what they like with all the money that is not ring fenced; we are saying that we are so far down the road in preparing budgets that we need to ensure that local authorities get the money in the way that they expected, so that their spending is not put askew. In that context, flexibility is vital to us.

I do not think that there has been an instance since 1999, or even before that, of the Government taking councils to task because they have not spent the money correctly. I do not think that there has been an instance of that, although there might have been one.

**Rory Mair:** I have here a list of funds that were ring fenced. I have two issues with ring fencing: the first is about where the ring-fenced money goes and what it is to be used for; the second is

about the method of controlling the money. Here, we have 50 different funds that make up only about 22 or 23 per cent of our overall budget, yet councils have to file 50 separate reports, as they must report on each ring-fenced fund separately. Also, it is much more difficult for a council to put those small dollops of money together with its main budget to make a real effort on some of the crucial issues that the ring-fenced money is supposed to address.

So, there are two separate issues regarding ring fencing. First, will the money be spent on the things that it was ring fenced for? Secondly, does the process of ring fencing lead to efficient government? When we are asked to make 2 per cent savings or whatever, we need maximum flexibility in the budget to be as efficient as possible. Requiring a council to file 50 reports on 25 per cent of its budget, but only one best-value review of the remainder, is not a sensible way in which to organise things. We wanted ring fencing gone for reasons of how we could use the money. It would be good governance to get rid of ring fencing.

We are very close to the start of the new financial year and, as Pat Watters said, if we stopped spending money in the areas where it was spent previously, there would be huge volatility in local government budgets. Therefore, the benefit for us in the short term is not that councils can start to spend the money on different things; it is that councils will be able to combine the previously ring-fenced money with the rest of their budgets in more innovative and efficient ways to provide an even better service for the client groups that we feel are most vulnerable.

**Kenneth Gibson:** Absolutely. I fully agree with that.

Professor David Bell, a budget adviser to the Finance Committee, has stated:

"Local government seems to have received quite generous treatment in the spending review as a result of the agreement between COSLA and the Scottish Government."

Indeed, I understand that the real-terms share will be 4.9 per cent over three years, compared with 4.6 per cent overall. Do you think that the settlement is generous, or just reasonable? Do you agree with Professor Bell, or are you concerned that local authorities still have serious funding constraints?

**Councillor Watters:** We always knew that this was going to be a tight financial settlement, hence the discussions that we had with the previous Executive. Part of the reason why we are having discussions about other areas is the fact that it is a tight financial settlement. Has the Government considered our share? Yes, it has. Our share of

the public sector purse was going down, but that has been halted and our share has increased very slightly. I ask Rory Mair, our chief executive, to comment.

09:45

**Rory Mair:** As I said, we had a range of between £10.8 billion and £11.5 billion. The upper figure would have been ideal—£11.14 billion falls some way short. I do not agree with the view that you ask about. However, when the Convention of Scottish Local Authorities is negotiating, we consider two things. One is whether the overall amount of money is satisfactory and will enable us to do the work that we have to do; the other is, as the president said, what our share is. Share is important to us, because it tells us how we are viewed, within a tight financial settlement, in relation to other parts of the public sector. I think that we are pleased that the diminution of our share has been stopped and that a reversal of that trend—however marginal—has occurred.

**The Convener:** Notwithstanding the fact that the increase is below average, as has already been said.

**Martin Booth:** It is lower than in previous years, but it is above inflation.

**Patricia Ferguson (Glasgow Maryhill) (Lab):** I am interested in two points that Councillor Watters made. The gist of them was that not all councils are the same, and that they are not necessarily there to do the Government's bidding. How does that square with the fact that a council tax freeze is part of the deal? That is part of the Government's agenda rather than local government's. If a council did not freeze council tax, would it get to keep its efficiency savings? Would it have a single outcome agreement? Would it have ring fencing?

**Councillor Watters:** I should say that the concordat does not freeze council tax. There is an opportunity for councils that freeze their council tax to get a percentage of the £70 million. As the president of COSLA, I do not have the power to freeze council tax, and neither do my presidential team, the minister or Parliament. The power to freeze council tax is held by individual authorities. Only they can make that decision, after considering their financial position.

On the second part of your question, it is my clear understanding that authorities that decide not to freeze their council tax because they take the view that the cash that would be available to them as a result of freezing council tax would not be enough for them to deliver their services would not get their proportion of the £70 million.

**Patricia Ferguson:** And, therefore, they would be outwith the concordat.

**Councillor Watters:** No, they would not be outwith the concordat. They would have made the decision—as is their democratic right—to raise tax in their area to meet what they see as the needs of their communities.

**Patricia Ferguson:** Yes, but in effect they would incur a financial penalty because of that. Would they still have ring fencing and a single outcome agreement?

**Councillor Watters:** No, they would not. The only penalty is that they would not get their share of the £70 million.

**Rory Mair:** That has to be the case because, on 13 December, the cabinet secretary will announce the distribution of the un-ring fenced resources, and councils will not have made the decision about whether to freeze council tax before then. The only penalty that councils will be exposed to, therefore, is a loss of their share of the £70 million.

**David McLetchie:** On the point about the power to freeze council tax, am I right in thinking that there is, on the statute book, a power for the Scottish Government effectively to freeze council tax? I think that if the Government gave what it thought was a generous settlement to a council, but that council proposed an increase in council tax that the Government considered was unreasonable, the Government could exercise its executive power to cancel that increase, which would freeze the council tax in that authority.

**Rory Mair:** That is not quite correct. The wording of the power suggests that the Government must prove that the council's expenditure, rather than the level of the council tax, is unreasonable. Given that we are likely to be talking about marginal differences in expenditure, I do not think that the situation will arise. The Government does not have the ability to force a council to freeze council tax through the use of that power. That is the line that we have taken in the discussions up to now, for the reasons that I have mentioned.

**David McLetchie:** But if the Government said, "We have given you all this money, and you are proposing to spend even more, and to put up your council tax to cover the cost of that," surely it would be entitled to say that that expenditure was unreasonable?

**Councillor Watters:** The Government would have to prove that the expenditure was unreasonable. We say that the Government cannot freeze council tax, yet according to the publicity there is going to be a council tax freeze. It is not in the gift of Government to say that there is going to be a council tax freeze.

**David McLetchie:** Across all the 32 authorities, as the law currently stands—yes.

**Councillor Watters:** On only one occasion—maybe twice—in the 26 years that I have been an elected member has the Government decided that a Scottish authority's expenditure was excessive and unreasonable.

**David McLetchie:** I remember it well—there was the exercise of a grant penalty.

**Councillor Watters:** Your recall might be better than mine on that.

**David McLetchie:** It was in relation to the ill-fated and late-lamented Lothian Regional Council—effectively, there was a grant penalty because the council insisted on putting up the council tax.

**Councillor Watters:** It has happened once in 26 years—and that was when there were 69 authorities.

**David McLetchie:** Yes.

**Councillor Watters:** So it happened to one out of 69 authorities during that period, and it has happened to none of the current 32 authorities.

**The Convener:** I do not want to interrupt this meander down memory lane, but Johann Lamont is anxious to ask a question.

I apologise—it is Alasdair Allan first.

**Alasdair Allan (Western Isles) (SNP):** You have mentioned a number of times the importance of flexibility, and specifically the fact that top-slicing in many areas effectively is coming to an end, which will allow you to keep efficiency savings. Will you elaborate on the benefits that that has for you, with regard to flexibility and council finances?

**Councillor Watters:** I will bring in the head of finance and the chief executive of COSLA on that point. The previous spending review top-sliced 1.5 per cent efficiency savings from local government, which over the three-year spending review period totalled £168 million that we lost at source. The Government announced a target of 2 per cent efficiency savings in this round of the spending review, and it has said that we will be able to retain that money and use it. We still have to make the efficiency savings, but we will be able to use the money to deliver services at a local level. The fact that we will be able to keep that money is an improvement on losing it—but I am not an accountant.

**Alasdair Allan:** Neither am I, thankfully.

You mentioned enhancing the status of local government. Do you feel that the increase in flexibility enhances your authority and status within the governance of Scotland, which you mentioned at the beginning?

**Councillor Watters:** No. The status of local authorities is enhanced by being able to discuss with Government how we deal with items. Having flexibility makes good sense in relation to how we manage our resources. Flexibility in itself does not enhance our status; it allows us to have good governance at local level.

**The Convener:** I have listened to Pat—sorry, Councillor Watters—over the years—

**Councillor Watters:** Pat is fine.

**The Convener:** I have heard him speak about the modernisation of local government and the changes and efficiencies that occur year on year. How realistic, with regard to jobs, is a target of 2 per cent efficiency savings? City of Edinburgh Council is losing 1,000 jobs—I presume that that is part of the efficiency drive. How will local government monitor efficiency savings? How easy or difficult will that be, how will it be monitored and how will we know that efficiencies have been made?

**Councillor Watters:** I ask the chief executive of COSLA to answer that question.

**Rory Mair:** The work that we did with the previous Government, in which we had to demonstrate efficiencies, has allowed us to get together our methodology for monitoring efficiencies. One of the big difficulties at the beginning was that when we reduced costs, it was unclear whether we had made a saving or an efficiency. To determine that, we needed to know the level of service before and after, but we did not have all that baseline information. Thanks to the work that we did with the previous Government, we developed a monitoring system, which is now in place. We are now able to say what the level of service was and what the cost base was. When we make changes to the cost base, we now know whether we are talking about an efficiency or a saving.

We were able to declare efficiencies to the Government at the end of the previous spending review period, and we will be able to carry on doing so. Our view is that 2 per cent efficiency savings is probably achievable in the shortish term within local government. The big issue will be when we get beyond local government efficiencies and into the business of efficiencies across the public sector. You cannot carry on squeezing out 2 per cent, 2 per cent and 2 per cent simply from within local government. We will have to consider how to become more efficient across local government, the health service, the enterprise network and the other agencies. We will not drive out 2 per cent efficiencies forever simply within our own budgets.

**The Convener:** It will be difficult. I understand the point that efficiencies have to be driven out

across the health service and in social care services and so on. That need is obvious to many of us, given our experience in our constituencies. Can the 2 per cent saving be made this year or next year? How quickly will you get to the stage where 2 per cent savings cannot be squeezed out without pressure being put on the other agencies with which you work? How many jobs in local government will be affected?

**Rory Mair:** I cannot answer the question about jobs, because different councils will make efficiency savings through different routes.

**The Convener:** Can you make 2 per cent efficiency savings without losing jobs in local government?

**Rory Mair:** I do not think that we can drive out 2 per cent efficiencies without there being some reduction in jobs over the period of time.

**Kenneth Gibson:** But surely if the money is to be retained in local government, rather than returned, you will be able to use it to invest in other services and to create jobs in other departments within local authorities?

**Rory Mair:** Yes, but the deal thus far has been that we are trying to drive efficiencies out of backroom services to deliver more front-line services. I take the convener's point about the workforce. The difficulty is that there might be a disproportionate hit on low-paid administrative workers in the back office. Councils will not create exactly the same number of front-line social work staff or community care staff, so there will be some overall reduction in jobs. We have to be careful that that reduction does not disproportionately hit parts of our workforce that we do not want to be targeted.

**Johann Lamont (Glasgow Pollok) (Lab):** I will come on to the question that I was going to ask in a moment.

You said that job cuts made through efficiency savings might affect particular groups of workers disproportionately. How does that sit with the recognised pressure on local government of equal pay claims? I know that you had a dialogue with the previous Executive about that challenge. In your negotiations with the current Administration, did you discuss how local authorities could be supported in that regard? How do you make efficiencies in the context of the huge pressure of equal pay claims?

**Rory Mair:** In the negotiations, we did not discuss with the Government the specifics of whether there would be further support for local government for equal pay claims.

**Johann Lamont:** Did you not ask?

**Rory Mair:** We did not have the discussion. We presented our case, which was that we want our

base and specific bids to be recognised, and that we face a bundle of pressures, which includes single status agreements and demographic pressure. We said that we need a big enough budget to accommodate all that. We tried to negotiate the biggest budget that we could get, and arrived at the figure £11.14 billion. I have said that the settlement is tight and, since the negotiations, councils have told us that they will have difficulties, given the on-going costs of single status agreements and demographic pressures.

**Johann Lamont:** However, by saying that the settlement has all been rolled up together, and that you recognise that it is tight but sufficient, when the pressures come along, particularly on equal pay, you will not be able to say that you cannot meet your equal pay obligations because the settlement was not substantial enough and you should have asked for more money from central Government. Do you accept that the settlement should be able to accommodate those pressures?

10:00

**Councillor Watters:** We have not been trying to move forward on the equalities issue only this year: the issue has been around for some time, and the Government has never said that it would tackle it alongside us. Part of local government's problem is that we have been unable to say what the cost would be to local government. Individual authorities might have an indication, but time goes on. For example, in the authorities that struck the compensation deal, the clock has begun to tick again. If the initial problems that caused inequalities in local government are not solved, the clock will begin to tick again. The costs alter all the time. We have never had a commitment from any Government that it would meet the equal pay commitment if local government could not meet it.

**Johann Lamont:** I accept that. The issue is difficult. Nevertheless, the difficulty is borne disproportionately by women workers. There will be a right to retain efficiencies, which is good, but my point is that those efficiencies might disproportionately cost women workers.

I apologise for not being here at the beginning of the meeting; it was not meant as a discourtesy to our witnesses.

On ring fencing, you said that should an authority decide not to freeze council tax, it could not be said that it was unpicking the settlement, because the funds would already have been dering fenced. My question is about homelessness responsibilities. We are aware of the tension between local government and central Government over capacity to deliver on the 2012 homelessness target. Was that discussed as part

of the negotiations? Do you believe that the target is deliverable? Are you aware that the Minister for Communities and Sport has indicated that he will contemplate re-ring fencing the money if it is not spent appropriately? Is that doable, given what the chief executive has just said about how, once you get past a certain stage, it will be difficult to unpick the settlement? I think that I have represented fairly what he suggested.

**Councillor Watters:** I will bring the chief executive in, but I can answer a couple of points.

Local government is very supportive of the homelessness legislation. We worked closely with the Government to deliver it, but there were two parts to that. The first part was that we were keen for Scotland to be at the forefront of developing legislation to deal with homelessness. However, the second part was that resources were needed to deliver on homelessness.

Discussions are continuing, and I have raised the issue with the responsible cabinet secretary. Local government and central Government need to sit down together and consider the pressures that are on local government and communities because of the legislation that is steadily being created.

**Johann Lamont:** So negotiations are continuing on resources to deal with homelessness.

**Councillor Watters:** We certainly aim to discuss with the Government the impact of the homelessness legislation on communities.

**Johann Lamont:** The Minister for Communities and Sport has said:

"If we find a local authority who decide to use the money for something else entirely, we can always re-introduce the ring fencing."

How easy would it be to do that?

**Rory Mair:** My difficulty is that I view the concordat as just that—it is an agreement between us that cannot be broken, and one of the parties cannot choose to do something different. If one party does do something different, the concordat will no longer be in force. That is the line that we have taken throughout the discussions. Both parties have to stick to their side of the bargain for the concordat to work. If ministers suddenly said that they were going to alter how they behave, we would have to reconsider our position on the issues that the Government wants us to deliver.

We have an agreement. We spent weeks and weeks negotiating it and, at present, I would be surprised if any party to it decided unilaterally to rip it up and do things differently.

**Johann Lamont:** So your position is that you have now been given sufficient money, and if you

do not deliver on the target the Government will re-impose ring fencing.

I have two separate questions. First, Councillor Watters said that there is still debate about the resources that are required to deliver on the homelessness target, but the minister seems to have said, "We've given you enough money. If you say that there is not enough money, you are breaking the concordat." Was it reasonable for the minister to suggest that?

Secondly, on a practical issue, how could funding be re-ring fenced? As you said, even if someone broke the agreement and decided not to freeze council tax, the settlement could not be unpicked, because the moneys have already been un-ring fenced.

**Rory Mair:** In some ways, you are asking the wrong person. I do not see how the moneys could be re-ring fenced. We have an agreement, and the way in which the money will be distributed will be announced on 13 December. That can only happen if the Government knows the total amount of money, how much will be ring fenced, and how much will not. Councils will be told exactly what resources they will get. I am not sure how one could move away from that and re-ring fence funds.

**Johann Lamont:** So, in the next three years, if there was a disagreement between COSLA and the Executive about whether you were delivering with the money that you were given—on homelessness, say—it would not be possible for the minister to re-ring fence the money.

**Councillor Watters:** We do not think so.

**Johann Lamont:** There is a legitimate argument around ring fencing, and I respect local authorities' position on that. We could argue about whether the lever is required, but after the announcement has been made on how the money will be distributed, it will no longer be possible for the Executive to use the lever to ensure that money is spent in a particular way.

In addition, if it is not possible for something to be delivered, the Executive could say, "Well, we gave local authorities the money." Local authorities will be the fall guys if it is not delivered.

**Councillor Watters:** That is one reason why an annual discussion with the Government about the impact has been built in. We will be able to revisit things and sit down and discuss them. I am not saying that additional cash will be available, but we will be able to discuss the impact each year.

Our view is that one cannot cherry pick, saying, "We like this bit, but we don't like that bit." It is no secret that we believe that there is tremendous pressure on local communities because the homelessness legislation came in without the

necessary resources to back it up. For example, more and more of our waiting lists are taken up with people who are homeless rather than people who have been waiting for some time. If local communities think that a piece of legislation is unjust and is not fair to everybody, we need to consider the impact. That is why I said that we have already raised the matter with the cabinet secretary who is responsible for homelessness and we expect to discuss how to proceed.

**Johann Lamont:** But, once the announcement is made on the distribution of the moneys, there will be no financial means by which the Executive could drive local authorities in a particular direction. I am not saying that you are not committed to tackling homelessness, but, as you said, you have other pressures from elsewhere. The Minister for Communities and Sport could not do anything to rearrange the moneys that come to you to ensure that they are directed in a particular way.

**Councillor Watters:** No.

**The Convener:** Maybe we could come back to that. I am interested in pursuing the point about the annual meeting and how we monitor progress towards targets.

**Jim Tolson (Dunfermline West) (LD):** I ask for more detail on ring fencing. As a former councillor with some 15 years' experience, I am well aware that local authorities had concerns about the ring fencing of certain budgets. I appreciate that you feel that you have been freed up. However, you will be aware that the freeing up of ring fencing of certain budgets is causing a great deal of concern, particularly in the voluntary sector. I share that concern somewhat. What assurances can you give, today or in the future, to those in the voluntary sector who feel that they will be disadvantaged by the removal of ring fencing from their budgets? They are concerned that money might be taken from their budgets to back up budgets for local authorities' statutory functions.

**Councillor Watters:** I can give the assurance that local government will treat those matters extremely seriously, as it always does. I cannot speak on behalf of the local authorities—that is a matter for 32 individual, democratically-elected organisations, which have responsibility for how they deal with their budgets at the local level. There is not an authority that does not value highly the input of the voluntary sector in its community.

**Jim Tolson:** I appreciate that point, but there is real concern that there is no guarantee that money will not be moved by individual local authorities—

**Councillor Watters:** There never was any guarantee that money was ring fenced. There was no ring-fenced money purely for the voluntary sector. Is there an assumption that, because we

have greater flexibility, we will be irresponsible? I do not think so.

**The Convener:** On that point, whether we like it or not, there is anxiety in the third sector. I have no reason to dispute that COSLA and many local authorities respect and value the work that is done by that sector, and that they would not be able to deliver services without that sector. However, organisations feel that they will lose out as a result of the money not being ring fenced. I do not know what work is being carried out to reassure them, or whether that is the job of local government, but according to MSPs' mailbags, there is a big issue.

There is a further issue, on which I hope you will be able to reassure me. There is anxiety that as we roll up the funds that were targeted at communities such as mine, where there are pockets of deprivation—I accept that, as Rory Mair said, those funds were bureaucratic to manage—the distribution mechanism will not reflect that change. What discussions have taken place to ensure that such hard-pressed communities will still get an appropriate share of the resources to tackle their serious problems?

**Councillor Watters:** I will bring in the chief executive to answer your question, because there have been discussions on that. On concern in the third sector, that is not being heard by our organisation; nor are our leaders reporting that concern is being manifested to local authorities. I cannot get beyond the assumption that because local authorities have flexibility in their budgets, there is concern about the £2.7 billion that was ring fenced under 50 different headings, much of it in very small packages. Much of the money that goes to the voluntary sector is not ring fenced. Local authorities already deal with that.

**The Convener:** I will ensure that the representations that the committee receives are passed on to you. I hope you are not suggesting that I am fabricating anything. A daily scan of the press since the agreement was made would confirm what I am saying, right across the board, on any given issue, whether it is child protection or community transport. We have Government ministers saying that local authorities have billions of pounds in the social work budget to deal with child protection. This week, the Cabinet Secretary for Finance and Sustainable Growth said that there is a record amount of money in local government to deal with community transport. If you need confirmation, I am sure that COSLA has researchers and others who can provide you with information.

10:15

**Rory Mair:** On the second part of your question, there is genuine confusion in people's minds about

the difference between grant-aided expenditure lines, which used to cover the entirety of our budget, and ring fencing. Some people equate the two. GAE lines are no longer being published. That does not mean that money will not still be available for the fire service or for anything else. GAE lines never meant that the exact figure in the line had to be spent by a local authority. People are confusing GAE and ring fencing.

We are in a difficult position in this spending review, because there is such a short gap between the end of the spending review process and the beginning of the financial year. We have said that the previously ring-fenced funds that are no longer ring fenced should be distributed exactly as they were previously. That will cover the majority of funds, such as the cities growth fund. All those funds will go where they went. Playing around with the distribution of those funds three or four months before the beginning of the financial year would create a ridiculous level of volatility. We have said that we will distribute the money as it would have been distributed. If we want to alter the distribution, that will be done over the next three-year period according to the methodology agreed between ourselves and the Government. There will be no change in the distribution of the money.

The only difficulty that we have is with regard to funds that were previously bid funds. For example, there was previously a bid fund for flood prevention. Once a local authority got an agreement from the Government for a flood prevention order, 80 per cent of the money came from the bid fund, which was not otherwise distributed. If that money was distributed to 32 councils, you might give resources to councils that do not have a flooding difficulty. In addition, splitting up the funds in that way would mean that no realistic flood prevention schemes could be carried out. We have said that we should honour all the existing commitments for those funds, which deal with issues such as flood prevention and derelict land. There are sufficient commitments to mean that the funds could be distributed to the places to which they would have gone over the next three-year period.

**The Convener:** But you are saying that that applies only for the first year.

**Rory Mair:** No, I am saying for the next three years. I think that—

**The Convener:** But the funds will be distributed this year as they would have been, so I have nothing to worry about in respect of the community regeneration funds and so on that go to Inverclyde Council. That money will be distributed as usual. In fact, that money is ring fenced, so I have used the wrong example, but the money that goes in will be, for this year at least, as it would have been. So

there are no anxieties and, as you say, the apple cart will not be upset.

**Rory Mair:** That is right.

**The Convener:** You also mentioned discussions that may be taking place with Government about the future years of the concordat.

**Rory Mair:** Sorry, I expressed what I was trying to say poorly. The current distribution should continue for the three-year period that we are in. The first time that we will look at redistribution will be for the next spending review period. Redistribution is so sensitive and so difficult that it will take a significant time to do that work, if indeed we want to consider a fundamental redistribution of resources.

**The Convener:** So there is no indication that you are considering redistribution, and at this stage there is no indication from the Government that redistribution will be considered.

**Rory Mair:** That is right.

**Kenneth Gibson:** First, I apologise to Jim Tolson for not acknowledging that he has much greater experience in local government than I do.

I do not understand why there is so much anxiety about the voluntary sector. Although funding fell from £24.4 million in 2005-06 to a measly £15.1 million this year—a significant cut—my understanding is that it will go up to £23.2 million next year, £32.2 million the year after that and £38.2 million the year after that; in real terms, that is a 37 per cent increase. The announcement was made by the Cabinet Secretary for Finance and Sustainable Growth on St Andrew's day. Total spending over the three years will be £93.6 million. I hope that that puts the concerns to bed.

**Councillor Watters:** If you could give us the money before we go, Kenny.

**Kenneth Gibson:** Would you like it in cash, by cheque or through a credit agreement?

I will move on. The concordat provides for

"a move to a Single Outcome Agreement (SOA) for every council, based on the agreed set of national outcomes ... supported by streamlined external scrutiny and effective performance management."

Does COSLA expect there to be a national core of outcomes or targets that all local authorities will be expected to achieve? What sanctions does COSLA expect will be put in place should local authorities fail to meet the terms of their single outcome agreement?

**Rory Mair:** It is not definite that there will be a core of common indicators across the whole of local government. In other words, all the councils will not necessarily say that they will make

progress on the same issues, but they might say that; we are working on that just now.

Following the publication of the five national outcomes and the 40 or so sub-outcomes, we must ask how councils can contribute to those outcomes being met. Some councils will say that they will contribute in some ways, while other councils will say that they will contribute in other ways. On education, for example, we might not want East Renfrewshire Council to do more work on educational attainment at school because it is already extremely advanced in that area; we might want it to look at another aspect of achieving the target for the smarter objective, on which its progress is less advanced. At the moment, each council must agree with the Government how its running of services will ensure that the national outcomes are achieved.

We should remember that we are talking about a national outcome agreement. The other part of the agreement that we have been keen on is ensuring that ministers get the agencies that they control directly to deliver local outcomes. Sometimes we have felt that it has not been possible to get the whole of the public sector to co-operate on a core set of outcomes. Community planning will be bolstered by the fact that, under the agreement, ministers will ensure that the agencies that they control are focused on the same outcomes that local government is focused on as a result of signing up to the joint national outcomes. The agreement is genuinely an outcome agreement, which places responsibilities on both sides. We have not even begun to talk about what will happen if either side does not behave in the way in which it has said that it will behave. We have not got to that point yet.

**Kenneth Gibson:** You are trying to tie up as many agencies as possible to ensure that outcomes are delivered. That will help with the process of decluttering and preventing the duplication and wasted effort that we often get in the public sector.

**Rory Mair:** The other thing about outcome agreements is that they are a determination of what must be achieved rather than how things must be achieved. That leaves greater flexibility for all the agencies to use local discretion to decide how to go about achieving better performance on each of the outcomes. That represents a change; it means that instead of saying what we will do, we will simply say what must be achieved by the public sector in a particular area.

**Kenneth Gibson:** That will bring in greater efficiencies.

When we discussed ring fencing, you mentioned that you might have to produce 50 reports for a

quarter of your budget. What level of resource will be freed up for local government given that time, effort and money will no longer have to be put into producing endless reports? Will it be possible to transfer that money to front-line services, now that you will be able to keep savings rather than having to funnel them back through to Edinburgh?

**Rory Mair:** It is difficult to quantify how much money will be released, as that also depends on the implementation of the Crerar report. The Crerar report suggests an end point, but it does not provide a road map for getting to that point from where we are now. The amount of resource that is released will depend on the pace at which that happens. Councils have consistently told COSLA that having to produce reports on specific budgets or initiatives represents a significant cost. We are not even sure that those reports are used for management purposes; we are not sure what purpose they have. We would like to stop doing that activity and divert the resources into front-line services. If we can do that, it will be a big element of the efficiencies that we create.

**Kenneth Gibson:** Traditionally, Edinburgh has given local government money but then clawed some of it back through efficiency savings. Will the new circumstances make the funding much more transparent? Will the knowledge that money will be recirculated within local authorities for their own priorities give them a greater incentive to make efficiency savings?

**Councillor Watters:** The opportunity exists for local authorities to look right across the public sector, not only at how we can interact better with other parts of the public sector, but at how we can interact better with each other. We have an opportunity to improve. Nobody in local government, including me, wants us to have the ability to work with other agencies, but then to deliver a worse service. We must ensure that, when we work with other agencies or local authorities, we improve on what happens at present. Change is important to communities only if it improves their lives.

**Kenneth Gibson:** Exactly. In effect, you are talking about getting more bang for your buck.

**Councillor Watters:** The reduction in bureaucracy will free up officers' time, which can then be devoted to more productive elements of service delivery, rather than just producing reports on how we spend £2,000.

**Kenneth Gibson:** At the same time, you will be able to deliver the same level of service in the services for which funding is ring fenced at present. Therefore, the organisations that have raised concerns with us do not have to fear that their funding will be cut in the next three years.



**Councillor Watters:** I would rather get a complaint when there is something to complain about.

**Patricia Ferguson:** I wonder whether I picked up one of Mr Mair's comments correctly. Did he say that, in effect, every local authority will have to come to an agreement with the Government?

**Rory Mair:** Yes.

**Patricia Ferguson:** That makes me wonder two things. First, how will COSLA, the Parliament and the committee monitor that? Secondly, will you achieve the efficiency savings that you think will arise from doing away with ring fencing if every local authority has to come to an agreement with the Government about how it will meet the targets and indicators? That strikes me as totally counterintuitive.

**Rory Mair:** You have outlined the difficulty of being a membership organisation with no ability to instruct our members how to behave—and we would not want to do so. For the past three years, we had an efficiency target for the whole of local government that COSLA had to co-ordinate. We had to ensure that local government met the overall target, but we did not set an individual target for each council. The 32 councils had to work together to ensure that we met the target. That will not change. Each council will be responsible for achieving a level of efficiency savings—between us, we must ensure that those levels are sufficient to allow us to meet the national target. Some councils were quick to make efficiency savings and made more than their share, and some are getting to that stage now. That is how the process has worked.

**Patricia Ferguson:** I am not talking about efficiencies; I am talking about the indicators in the concordat. I understood that you said that, with the outcome agreements, the outcomes will not be absolutely the same for every council, that they will get there in a different way and that each council has to reach an agreement on that with the Scottish Government. If that is the case, will there not be a new job for all the people who have been writing the 50 reports on ring fencing? They will have to be involved in drawing up the individual agreements and then, I presume, be part of the monitoring of the agreements over the piece.

**Rory Mair:** There will be monitoring—we have never said that there is not an accountability issue. However, from what we have seen thus far, the 45 indicators are ones by which the Government will be judged, not ones by which we will be judged. We must demonstrate to Government that we are contributing to that, and councils will do so individually. The Parliament will hold the Government accountable on the indicators. We will have to show how we are making progress on

them, but that will be a more efficient process than the one that we have at present.

**The Convener:** A question just popped into my head about why you would sign up to all the indicators and targets if they are somebody else's responsibility. I accept the challenge in some of the indicators. For example, indicator 33 states:

"Increase to 95% the proportion of protected nature sites in favourable condition".

Another states:

"Improve the state of Scotland's Historic Buildings".

There are all sorts of issues that are not currently your problem, but you have signed up to them.

**Rory Mair:** No, we have not signed up to them.

**The Convener:** Government ministers tell us every day, when we ask about such matters, that you have and that it is your responsibility.

**Rory Mair:** Let us be absolutely clear: the indicators that you have read out are those through which cabinet secretaries will be held accountable for progress.

**The Convener:** Not local government.

**Rory Mair:** That is correct. We have not yet delivered a package of indicators for local government that says how we will contribute—that work is on-going.

**The Convener:** When will that be produced?

**Rory Mair:** We have said that the first of the joint outcome agreements should be delivered by April and that, during the next year, every council should reach an outcome agreement—that is the period.

**The Convener:** I have one final question. What is the expected impact of the decline in real terms of the capital budget over the period 2008-09 to 2010-11?

**Councillor Watters:** I will ask the head of finance to answer that.

**Martin Booth:** The capital budget has a 13.37 per cent increase between the current year and 2008-09. That increase will then be maintained, although the figure will not grow—we will get the money up front and it will be baselined to provide services in future.

**The Convener:** So there will be no impact.

**Martin Booth:** There is no decline, because we are getting such a big—

**The Convener:** It is only 0.5 per cent above inflation.

**Martin Booth:** Yes, but we are getting a 13.37 per cent increase in the first year, which will then be in the baseline for future years.

**The Convener:** There are several questions that we have not reached. Can we write to you to clarify any points that we may not have covered?

**Councillor Watters:** That would be entirely appropriate. We will respond as quickly as possible.

**The Convener:** I thank the witnesses for attending—we have had a good session.

10:31

*Meeting suspended.*

10:37

*On resuming—*

## **“Scottish elections 2007”**

**The Convener:** We move to item 4 on the agenda. The committee will take evidence from Sir Neil McIntosh CBE, the electoral commissioner; Peter Wardle, chief executive of the Electoral Commission; and Andy O'Neill, the commission's head of office for Scotland. Gentlemen, you are warmly welcome.

Previously the committee took evidence from Mr Ron Gould, the author of the independent report on the Scottish Parliament and local government elections. The Electoral Commission has now responded to that report. If you wish to make an opening statement before we move to questions, please proceed.

**Sir Neil McIntosh (Electoral Commission):** I will keep it brief. Thank you for giving me the opportunity to appear before the committee. On my left is Peter Wardle and on my right is Andy O'Neill. We are here to discuss the report by Ron Gould, which was commissioned as an independent report in the aftermath of the elections. We are pleased that the report has generally been seen as having identified a number of the key issues that need to be addressed. We have made written submissions, so I will not take up any more of the committee's time, if members wish to move to questions.

**The Convener:** I appreciate that. Do you agree that the main problems that were experienced in May 2007 related to the Scottish Parliament election and that, to some extent, the local government election was caught in the slipstream?

**Sir Neil McIntosh:** We must see the problems as combined, because the elections were combined. The problems that arose can be placed in three categories: combination, legislation and fragmentation. The problems applied across the piece and, inevitably, they affected both elections.

**The Convener:** Would decoupling the elections, which you support, solve many of the problems that arose in May 2007?

**Sir Neil McIntosh:** The commission's position is that it has become apparent that it is not possible to administer the Scottish Parliament and local government elections together with total effectiveness and that there is a strong argument for decombination. As you know, convener, that argument was advanced first by the commission on local government and the Scottish Parliament, secondly by the Arbuthnott commission on boundary differences and voting systems, and now the Electoral Commission has recognised that

the issues still need to be addressed and that separating the elections will be the most effective approach.

**Alasdair Allan:** As you say, decoupling will address some of the issues that emerged in the election. However, Mr Gould's recommendations go considerably beyond decoupling. Does electoral legislation in Scotland need to be dramatically overhauled and, if so, in what terms?

**Sir Neil McIntosh:** It needs to be overhauled not only in Scotland, but in the United Kingdom. After all, the Electoral Commission has an interest in what happens on the Scottish scene, but its role is much broader than that. I invite Peter Wardle to comment on consolidating legislation.

**Peter Wardle (Electoral Commission):** For a number of years now, the commission has been saying that electoral legislation across the UK is a mess. Indeed, we saw evidence of that in Scotland in the 2007 elections. I know, both from his report and from talking to him, that Ron Gould found it very difficult to get his head around the provisions in Scotland for running the two elections that were the subject of his inquiry. We have raised the same point not only in Scotland but in other parts of the UK.

There are many very good and well understood reasons for the current situation, particularly the length of time democracy has been running in the UK. However, Ron Gould's comments have reinforced the feeling of the commission and others that the legislation is getting too complicated and that it is time for a real overhaul. By that, I mean that the legislation should certainly be consolidated, though I would go further than that and suggest that we need to consider how it might be simplified. In fact, in his report, Ron Gould commented that the legislation for e-counting was made simply by taking existing legislation for paper-based counts and replacing the person counting pieces of paper in a sports centre with a computer. However, it does not work that way. We need a much more radical examination of these issues if we are to get e-counting right in future. Consideration of how the legislation might be consolidated and simplified and how it interacts with different forms of elections is certainly important and must be given much greater priority.

**Alasdair Allan:** The situation in Scotland is complicated further by the fact that legislation on the electoral process and the administration of local and national elections comes from different sources. Does the Electoral Commission take a view on that issue?

**Sir Neil McIntosh:** The commission does not have a position on legislation itself, which should be discussed by the constituent Parliaments.

However, administration is a different matter. As you know, Ron Gould has suggested that the Scottish Parliament and local government elections be handled by one administrative process with one chief returning officer.

Having answered the general question, I think that I will stop there rather than take up more of the committee's time. However, I am happy to develop the point.

**The Convener:** Surely the commission's response and advice to other bodies with regard to decoupling and the handling of elections applies right across the board to European elections, UK elections, Scottish Parliament elections, local government elections and referendums.

**Sir Neil McIntosh:** Precisely so. As Scottish Parliament and local government elections are held and managed in a Scottish context, some might well argue that they might be better handled with proper co-ordination. However, the commission needs to consider how such moves would fit into the wider scene and structure of other elections and to think about what lessons can be learned about the approach to elections, not only by Scotland but by other constituent nations in the UK.

10:45

**Kenneth Gibson:** Do you agree that the furore over the number of spoiled ballot papers in the Scottish Parliament elections masked problems that arose in the local government elections? I have serious concerns that many members of the public did not realise that they could vote 1, 2, 3, 4, 5 so they simply put one X in one box.

Another concern is the alphabetical ordering on the ballot paper. It is clear that, the higher up the alphabet their name, the more likely candidates are to get elected. The Conservatives carried out research that concluded that 92 per cent of its successful candidates were high up the alphabet where more than one Conservative candidate was elected. I think that a similar pattern could be seen—across the party divide—in every North Ayrshire ward. Indeed, even if we lump together candidates from the same political party, the share of the votes among them also went 1, 2, 3. For example, of the three Labour candidates in one ward, the highest on the list received significantly more votes than the next highest up the list, who in turn received significantly more votes than the third. Of course that could be for other reasons, but that seems a clear flaw in the single transferable vote system.

**Sir Neil McIntosh:** Let me deal with those two points separately.

On the generality of the STV system, I would not call that a flaw in the system. We need to analyse exactly what happened and what the background reasons were. For instance, the rate of rejected ballot papers in the local government elections was obviously less than in the Scottish Parliament elections. At 1.89 per cent—let us call it 2 per cent—the rate of rejected ballot papers in the local government elections equated broadly to a rate that was seen in Northern Ireland when there were combined elections. One issue is whether the combining of elections in which electors are required to write an X as well as 1, 2, 3, 4 creates an added level of complexity. That said, you are quite right that Xs were used, including multiple Xs in some cases. We need to address the issues of voter information and of process. However, if you are asking me to say that STV has a fundamental flaw compared with other systems, I could not say that.

**Kenneth Gibson:** Surely there is a flaw. For the Charter 88 and Unlock Democracy report, 26 per cent of the volunteers who were recruited to monitor the election did not understand how STV worked. There was a furore of party-political broadcasts and leaflets coming through doors at election time. Much of the information that was issued to educate voters must surely have been lost in that mêlée. We did not have a significant enough education programme to let people know about the system.

How will we even know the level of public concern about the system if we take only a two-dimensional view by considering only the spoiled ballot papers? I believe that many people did not know that they could vote 1, 2, 3. Obviously, to a large extent, the onus is on voters to know about the system before they enter the polling booth. However, ballot papers on which an X was written against three candidates—whether or not those candidates were independents or from different political parties or a mixture—were automatically discounted because the votes were not prioritised 1, 2, 3. Is there any way in which such votes could be treated as having an equal priority, perhaps by giving them a reduced weighting, rather than discounting those ballot papers altogether?

**Sir Neil McIntosh:** There are some difficulties with that suggestion, but you are absolutely right that we should consider those issues. To look ahead, we need to learn lessons from the past. Although separate elections would allow public information to concentrate on the voting system for local government, such issues still need to be addressed. We need to explore the sort of thinking that you have set out. That is perfectly reasonable and proper.

**Kenneth Gibson:** Should we consider, for example, randomising the order of names on the ballot paper?

**Sir Neil McIntosh:** Let me turn to that, which was the second point that you made.

The commission has established quite clearly that the first name on a list benefits from that position, so we will study the grouping of candidates in order to find out how a better and fairer expression might be produced. The list could be varied simply by lot. Rotation is probably the fairest way, although it starts to become very complicated in that setting. As you will appreciate, the issue is about not just the use of the alphabetical approach to candidates' names, but to parties' names. Peter Wardle might want to say something about how the commission is approaching that general point.

**Peter Wardle:** Mr Gibson made the point that messages to voters can be lost. One of the lessons that I take from Ron Gould's report is that most voters do not actually think about what they have to do with the ballot paper until they turn up at the polling station—that is fairly well agreed. What worked best at the Scottish elections was having good advice in the polling station so that voters could get good guidance from the staff and had good information officers there to help them when they thought, "What do I do now?" That was when they needed the information. The commission, Ron Gould and others will all have seen patchy performance on that and we want to take that lesson away, so that as much effort as possible is put in to give the voter the information when they need it, which is when they come to vote.

The commission is examining ballot paper design, and party names and descriptions. In our document about moving on from the Gould report, we said that we would take on the role of developing UK-wide standards for ballot paper design. That would pick up a number of the issues that Ron Gould and others identified in relation to the May elections in Scotland.

We will also look at party descriptions. We had already been doing that following the elections in Wales in May this year, in which there were issues about the use and the numbers of party descriptions. We plan to complete the first stage of our consultation on that by the end of January 2008. We will be looking at all the issues that Ron Gould mentioned to do with party descriptions, alphabetisation, randomisation and so on, and we will try to come forward with some options.

It is not necessarily the case that every one of Ron Gould's options has to be taken up in order to solve the problem. I am aware of some concern from the voters' perspective. For example, voters

in Scotland are used to folding their ballot papers and in May we saw a lot of people who got confused when they were asked to do it differently. We also need to bear it in mind that a lot of people in Scotland are used to seeing an alphabetical list, and so any departure from that will need to be considered; it might solve one problem but create another.

**The Convener:** I am sure that you will do a lot of work on that. I will pursue two points that were well rehearsed with Ron Gould. First, given the Electoral Commission's role in informing people, I am interested that providing information might be pointless because no one reads it or pays attention to it until they arrive at the polling station. We might come to that later. Secondly, there was some polling work that showed that people had a problem with lack of information. How does the Electoral Commission respond to that and will you try to reduce that problem?

Also, ballot papers were made available to Ron Gould and his team. Was the Electoral Commission able to study any of those ballot papers to support Kenny Gibson's contention that the failure rate was more than 2 per cent? We are focusing on decoupling, but there was only a 2 per cent failure rate in the local government elections, which is within the acceptable threshold. We all know from anecdotal evidence, however, that a paper on which someone put a single X was not counted as a failed paper. Do we know how many ballots were passed, although not completed correctly?

**Sir Neil McIntosh:** I will respond to one of your points, but Peter Wardle will come in first.

**Peter Wardle:** On your first point, I am sorry if I did not make myself clear. I was not saying that information campaigns are not worth while. My point is that the lesson from Ron Gould was that none of us did well enough in providing consistent information to voters at the point of voting on polling day.

**The Convener:** We have heard politicians apologise and say that they did not do well enough, but what did the Electoral Commission not do well enough?

**Peter Wardle:** The Electoral Commission has made it clear that we did not do two things well, both of which relate to the pre-election day campaign. The first thing concerns the research that we conducted at the request of the Scotland Office in relation to the parliamentary ballot paper. We have accepted Ron Gould's criticism that we should have used a different methodology. We used the best methodology that we were advised was available at the time but, clearly, it was not good enough and we will not use it again.

The second thing that we did not do well was to do with the evaluation of our campaign, which is a rather detailed point that is covered in full in one of the annexes to Ron Gould's report. We did not conduct the evaluation sufficiently close to when the campaign had taken place to get good enough statistics. We will take on board both those points.

As a more general point, we have taken on board the general criticism directed at all those who were involved in the election, which is that we failed to place voters' interests at the heart of the planning, the legislation, the preparations and so on. We share that responsibility and we have certainly committed to renewing our efforts to put the voter first—as have, I am glad to say, a number of other people.

With regard to the day of the election, we gave guidance on how the information officers should do their job and the polling clerks should advise electors about, for example, how many votes they had on the STV paper. That guidance was perfectly adequate—it was good and right—but it was not always followed consistently and thoroughly and we will want to do more to ensure that it is in future.

You asked about the access to the ballot papers that was given to Ron Gould and his team. The Electoral Commission did not, separately, use that power to do any of its own analysis. As Ron Gould makes clear in his report, he was concerned that he should do nothing that could be construed as questioning the validity of the results of the election or interfering with the secrecy of the ballot. For that reason, he looked only at images of the face of the ballot papers. He did not look at the actual ballot papers, so that there could be no suggestion that he had turned them over and seen identifying marks or whatever else. The analysis of the ballot papers that was carried out is the analysis that is in Ron Gould's report. We have not carried out any further analysis.

On the indications from some of the pre-election research of some of the problems that might be experienced by voters, I have commented on that already in relation to the parliamentary ballot papers. The research on the STV ballot paper was carried out by the Scottish Executive, not the Electoral Commission. I cannot say much about that, except that we clearly looked at some of the issues that emerged from that public testing of the ballot papers and tried to ensure that our guidance to returning officers about the information that voters would require addressed those problems. As I said before, we need to ensure that that guidance is followed more consistently in future.

**Sir Neil McIntosh:** I am conscious that you might want to move on to other points, convener, so I will not speak at this point.

**Alasdair Allan:** Others have mentioned the issue of information officers. Mr Gould said that they were

“a last-minute desperate attempt to try to resolve the problem of lack of voter information”.—[*Official Report, Local Government and Communities Committee*, 21 November 2007; c 280.]

You said that you felt that the provision of information officers was patchy, as was the information that they had. I am sure that members of the committee have anecdotes to that effect. I remember one voter telling me that they had asked the information officer in the polling place, “Should I make just one mark on the parliamentary paper?” and that the information officer, who, in retrospect, obviously thought that they were asking whether they should make only one mark in one column, said yes. That voter was, therefore, disfranchised on the second half of the parliamentary paper. Do you see information officers having a role in future? If so, what should that role be, and by whom should it be supervised?

11:00

**Sir Neil McIntosh:** The information officers were not an afterthought. In his comments, Ron Gould was referring to the late stage at which funding was approved to permit them to be used. In some authorities, they were used in 2003. In 2005, Andy O'Neill came back from the Northern Ireland elections and proposed to the steering group that the use of information officers was important, so it has been an underlying theme.

Information officers are important because, even with all the advertising in the world, individuals entering a polling station may not have been reached. In that situation, a personal contact can be more than helpful. Where information officers operated effectively, that was appreciated. However, provision was not consistent across the piece and could have been better. Returning officers, who were responsible for recruiting, appointing and training information officers, with support from the commission, would accept that. There is a role for information officers at polling stations in the future, but it must be developed, sustained by effective training and much more focused.

**David McLetchie:** I return briefly to the issue of ballot paper design in the Scottish Parliament election. The research that the commission commissioned from Cragg Ross Dawson involved only 100 participants but, significantly, it indicated a 4 per cent rejection rate for ballot papers. As Mr Gould records in his report, that was very close to what happened on 3 May. You have indicated that you do not believe that the best methodology was adopted for that research and that it could be

improved on. Was the problem that the sample was so small that the warning sign of a 4 per cent rejection rate was not given the significance that it deserved?

**Sir Neil McIntosh:** I invite Andy O'Neill to talk you through the detail of the issue.

**Andy O'Neill (Electoral Commission):** As Peter Wardle said, we accept that the methodology for the research was not right. However, what the Scotland Office asked us to do in the summer of 2006 was to take soundings on the aspects of the ballot paper that people liked and did not like. We did that. In August 2006, we passed the report to the Scotland Office, highlighting a number of areas in which we felt further work should be done. At that point, our involvement in the design of the ballot paper ended. As Mr Gould points out in his report, it was for the Scotland Office and DRS, the e-counting supplier, to finalise the ballot paper. The fundamental point is Ron Gould's recommendation that a full, in-depth research programme on the ballot paper, leading to what the voter in the polling booth would see on 3 May, should have been undertaken. We accept that it was not and will seek to ensure that that happens in future.

**Sir Neil McIntosh:** Andy O'Neill has indicated when our involvement ended, but the commission accepts that it should not have ended at that point. Although the matter was not our responsibility, we should have recognised that there was an issue and should have pressed for action to be taken.

**David McLetchie:** So you think that, with the benefit of hindsight—which is a wonderful thing—you should have pursued the matter or, having passed the report to Government, should have monitored Government's response or maintained a dialogue on the issue.

**Sir Neil McIntosh:** Precisely. Everyone who saw the message should have said that more needed to be done and that we needed to press forward on the issue. With hindsight, we see that clearly.

**Andy O'Neill:** One of the problems that Mr Gould identifies is the lateness of legislation. Because we were trying to do a lot of other things, we failed to carry out the task that we should have performed of ensuring that the Scotland Office took up the matter.

**David McLetchie:** There was a 4 per cent failure rate for ballots for the Scottish Parliament election and failure rate of nearly 2 per cent for ballots for the local government election. What do you regard as an acceptable failure rate or as the norm? There will always be spoiled ballot papers, but what is the target for properly completed ballot papers for which we should aim?

**Sir Neil McIntosh:** I will not try to dodge your question, but you will appreciate that the obvious answer to it is zero. One would like all ballot papers to be completed correctly. Of course, we should not forget that 3 per cent of the 4 per cent of papers that you mentioned were blank. That could mean that people were confused, but we know that some voters demonstrate their opinions by not completing their ballot papers. Therefore, an element of voter choice comes in, but that would not have created the skew that there was. We must consider international comparisons to find out what is happening. With respect to STV, at the very least, we should try to achieve a pattern of no more than 1 per cent of ballot papers being spoiled.

It is important to the commission that what actually happened in the elections is considered and people drill down to what caused papers to be rejected. We must ask what was in voters' minds and what was missing. Some 1 per cent of papers could be spoiled in an election, but a serious issue might still need to be addressed. I am loth to say that there is an acceptable percentage of rejected ballot papers because, by definition, there is not. No voter should lose their vote for any reason other than because they have chosen not to exercise their choice.

**David McLetchie:** I want to return to decoupling. You chaired a committee that considered local government and the timing of elections, and you obviously have a lot of professional experience. I think that you mentioned the Arbutnott committee. You may take off your Electoral Commission hat when you answer my questions if you need to. What is your view on the timing relationship between Scottish Parliament and local government elections? It is obvious that there will have to be a transitional arrangement if we want to decouple them. How should that transition be facilitated?

**Sir Neil McIntosh:** I will not take off my Electoral Commission hat, convener.

**The Convener:** Indeed. You are here to represent the Electoral Commission.

**Sir Neil McIntosh:** Yes. However, it may be helpful to say, bearing it in mind that my term of office ends in the coming January—

**David McLetchie:** You could come back in February.

**Sir Neil McIntosh:**—that an option that was raised with the commission was that local government could have a five-year term. Its elections would therefore be moved a year behind parliamentary elections. It could then have a second five-year term, which would take local government elections to the mid-point between Scottish Parliament elections. Terms would then

run from there. That would be consistent with the views of the commission on local government and the Scottish Parliament and Arbutnott. We would probably like elections to be clearly separated. One would not want one set of elections to be held one or two months after the other set.

**Jim Tolson:** I want to ask about one of the confusions that the elections caused. There were 32 returning officers—one for each local authority—but much of the responsibility for elections in Scotland is held in London. Mr Gould thinks that there should be a returning officer for the whole of Scotland. What is the commission's view on that? How can it be progressed? As it is possible that we could have overall control of Scottish elections in Scotland, should we consider the benefits of a single voting system, whether an STV system or another system? Would there be less voter confusion?

**Sir Neil McIntosh:** I should clarify that the 32 returning officers are not controlled from London. Each is independent in his or her own right. The fact that there are 32 of them inevitably creates problems of consistency, which is why Ron Gould suggested a co-ordinating role in Scotland for Scottish elections.

Broadly, the commission agrees that more co-ordination is needed. There was fragmentation, which creates its own problems, but the delivery of more co-ordination is inevitably more complicated, and things must be seen in a United Kingdom context. There is no point in addressing fragmentation in elections in Scotland and ending up with fragmentation across the UK. It is important that principles and best practice are established. However, in broad terms, having a Scottish co-ordinating returning officer role would provide one means of addressing the issue. That covers that point.

It is inevitable that voting systems will be determined by Westminster or the Scottish Parliament—that depends on the situation. The commission does not get into the political—with a small "p"—consideration of that.

**Jim Tolson:** Mr Gould suggests that each local authority should have a full-time officer who is responsible for dealing with electoral administration. Should that be a new post or could electoral registration officers be given that responsibility in each local authority area?

**Sir Neil McIntosh:** I do not necessarily think that electoral registration officers could take that responsibility; they have a clear role. Any returning officer set-up includes the nominal returning officer, who tends to be the chief executive, as all members know, and an electoral administrator, so authorities have such professionals. Ron Gould has made an interesting point about carrying that

professionalisation through to a higher degree, which raises issues about responsibility.

The proposal merits consideration. We accept the thrust of the argument that elections are no longer run only once every four or five years but regularly and that there is a strong public interest in running them effectively and consistently and in their being seen to be effective. That needs a new approach to uprate the management of elections—and perhaps even its resourcing—in Scotland, quite apart from the rest of the United Kingdom.

**The Convener:** You have said, in response to the Gould report, that you generally accept the recommendation to have a chief returning officer for Scotland. The debate is about what that officer's role should be. Why would that role not include clear responsibility for providing information, education and training, and support for information officers? I felt that the Electoral Commission's response to that argument was a bit defensive. The commission certainly has reservations—it devotes four or five paragraphs to the division of responsibilities.

**Peter Wardle:** We have made it clear in our response that a chief returning officer could easily work in Scotland for the elections that Ron Gould has examined. As you say, we have set out several points that would need to be considered and worked through if that solution were adopted. Separately, we have said that the idea relates to a wider debate that was brewing in other parts of the UK and which Ron Gould's recommendation has strengthened. In the UK, a chief returning officer has been proposed in Scotland, and Northern Ireland already has a chief electoral officer. If Scotland and Northern Ireland were to have those posts, why not Wales? What would we do about the very fragmented and diverse group of returning officers in England? As part of its UK-wide role, the commission wants to consider that as a separate issue.

Ron Gould's finding is that, subject to his reservations, which I do not criticise and which the commission accepts, the commission did a good job on public information. In several reviews, including one that the National Audit Office conducted for the Speaker's Committee of the House of Commons only in the past two years, the commission has been supported strongly for the work that it has done and the effectiveness of that work on public information.

The point in our response on following up the Gould report is that we would like the cost effectiveness of having off a nationally administered role to national or regional levels throughout the UK to be addressed. The issue is probably easier in Scotland, because of how the media work here, but they do not work in the same

way in other parts of the UK. What you detect from our full response rather than our Scotland-specific summary is that the proposal gives rise to questions in our mind when we consider whether the solution that might work in Scotland would work in the rest of the UK.

11:15

**Johann Lamont:** Will you clarify whether it is your view that not all Ron Gould's recommendations need to be implemented for us to address the problems that were highlighted in the elections? You have already expressed reservations about some of them, so it would be reasonable to say that you do not necessarily agree that they should all be implemented.

**Peter Wardle:** I mentioned a particular point on possible solutions to the way parties and party descriptions appear on the ballot paper. Ron Gould said that party descriptions and the order in which party and candidate names appear could be addressed and that alphabetisation, random draws or rotations could be options. I am not convinced that we need to implement all those to deal with the problems that we experienced.

The Gould report identifies some key issues to do with legislation, timing, planning, co-ordination, accountability and supplier management, to name the top few. Those need to be addressed. Ron Gould develops a range of options on them in the body of his report and concludes with a particular set of recommendations, which is one way of solving the problems. It is not necessarily the only way and there are other options in the report. The important thing is that whatever is done is tested against the problems that he identified and that we decide how well the solutions will work.

**Johann Lamont:** Would it be reasonable to say that, from your perspective, the issue was not where the legislation emanated from but that you required administrative coherence in its implementation? That is to say that the argument that we need a chief—one responsible person in Scotland—is entirely different from determining who legislates on how elections are run.

**Sir Neil McIntosh:** At the beginning of the meeting, we distinguished between the management of elections and legislation on elections, which is not within the commission's scope.

**Johann Lamont:** I will ask about fairness in the ballot. Do you agree that there is a distinction between what political parties or individual politicians regard as fair and what the voters experience as unfair? I will give you an example that Kenny Gibson used. If a supporter of a party that put three candidates on the ballot paper made it clear that they wanted to vote for their party



alone by indicating their support for all three candidates, their ballot paper would be discounted, but the vote of a supporter of a party that put only one candidate on the paper, who therefore put only one X on the paper, would be counted. Is that right?

**Sir Neil McIntosh:** Yes.

**Johann Lamont:** Would it be reasonable to say that, as a consequence, what was perceived as fair—putting candidates on the ballot paper in alphabetical order—disadvantaged strong supporters of particular parties that had more than one candidate?

**Sir Neil McIntosh:** You are touching on the sensitivity of the ballot and why it is important that it is considered against the backdrop of voter interest.

**Johann Lamont:** There was a political argument about that as the legislation came through the Parliament. The parliamentary committee took a decision that candidates ought to be presented by alphabetical order. In effect, that decision meant that less information was provided on the ballot paper for people who were interrogating it than if it had been grouped by party, for example. We test the system by how fair the outcome is in terms of party choice and judge an electoral system to be fair if the share of seats reflects the share of the vote, but the ballot paper was not grouped by party, which would have given voters the information that would have allowed them to express their political preferences.

**Sir Neil McIntosh:** That, too, emphasises the importance of thorough research on any ballot paper development or design that takes the voter interest and experience into account. It also emphasises the importance of an independent report going before the legislative body to ensure that the public interest is put before elected members when they take the decision.

**Johann Lamont:** But do you accept my premise that the decision by the parliamentary committee not to group the candidates under political parties disadvantaged people who were voting for a political party that had more than one candidate? Such parties must have had a disproportionate number of discounted votes.

**Sir Neil McIntosh:** That has to be set against all the factors and issues. I would not want to be locked into saying that one element was absolutely secure.

**Johann Lamont:** I want to pursue the point about alphabetical order. I agree with the reservations that you expressed. As someone who has worked with people with literacy difficulties, I know that the alphabet gives people a tool with which to interrogate a piece of paper. If we were

going to randomise the ballot paper, it could be done by political party, but it would need to be done in alphabetical order. We would have to find some way to make it easier for people to access the ballot paper.

I want to pursue two points about the disproportionate number of people in disadvantaged communities who spoiled their ballot papers. The turnout was lower, and there is evidence that the level of spoiled ballot papers was higher in some of the poorest communities in Scotland. What do you think we should do to address that?

I will give you two examples. First, what do we do to the ballot paper to make it easy and accessible to people who face certain challenges? Secondly, what do we do with our information officers? There is evidence that some information officers gave wrong information or were entirely hands-off in case they were seen to be interfering. We presented people with a complicated ballot paper and we disfranchised them by not supporting them to work their way through it. Voters were told that even if they thought they had made a mistake, they could not do it again. All the information programmes in the world are a waste of money if people do not pay attention to them. Surely the investment should be in proactive officers inside the polling station giving people information.

**Sir Neil McIntosh:** That is a fair and valid point. The answer comes round to careful selection of information officers with the qualities that we are looking for, to intensive training to ensure that those qualities are carried through, and to monitoring to see how effective that training has been.

The other point was about the areas of social deprivation, which the University of Glasgow report picked out as an issue. That brings us back to the theme of Ron Gould's report—putting the voter first. We have to address the issues, not as a generality across all electors but on specific voter education and, ultimately, some of the underlying issues of social deprivation. It is not an issue that we can ignore.

**Peter Wardle:** In taking specific action, the starting point is to try not to present people with a ballot paper of the complexity of the one that was used in May 2007. As I mentioned before, we are going to come up with standards for the design of ballot papers. The Electoral Commission has a good track record on that since our establishment seven years ago. Those standards will certainly include some on issues related to literacy, disadvantaged communities and accessibility. I am sure that those issues will feature, which will be new for some people who have not taken them

sufficiently into account in the past. That is the starting point.

We have already talked about the need to ensure that information officers are well briefed and that what they can and cannot do is clear. As Sir Neil McIntosh said, and as Ron Gould's report points out strongly, it is important that, whoever ultimately takes the decision about the design of ballot papers, the information on which the decision is based and the factors that are taken into account are clear to the electorate—accepting that there may have to be compromises and that there will be no perfect solution.

I should say that I am talking about additional work. There is no realistic suggestion that the information campaign carried out in the run-up to the election was a waste of money. There were high levels of awareness of the campaign, which is recorded in the appendices to the Gould report, and there was a significant increase among those surveyed in their understanding of the voting system and what they needed to do. We now have to address what needs to be done for the people whom the campaign did not reach. Inevitably, for various reasons, there will be a significant number of people in that category. We will have to consider what can be done at the beginning, to make the process as simple as possible, and at the end of the process, when people turn up to vote. We all need to do better to address those issues.

**The Convener:** Yes. You accept, of course, the Gould report's criticism around information staff and the involvement of the Electoral Commission. We are all culpable, but there is a bit of reluctance to accept that fully.

**Sir Neil McIntosh:** There is no reluctance on the commission's part to say that we were part of that.

**The Convener:** I just detected a bit of that in Mr Wardle's answer—just now and previously. We have all found it difficult to apologise to the voters who were let down. We were all culpable in bringing the situation about.

**Sir Neil McIntosh:** Precisely.

**Kenneth Gibson:** "It wisnae me."

**The Convener:** Even round the table, people are saying that it was nothing to do with them.

**Bob Doris:** Johann Lamont made an important point about literacy and voting intentions. There are some aspects of what she said that I disagree with, but she made an important point about party groupings on the ballot paper. Although I disagree with what she said about that, I am open minded on the idea of a lottery or randomising the order in some way. Johann Lamont and I both have a party-political perspective on that, as well as a fair

and open-minded perspective, I hope. That is the nature of politics. There was a danger that people perceived that ministers were acting with party-political motivation. That is a different aspect of the issue altogether.

I am interested in some of the evidence that you have given the committee. Your report says:

"It is essential that there should be a formal consultation process"

for

"future ballot paper design".

It goes on to say:

"the Commission will publish a plan for the development of a set of UK-wide standards on the accessibility, design and usability of ballot papers and associated stationery by 30 September 2008."

If the research and the consultation are of a very high standard, are persuasive and do not just use four clusters of 25 ballot papers—as was the case for the previous elections—the conclusions could be so overwhelming that they supersede any party-political advantage or any question of ministers trying to exercise an advantage.

I want to home in on the date of 30 September 2008. Will you publish a plan and then consult after September 2008? Will consultation come before that? Your report mentions a UK-wide perspective and "fragmentation of the legislation". There is a feeling that if there are going to be local government elections in Scotland in 2012, which is a real possibility, Scotland has to act now to stop fragmentation in all aspects of the political process, not just for Scottish parliamentary elections but for local authority elections. The timescale is important, and I would like to know more about that. Is the rest of the UK geared up? Scotland cannot wait for the rest of the UK to fall in line; we have to find Scottish solutions for elections in Scotland.

**Peter Wardle:** The commission entirely agrees that we must not let other parts of the UK get in the way of implementing the important recommendations relating to Scotland. Our review was of the elections in Scotland; the recommendations and solutions need to be found in a Scottish context. The review has raised questions for the rest of the UK, but we are determined that the rest of the UK should not get in the way of the implementation of Scottish solutions.

We are conscious of the need to ensure that any recommendations that we make are implementable in time for the next likely set of local government and Scottish parliamentary elections. It might be helpful if the commission gives the committee a note on the details that we have about the timetable and the work plan for the

standards for ballot paper design. However, I am sure that we want to consult all the stakeholders in Scotland—of which the committee is one.

**Bob Doris:** And that will be a far more robust piece of research than one involving 100 sample ballot papers?

**Peter Wardle:** I am sure that it will involve more than 100 ballot papers.

**The Convener:** I am sure we agree that time pressure should not effectively exclude voters and that any conclusions that are reached should not be taken by us politicians—the usual suspects. Do you agree—to go back to my original question—that if we decoupled the elections, we would resolve many of the pressures and problems with management, the problem of having two, different, ballot papers on the one day and so on?

11:30

**Sir Neil McIntosh:** Yes. At the root of this is the matter of combination, speaking candidly. If we remove that factor, we remove an area of potential confusion and added complexity, which has presented a difficulty. Nevertheless, even if you do that, it does not take away the need for effective co-ordination, management, ballot design and staff training. There are a range of issues of consistency there, which political parties have been concerned about over a number of years. All those issues remain.

I know you are not doing this, but it would not be in Scotland's interests to take the simple view that, if we decombine the elections, that will be it, and we can sit back and relax because there will not be an issue any more. Elections are part of our lives, and the various issues must be addressed.

**The Convener:** It was interesting speaking with Mr Gould. We were speaking about elections becoming part of our lives, and we asked him about voter fatigue. His response about how that might be handled referred to compulsory voting. Have you any view on compulsory voting?

**Sir Neil McIntosh:** This is a fascinating point at which to draw to a close. Could I perhaps come back with an answer to that in February? Compulsory voting is not part of the culture of United Kingdom elections, and we would have to be very careful about building it into the equation. Nevertheless, as with everything else, it should not be forgotten about. However, I would not wish to go any further on that point now.

**The Convener:** Some would say that STV is not part of the culture of British voting, but we have it.

**Alasdair Allan:** Good thing too.

**The Convener:** It is good for some.

Thank you very much for your attendance today. That was a good session.

11:32

*Meeting suspended.*

11:37

*On resuming—*

## Budget Process 2008-09

**The Convener:** Item 5 is evidence from John Swinney, the Cabinet Secretary for Finance and Sustainable Growth; David Henderson, head of local government finance with the Scottish Government; Ruth Parsons, director of public service reform; and Graham Owenson, local government finance team leader. I welcome the cabinet secretary and all to the meeting. If you wish to make an opening statement, cabinet secretary, I ask you to proceed. Alternatively, we can go straight to questions.

**The Cabinet Secretary for Finance and Sustainable Growth (John Swinney):** I suspect that what I have to say you might have heard before, so we may as well go straight to questions.

**The Convener:** Once or twice. You may have heard some of the questions before in the Parliament.

What is the estimated cost of the proposed council tax freeze and what impact will it have on people who live in areas of deprivation on low incomes?

**John Swinney:** The cost of the council tax freeze, for which provision has been made, is £70 million per annum. The Government has put that sum of money into the local government settlement. When we set out the approach to distributing local government finance, it will be made clear that I will retain £70 million for distribution once local authorities have decided their position on whether to freeze the council tax. A subsequent order will be introduced to allocate the £70 million to the local authorities in question, once the council tax setting arrangements have taken their course.

Clearly, the council tax freeze will mean that there is no increase in council tax bills, which will benefit a wide range of individuals. When we take inflation into account, the freeze will result in a real-terms reduction in the cost of council services for local residents, which I think will be warmly welcomed.

**The Convener:** The freeze will not help people who are on the lowest incomes and who do not pay council tax.

**John Swinney:** The freeze will clearly benefit those people who pay the council tax. That is one of the most attractive parts of the Government's position.

**The Convener:** We received evidence this morning about the below-average increase in the expenditure that will be available to local

government, once we take out the council tax and other measures. Will that have an impact on people who do not pay council tax? Will cuts in services impact on them?

**John Swinney:** Through the headline local authority settlement, the Government will deliver a strong and positive message about our investment in local public services. The Government will allocate to local authorities a 4.6 per cent increase on the 2007-08 allocation. If we were to add the increase above inflation of 0.5 per cent that the Government is receiving for its budget in the next financial year, we would get a 3.2 per cent increase across the board. However, we are giving local authorities a 4.6 per cent increase in their budget. We should add to that the fact that local authorities will for the first time be given the ability to retain within their resources and programmes the efficiency savings that they make, and the fact that the Government has relaxed substantially the ring fencing of funds, to allow for a more flexible approach to the delivery and design of local public services. Taking all that into account, we see that the financial package for local authorities is robust and will allow them to invest in delivering the key features in the concordat that the education secretary and I signed with COSLA and the other statutory and non-statutory functions that local authorities habitually perform.

**The Convener:** I am sure that you or your officials heard this morning's evidence from the COSLA representatives, who confirmed that the increase in expenditure was below average—it will be 0.5 per cent above inflation in the next couple of years. I think that that was agreed.

The poorest 20 per cent will gain nothing from the council tax freeze. Do you agree that, as a consequence, the gap between rich and poor must broaden?

**John Swinney:** I spent the morning with the Economy, Energy and Tourism Committee, so I did not observe what was happening here.

**The Convener:** Sorry.

**John Swinney:** The increase in cash terms in 2007-08 is 4.6 per cent. The point that I made a moment ago was that if I had applied a uniform 0.5 per cent uplift to all the budgets, irrespective of their contents, local authorities could have expected their budget to go up by 3.2 per cent. In fact, the budget is going up by 4.6 per cent and I am putting in place the elements of the retention of efficiency savings locally and the relaxation of ring fencing, which will bring efficiency savings.

We must be clear that the settlement is significant, in the context. In the past few years, the public sector in Scotland has been accustomed to significant above-inflation increases in budgets. That has been a

consequence of the above-inflation increases in budget with which the United Kingdom Government has provided the Scottish Government through the departmental expenditure limit. Those days are over and we now have a much tighter financial settlement, not just for the Scottish Government but throughout the United Kingdom Government, too. The expectation of increases that are significantly above inflation is not borne out in the settlement that we have before us. Despite that, we have delivered an increase of that magnitude in the local government budget.

The significant public concern about the council tax is clear to us all. The Government has proposals to change the system of local taxation, for which parliamentary agreement on legislation is required. We will publish a consultation document on that shortly. The council tax is a significant burden on individuals and the Government is taking steps to put in place the resources to freeze the council tax to give respite to those individuals who have been hard pressed by significant council tax increases in recent years.

11:45

**The Convener:** You did not deny that the bottom 20 per cent will get nothing, or that the increase in expenditure is 0.5 per cent over inflation, which is below average.

**John Swinney:** Excuse me; I will go through it a third time, convener. It is a 4.6 per cent increase on the local government settlement of 2007-08, which is nearly 2 per cent above the rate of inflation. I am at a loss to understand where you get your figure.

**The Convener:** It is below the average since 1990.

**John Swinney:** I rest my case, convener.

I have just explained it to you, but let me go through it again.

**The Convener:** It is below average.

**John Swinney:** At the cost of repeating myself to the committee, I will go through it again. During the past few years, Scotland has seen significant above-inflation increases in public expenditure. In the financial year 2002-03, if my memory serves me right, the Scottish Government of the time received an increase in the departmental expenditure limit of more than 11 per cent above the rate of inflation. In the forthcoming financial year, we will receive an increase in the departmental expenditure limit of 0.5 per cent above inflation.

I cannot distribute what I do not have. As a Scottish nationalist finance minister, I would love

to be able to manage all aspects of public expenditure and to have the revenue-raising responsibilities of Government. Nothing would make me happier. However, I live with the reality of what I have today. To be fair to the UK Government, it advertised the current public expenditure climate well in advance. The Prime Minister, previously the Chancellor of the Exchequer, made it clear in the run-up to the spending review that resources would be a great deal tighter, and they are. We have to live within those resources.

We can make comparisons with the past, but I can only distribute the resources that are provided to the Scottish Government by the UK Government under the spending settlement that we have.

**The Convener:** You also say that there are opportunities for local government to boost resources through efficiencies.

**John Swinney:** I do.

**The Convener:** It was made clear to us this morning that those efficiencies can be gained only through redundancies.

**John Swinney:** I did not hear the evidence so I am not in a position to speculate about what was said. However, at the Finance Committee yesterday, COSLA said that 2 per cent efficiency savings were achievable and that local government could go even further with the opportunity that the Government has created by relaxing ring fencing, which is significant because it will allow local authorities to design services and approaches in a more flexible way, without some of the rigidities that are required by ring fencing. That can be undertaken without any of the consequences that you are talking about. In this debate, it is crucial that we give the authorities the flexibility to take some decisions locally and design their services accordingly.

**The Convener:** COSLA said that local authorities could not continue to squeeze their budgets. We would all agree that they have achieved quite a lot of efficiencies over the years, so it will be difficult for them to achieve more without contemplating redundancies.

**John Swinney:** Local authorities have a formidable record on efficiency savings; that is beyond dispute. The recent efficient government report for 2006-07 recorded local authorities' contribution to delivering more efficient government.

We are now in a culture where we quite simply have to become accustomed to a constant search for efficiency in the way in which we deliver public services. As I said, I have just come from the Economy, Energy and Tourism Committee. That

committee is focusing on the fact that some of the budgets that it is dealing with have significant reductions. The organisations are adjusting to that through voluntary severance programmes.

The key point in what the Government has said is that there will be no compulsory redundancies in our programme. Clearly, however, authorities have to consider their staffing levels and approaches to service and take into account the delivery of the efficient government agenda. That approach is not unique to the current Administration. It is an implicit part of the financial settlement and part of what the UK Government requires of all departments. Indeed, the letter of guidance that I have from the Chief Secretary to the Treasury about how the Government should approach its programme encourages and extols us to deliver efficient government savings. I am happy to take part in that.

**The Convener:** We heard earlier this morning about the move from backroom services to front-line services. How will we create efficiency savings if there are no compulsory redundancies and everybody decides to stay?

**John Swinney:** First, there is always turnover in staff. Secondly, there will be individuals who wish to leave the public service. Thirdly, individuals can be redeployed in other ways to deliver services in a different fashion.

I will give an example. When I visited North Lanarkshire Council during the summer, I was enormously impressed by the way in which the council has reconfigured its services to manage customer requirements and focus on access to services—the routine things of life. The council has improved the quality of service to members of the public and reduced waiting times for all the elementary local services that we all require. It has used resources effectively. I dare say that an element of voluntary severance was involved in the package, but the council has reconfigured services to do things in a different fashion. Crucially, the initiative has created a platform to allow the council to bolt on other ways of accessing services. That struck me as a good example of the way in which local authorities are adapting to the different climate and redesigning their services to meet the needs of individual customers.

**The Convener:** That is all possible but, in your estimation, at the end of the spending review period, will there be more people employed in local government or fewer?

**John Swinney:** My judgment would probably be that there will be fewer, convener—

**The Convener:** Fine.

**Johann Lamont:** I welcome you, cabinet secretary. I hope that, at some point, you will go

into more detail on the implications for housing. However, I have a couple of questions on your plans for the council tax.

First, I think that you will agree that, even in a tight budget settlement, the Executive or Government will be judged by what it prioritises within the budget. The size of the budget does not matter. It is the shares of the cake that reveal the Government's priorities. It has already been confirmed that the council tax freeze will not affect the bottom 20 per cent. You have committed to spend £265 million over three years on the small business scheme, which has no conditions whatsoever attached to it. On what basis is that a priority over other spend? Presumably, it will not benefit the poorest people in our communities, given that there are no conditions attached in relation to training, employment or capacity to work with local employability strategies. Why is that a priority in a tight budget?

**John Swinney:** On the point about the council tax, the people to whom I speak during my travels around Scotland are grateful for the Government's commitment to freeze the council tax. I have met many pensioners who pay full council tax and find that enormously difficult. They are pleased that the Government has decided to put their interests at the heart of the agenda, and they will benefit.

**Johann Lamont:** But it would be fair to say that the bottom 20 per cent in terms of income will get no benefit from it at all.

**John Swinney:** It is clear that people who pay council tax will get the benefit of the council tax being frozen. I accept unreservedly that the Government must be prepared to be judged on the decisions that it makes on its spending priorities.

The reason why we have gone for the small business bonus scheme is that it will provide the smallest companies in different parts of Scotland with a competitive advantage in building the activities of their business. One of the issues that arise in my discussions with local businesses is that the level of business taxation is an inhibitor to encouraging employment growth in communities; businesses just cannot take on extra people, because their business costs are too high. If we can put in place a measure that reduces the business costs of those companies, that increases the likelihood that they will be able to increase employment. We are improving their competitive position by reducing business taxation. If more employment opportunities can be created in the small business sector, that will make a significant contribution to assisting the poorest individuals in our society in finding access to employment locally. One of the major themes of the Government's economic strategy is to ensure that we improve levels of economic activity. This is one of the areas in which we believe that there will be

a positive benefit for local organisations and individuals.

**Johann Lamont:** You said that there is a likelihood that small businesses will be able to create jobs, but you are not building into the scheme an obligation for small businesses to participate in local employability schemes. You said that you will ensure that there is increased economic growth, but you said only that there was a likelihood that small businesses would create jobs. Given that you are putting a significant amount of money into the scheme, in a tight budget, why not put in conditions that would allow you to get the benefit of such investment?

**John Swinney:** If my memory serves me right, I recall that the previous Administration tried to set a condition on business rate cuts in relation to research and development activity but was unable to design a scheme in which that was possible. We have decided to provide the incentive to improve the company performance of small businesses right across the country in every community in Scotland. That will be a beneficial move to stimulate the level of economic growth—I am confident that it will have that beneficial effect.

**Johann Lamont:** Given that the settlement is tight, I find it quite remarkable that although there is such certainty about what is being given, no attempt whatever has been made to get something back—we will just have to cross our fingers.

What will be the implications of freezing council tax and getting rid of council tax for second homes? You will be aware that, currently, £17 million from council tax raised on second homes is ring fenced for affordable housing. The sum is £17 million a year—and something like £43.7 million over three years—which is 40 per cent of the new moneys that have been available for affordable housing. What will be the implication of getting rid of the council tax on second homes for affordable housing in communities that rely on that income?

**John Swinney:** I suspect that the difference in income will be marginal, bearing in mind that the revenue raised is £17 million out of a total council tax revenue of just over £2 billion.

**Johann Lamont:** That is £17 million pounds for an authority such as Argyll and Bute Council. When it was agreed that that money should be ring fenced, that was welcomed.

**John Swinney:** Yes, but £17 million will not be realised from council tax on second homes in Argyll and Bute.

**Johann Lamont:** I did not say that it would.

**John Swinney:** With the greatest of respect, I have to say that you have conflated—

**Johann Lamont:** Let me finish. There will be a disproportionate impact on communities that have second homes and which experience the consequences of that. If you abolish the council tax on second homes, what will be the consequence on the funding that has been generated in communities that have disproportionate numbers of second homes? Has that been considered?

12:00

**John Swinney:** Let us not take a total national figure of £17 million and suggest that that will have a disproportionate effect on the finances of Argyll and Bute Council. In fact, the total council tax raised in Scotland is in excess of £2 billion.

**Johann Lamont:** You are going to reduce it. If you reduce the take, by definition you will reduce the take from second homes and communities that rely more on second-home income will be disproportionately affected. While there is only a freeze on the council tax, the effect may be marginal; it may be more significant once you abolish the tax altogether.

**John Swinney:** Those are two entirely separate issues. First, as I have said, the impact of the council tax freeze on second homes will be marginal—£17 million out of a total of £2 billion of council tax revenue. In distributing the £70 million following the council tax freeze, we will take into account the income from second homes to ensure that some of the possible marginal consequences are not felt by local authorities in Scotland.

**Alasdair Allan:** I am sure that the convener will not take it amiss if he and I have slightly different recollections of the evidence session with COSLA this morning. The witnesses acknowledged—as has been acknowledged by others here today—that it is a tight settlement because of the income that the Government here is receiving from London. They also acknowledged and welcomed an end to top-slicing and some of the more restrictive practices that have operated in the past with local government's funds being ring fenced. I wonder whether you can say something about the philosophy behind that and the benefits that you hope to see accrue to local government as a result of its having more flexibility and freedom in those areas?

**John Swinney:** We are dealing with a much tighter settlement than we have had in the past, and that is being felt right across the board. Nevertheless, we have managed to put in place a settlement that is good for local government. On the day when the Government's budget was announced, I was pleased that the president of COSLA said that he would not do a deal with any Government that left local government short. That

showed his acceptance of the fact that we have delivered a good settlement for local authorities.

On the philosophy behind the relaxation of ring fencing, the Government takes the view that ring fencing has become an obstacle to the efficient delivery of public services in a number of different areas. Where the Government sets out a particular ring-fenced fund and says that local authorities must spend within the confines and constraints of that, that may not take into account the existing level of service provision in a particular locality in a particular area of service. One council may provide a much higher level of service in a particular area than another council, yet the Government has ring fenced the pot of money for that service. Understandably, local authorities want to ensure that they have access to as many resources as possible, so they apply to the ring-fenced fund and we end up with a surfeit of provision in a certain area despite the fact that there might be difficulties in service provision in other areas. That puts obstacles in the way of the effective and efficient delivery of public services.

We want to create the flexibility for local authorities to design public services without the obstructions of ring fencing and to move to the system of performance management that we have set out in chapter 8 of the spending review document. That sets out the outcomes and indicators that the Government and local authorities are trying to achieve together. The whole approach allows us to focus much more on what we are trying to achieve with public money than on accounting for the inputs of the public money. We can gather a fantastic amount of information on the inputs of public money; what are less clear, in the information that we gather, are the outcomes and impacts of the way in which we spend public money. We want to change the focus in that direction.

**David McLetchie:** Good morning, Mr Swinney. Earlier, I asked COSLA about the financial implications of single status and equal pay for local authorities and the settlement that you have reached. As a member of the previous Finance Committee, you will recall that in its report on this matter, which was published in March 2006, it concluded:

“The Committee believes that the implementation of Single Status and retrospective compensatory payments is the biggest financial challenge that local government in Scotland has faced.”

This morning, COSLA told us that many of those issues remain unresolved. Given the gravity of that financial challenge, why is there not a single word in the concordat about it?

**John Swinney:** For the simple reason that the matter is for local authorities to resolve as part of their functions. As some local authorities have

entirely resolved their single status and equal pay questions, it would be inappropriate for the Government to become involved in such matters. It is not a global local authority issue; it is an issue for a number of authorities—the majority of them, I concede—to resolve. Governments over the years have made it clear that local authorities have received financial support to address single status and equal pay issues, and some have done so.

**David McLetchie:** Yes, but you did not think that a year and a half ago.

**John Swinney:** I knew that this was coming.

**David McLetchie:** In February 2006, at a Finance Committee meeting with Mr McCabe, the occupant at the time of at least a small part of the post that you hold, you complained:

“hundreds of millions of pounds in contingent liabilities on equal pay are not even making it on to the balance sheet. That seems to be an absurd position for us to be in.”—[*Official Report, Finance Committee*, 21 February 2006; c 3427.]

Are we still in the same absurd position, or have you resolved the matter in the past six months?

**John Swinney:** I thought that at some point we might get around to my sins of commission as a member of the previous Finance Committee.

If my memory serves me right about the exchange that you have quoted, it related to the provision for contingent liabilities in local authority accounts to deal with this matter. I believe—again, if my memory serves me right—that the Finance Committee took advice on the matter, subsequently or at the time, such that the arrangements for such provision were appropriate and certified by local authority auditors. If so, it is not my business to intervene in the auditing role of individual local authorities.

As for the approach that should be taken to resolving single status and equal pay issues, although the situation still prevails, local authorities are making more progress with it and more of them have resolved it satisfactorily. I freely concede to the committee that I might now be seeing the world from the other end of the telescope, but I think that local authorities are now positioned to take the matter forward. The Government does not need to be active in that respect.

**David McLetchie:** This morning Councillor Watters, the president of COSLA, said that many of the liabilities are uncoded and unquantified and that these financial chickens will almost certainly come home to roost over the period of this settlement.

In February last year, you suggested to your predecessor that he



"set out certain conditions under which local authorities would within a given timescale have to resolve various single status agreement issues, including cost neutrality".—[*Official Report, Finance Committee*, 21 February 2006; c 3436.]

Will any such conditions in relation to the resolution of single status and equal pay matters be applied as part of the single outcome agreements that you reach with councils in Scotland that still have unresolved issues?

**John Swinney:** I have not given consideration to that point, but in relation to the structure of the concordat, we have the opportunity to discuss those issues with COSLA on a bi-monthly basis. We can discuss the whole approach to single status and equal pay to address the question of how much more progress is required. I stress, however, that the financial consequences of all those issues are matters for local authorities to address—as some local authorities have done already.

**David McLetchie:** How can that be a matter simply for local authorities to address, given that they are being invited to freeze their council tax, have run down their reserves in many cases and will expect the Scottish Government to fund any liabilities that remain unquantified and unspecified?

**John Swinney:** Local authorities are self-governing institutions and they have financial responsibility for the resources that they are allocated and the liabilities that arise out of single status and equal pay issues. The matter is one for them to determine. Obviously, the performance and experience of local authorities vary in relation to their reserves, and it is entirely up to them to determine how they manage their reserves and what they deploy to support particular aspects of expenditure.

**David McLetchie:** Back in February and March 2006, the cost of funding equal pay compensation for local authorities was estimated to be between £310 million and £560 million. Has the Scottish Government, in conjunction with COSLA, made any estimate of the range of the potential unquantified liabilities for equal pay compensation claims that might arise over the next three years?

**John Swinney:** I have no better estimate of the position as it stands than the one that you cited from the inquiry that the Finance Committee undertook last year. The issue must be addressed through the proper decision-making processes of individual councils.

**David McLetchie:** Is it your submission that the cost of settlement at the upper end of that estimate—the £560 million, which some people have said is not even the upper end—is all factored into, and has to be satisfied from, the

global financial settlement that you have agreed with local authorities? Is that the Government's position?

**John Swinney:** My position is clear: the resolution of single status and equal pay issues is a matter for local authorities, to be considered in the context of the financial settlement that the Government is offering. Some local authorities have been able to resolve those issues, but others have not, so far, done so. Therefore, it is appropriate for individual local authorities to take the steps that they think are required in order to address the matter.

I must point out that previous Governments have maintained that adequate provision was made within settlements to address the matter. If that is the position—which this Government also maintains—local authorities should be able to address the situation through recurring resources or the reserves that they have built up to address it over time.

**David McLetchie:** I am surprised that you are taking refuge in the position of the previous Government—I thought that there was meant to be a major change in Scotland in 2007.

In relation to reserves, the Accounts Commission recommends that local authorities have reserves of 2 per cent. We know—certainly the Finance Committee knew back in March 2006, and I know in relation to the City of Edinburgh Council—that reserves are nothing like the 2 per cent that would be needed to fund equal pay claims or, indeed, anything else. Is money to enable local authorities to build up their reserves to the appropriate 2 per cent level that is recommended by the Accounts Commission factored into the financial settlement for the next three years?

12:15

**John Swinney:** That takes us to the nub of a significant issue—the nature of the relationship between this Government and local government, in comparison with the relationship between the previous Government and local government. With the greatest respect, the way in which we are proceeding represents a seismic change from the way in which the previous Administration proceeded. We have constructed a relationship with local authorities that is not about me, as the Cabinet Secretary for Finance and Sustainable Growth, making decisions on every point of detail in each local authority's priorities and spending plans.

I have set out the policy framework within which the Government wishes to work with local authorities to agree certain shared priorities, which are set out in the concordat. That policy framework

addresses the issues that are of significance to local authorities and to the Scottish Government. If there are other issues that affect particular local authorities, frankly it is for them to decide how to address those issues. It would be wrong of me to get involved in second-guessing how particular local authorities take decisions about specific spending lines at local level. For example, I have nothing to say to South Lanarkshire Council about single status and equal pay, because it has resolved the issue. It is entirely up to individual local authorities to address that issue.

The Accounts Commission gives guidance on reserves. I do not think that I preach heresy when I say that some local authorities have reserves that are in excess of the level that the Accounts Commission has suggested. Local authorities must make their own financial judgments in that context.

**David McLetchie:** Your position is that it is a matter of indifference to the Government whether councils follow the advice of the Accounts Commission on the level of reserves that they should have. Is that correct?

**John Swinney:** The Accounts Commission provides advice to local authorities on reserves. It would be unwise of local authorities not to take due account of what the Accounts Commission says. Given that professional guidance and advice are available to local authorities, it would be completely inappropriate for ministers such as me to second-guess local authorities' decisions. They are self-governing organisations that are elected by and responsible to their local electorates. It is entirely appropriate for the Government to set out a policy framework within which we wish to work with local authorities to deliver certain objectives, aims and aspirations, as set out in the concordat, but, beyond that, local authorities should get on with the business of running the affairs of the local communities for which they have responsibility.

**David McLetchie:** If it is unwise of local authorities to ignore the advice of the Accounts Commission on reserves, do you accept that it would also be unwise of a Government to construct a financial settlement that ignored that advice?

**John Swinney:** The Government establishes a financial settlement that it discusses with local authorities. Another example of the seismic shift in the nature of the relationship between local and central Government is the fact that, in advance of the spending review, we had a series of highly constructive discussions with local authorities about spending requirements and so on, in order to avoid the situation to which you have drawn attention in a number of parliamentary debates—namely the ping-pong that goes on about whether there is enough money in the settlement and all the rest of it.

We have had constructive discussions in which we have agreed a concordat that reflects the shared priorities for the future of the Scottish Government and local authorities. As I said a moment ago, we have produced what the president of COSLA has described as a fair settlement in a tight financial context. That is an indication of the nature of the mature relationship that exists between the new Government and local authorities. We have addressed our priorities and, into the bargain—given that COSLA is a joint signatory of the agreement—we have addressed the issues that matter to local authorities.

**Kenneth Gibson:** During COSLA's evidence, concerns were raised about the level of voluntary sector funding in the local government settlement. There seemed to be a lack of knowledge among some members of the committee of the announcement that you made on St Andrew's day, in which you said that £93.6 million would be provided to the voluntary sector over three years, which I understand represents a 37 per cent uplift. Will you expand on what that investment will be spent on?

**John Swinney:** There are three means by which the voluntary sector in Scotland acquires funding. The first channel is for services that are funded by local authorities, of which there are many. The second is for services that are funded by other elements of the public sector and by the lottery. Some of that funding comes from the health service, while some comes from other parts of government, such as the environment bodies, which distribute funding to voluntary organisations. Such funding is supplemented by the national lottery.

The third channel, to which I referred on St Andrew's day in my speech to the Association of Chief Officers of Scottish Voluntary Organisations, is the component that the Government provides. The 2007-08 budget includes provision of £15.1 million, which will rise to £38.2 million by the end of 2010-11 and is split between two elements. The general resource that we put in place to support third sector development will rise from £15.1 million to £22.2 million. Before the spending review, the voluntary organisations to which I spoke were concerned about how they would be treated in a tight spending round, but I am delighted that the Government has been able to deliver a significant uplift in funding. We have also introduced the Scottish investment fund, which is designed to reach £16 million by 2010-11 and will be invested in key capacity-building elements of the third sector.

There is good, strong evidence of the Government's commitment to the third sector. One of our key priorities is to ensure that we align every aspect of government and public services at

local and national level to support the Government's policy framework. One of the key elements and attributes of the concordat with local authorities is that we should move towards having a shared policy agenda and a shared agenda on outcomes. Crucial to that is the involvement of the voluntary sector in providing a significant element of services. Individual local authorities will make decisions on the support that they give voluntary organisations, but I encourage them to take a positive stance on the allocation of resources to such organisations. Invariably, in my experience, the voluntary sector has greater success than traditional public sector investment and activities in reaching some of the hardest-to-reach individuals in our society.

There is a good story to tell about the voluntary sector, which has great potential to contribute to meeting the Government's wider objectives.

**Kenneth Gibson:** Earlier you did yourself something of a disservice—I will explain why. Page 3 of the report that the budget adviser has given the committee states:

"Since the overall settlement in Scotland is below that of the UK, it is impossible for the Scottish budget to match the planned growth rates in England for each portfolio."

However, despite the Barnett squeeze, the report from the Scottish Parliament information centre tells us that local government expenditure will increase by

"4.9% ... compared to 4.6% for Scottish Government expenditure overall".

In fact, is there not more money for local government, because efficiency savings, which we discussed earlier and which were clawed back by the previous Scottish Government, are able to recirculate within local authorities? That provides an incentive for efficiency savings to be made and ensures that the prospective redundancies that have been mentioned will be minimised.

**John Swinney:** I am pleased with the settlement that we have been able to deliver to local authorities in a tight spending round. Crucially, the proportion of the Scottish Government's budget that is allocated to local authorities will begin to rise again—albeit by a marginal factor—having declined consistently for the past six to eight years. Essentially, resources for local authorities as a share of the Scottish block have gone down, and the Government has decided that they need to start going back up again. That is evidence of your point.

Further, we have to accept that one of the consequences of the funding formula for the Scottish Government is that because our population now represents a smaller proportion of the UK population, we get a smaller proportion of any increases in key public spending lines in

England. That is resulting in a convergence of expenditure levels between Scotland and the rest of the UK. The Barnett squeeze, as you referred to it, is undoubtedly having an effect. Within that context, the Government has to take some difficult decisions.

**Kenneth Gibson:** Concerns have been raised about the impact of the council tax freeze on people on low incomes, and particularly on people whose homes are in band A. Will you confirm whether the financial impact will be around £9 a year per household? That compares with, for example, the £130 a year that the changes in UK taxation in April next year will cost people with incomes of less than £10,000 a year.

**John Swinney:** The latter figure is not one that I have available to me just now. However, I can say that there will be a beneficial effect for everybody who pays council tax. I suspect that that will come as substantial relief to those who have had to endure a 60 per cent increase in council tax over the past 10 years.

**Kenneth Gibson:** I have concerns about the small business bonus scheme. Local authorities have been advised that they need not worry if firms in their area close down, because their income will be protected. That is the reverse of the structure in Ireland, where the only way in which local authorities can raise money is by rates and there is, therefore, a direct incentive for local authorities to work with the business community to improve the environment for local businesses. Most local authorities do what they can to help local businesses, but surely the issue of incentivising local authorities to consider their dealings with the business community should be revisited.

**John Swinney:** There is an argument for considering how we can incentivise through business taxation, although that does not form part of the Government's budget proposals. In my experience, local authorities are keen to encourage the process of economic development in their localities. As I was discussing with the Economy, Energy and Tourism Committee this morning, I want to ensure that local authorities have greater proximity to and responsibility for the economic growth agenda.

If the Government is to succeed in its objective of increasing sustainable economic growth in Scotland, we will not do it on our own; we need to have the willing participation of local authorities and other public bodies in that process. By aligning the interest of national Government and local authorities in shared priorities, we have an opportunity to create momentum behind the process of economic growth in Scotland.

Having said that, there is an argument about the incentivisation process and about business rates

and economic growth at local level. I will consider how we might take forward a process of incentivisation. We will discuss that with local authorities and we would be happy to discuss it with the committee on another occasion.

**Kenneth Gibson:** I crave your indulgence again, convener. With regard to the new fund to tackle poverty and deprivation, I understand that there will be a merging of three funds: community regeneration, working for families and community voices. Current expenditure is £131 million a year. However, that will jump to £145 million for each of the next three years. Why has there been that increase, why is it being held at the same level over three years, and what impact on service delivery in those areas do you think it will have over the three years?

12:30

**John Swinney:** The funds have been drawn together to follow up some of the suggestions that were made by the Finance Committee in the previous session that related to a concern over the proliferation of funding streams to tackle poverty. The Government has responded to that by trying to put in place a more cohesive and effective fund. That should bring about a simplification of funding streams, as a consequence of which there should be efficiencies in the way in which the funds are distributed. That should guarantee that they have the same—if not greater—impact without some of the burdens of cost and bureaucracy that have characterised them in the past.

By focusing the funds in that way, we make possible the cohesive design of services at the local level. That will fit in with my general message about joining up public services at the local level, which will take place under the umbrella of the community planning partnerships, where local authorities are in the lead. That will provide an opportunity to make such an approach to policy as cohesive as it can be.

**Jim Tolson:** In relation to the single outcome agreements with local authorities and the associated framework, can you give us an idea of how you will ensure that local authorities act consistently in relation to Government priorities? How will the Parliament be able to monitor and scrutinise the use of the large sums of money that are to be transferred to local authorities? That will be more difficult for the Parliament and the Government to do, particularly given the removal of ring fencing. When are the single outcome agreements likely to be in place? How are they to be developed? Will they be developed to ensure that, for example, they provide clarity about deliverables but do not become so detailed that they turn into unworkably large and rigid documents?

**John Swinney:** Your question captures some of the dilemmas that exist. If one wanted to put together a single outcome agreement that monitored to a precise degree certain indicators in every local authority, we might end up with a single outcome agreement whose length rivalled that of "War and Peace". There is a balance that must be struck.

In chapter 8 of the spending review document, we have outlined the architecture of the single outcome agreements. We want individual local authorities to play their part in aligning their priorities and activities to support the Government's national outcomes and the various indicators of performance that we have set out. There is a clear structure and framework to what we are aiming to get local authorities to concentrate on delivering. That brings me back to my central point about aligning local authorities to support a certain number of outcomes that the Government wants to achieve. That is an important asset in relation to that cohesion of priorities.

I accept that there is an issue in connection with the scrutiny of budgets that were previously ring fenced. That means that we have to have an effective level of parliamentary scrutiny of those single outcome agreements. I am happy to discuss with the committee ways in which we might ensure that that happens. There is a difference between the information that will be available in the new scenario and the information that is currently available. The structure of the single outcome agreements will be designed to show how progress is being delivered against a certain number of key outcomes and indicators for Government and local authorities.

My officials and I are working hard to ensure that the agreements are in place by 1 April 2008, so that we have a replacement regime from day one. Undoubtedly, further development work on the nature of the single outcome agreements will be required. They will be the subject of reporting by local authorities to Government on a six-monthly basis. Further, they have the capacity to be reviewed.

Finally, I want to make the point that there is a strong case for developing, over time—this is not an issue for 2008-09 or, probably, for the subsequent financial year—single outcome agreements with community planning partnerships rather than just with local authorities. Such agreements would provide a forum for the integrated policy delivery that we all recognise is essential at local level. Some community planning partnerships would be able to sign such a single outcome agreement tomorrow because they are at such an advanced level of cohesion, but others would take a great deal longer to reach that point.

**Jim Tolson:** I welcome that response. I also very much welcome the fact that we have been given a firm deadline and that the committee will be further involved in discussions.

**Patricia Ferguson:** Good afternoon. I have two main questions, but first I want clarification on comments that have been made both today and last week in the chamber about the new fund that will be set up to tackle poverty and deprivation. Will that fund consist of the three funds to which Mr Gibson referred or will other funds also be rolled up into it? In the chamber last week, Mr Maxwell seemed to indicate that it might include more than just those three.

**John Swinney:** I am advised that more than just those three—I think there will be seven in total—will be rolled up into the new fund. Mr Henderson has the information, so perhaps he can explain.

**David Henderson (Scottish Government Public Service Reform Directorate):** I do not have chapter and verse on all seven, but the fund will include seven grants. A number from outwith the local government portfolio will make up the total.

**Patricia Ferguson:** It would be helpful to get a note of the seven and the budgets that they will bring with them into that rolled-up fund.

**John Swinney:** We can certainly provide the committee with a note on the composition of the fund.

**Patricia Ferguson:** I will move on to my other two questions.

If a local authority decided not to freeze council tax—COSLA was at great pains to point out that such decisions are for local authorities and cannot be made by COSLA on their behalf—could it still retain its ring-fenced efficiency savings and could it still have a single outcome agreement with the Government? Would such authorities have the same ring-fencing agreement as other local authorities?

**John Swinney:** That will depend on the extent to which local authorities agree to the package. That is the clearest answer that I can give—I apologise if it does not sound terribly clear. Essentially, what happens will depend on what each local authority is prepared to sign up to. If the local authority is prepared to sign up to every element of the Government's package, including a single outcome agreement, but decides that it will not freeze the council tax, that is a much tighter definition than a decision that the authority does not want to enter a single outcome agreement, which it might conceivably also say. In a sense, my response will reflect what each local authority is prepared to sign up to. That will be done case by case.

**Patricia Ferguson:** An authority that did that would not be eligible for some of the £70 million, for example.

**John Swinney:** No, it would not.

**Patricia Ferguson:** Who will be responsible for meeting the indicators that are referred to in the concordat?

**John Swinney:** The indicators in the spending review document, which are also reflected in the concordat, are the responsibility of the Government. Ministers are accountable for them: obviously, a key element of that will require working in partnership with local authorities on shared priorities. Clearly, certain commitments that the Government makes will depend on the contribution of local authorities to delivery of the outcomes. The advantage of the settlement that we have achieved through the concordat is that we now have a set of agreed up-front shared priorities that the national Government and local government are working to deliver. That gives us a strong platform for delivery of what is envisaged in the concordat and for wider public service delivery by local authorities.

**Patricia Ferguson:** I find that answer very interesting and helpful in one respect, but it does not completely tally with what local government representatives have told us. They seem to be firmly of the opinion that the indicators relate to what the Government would achieve and what the Government plans and aspires to. I do not know whether you need to have more discussions with the councils or whether you can clarify the issue.

**John Swinney:** I am looking for the exact reference in the concordat. We refer to the sharing of priorities. I cannot find the reference—one of my officials will find it for me.

I apologise for the delay in getting to the right paragraph. The paragraph on single outcome agreements states:

"The national outcomes and indicators are listed in Annex A to this concordat. As part of this package each local authority would aim to reach a Single Outcome Agreement (SOA) with the Scottish Government at the earliest opportunity, based on the national outcomes and, under a common framework, local outcomes to take account of local priorities."

The steps that are outlined in the second sentence give cohesion to our approach. I accept that they are Government indicators and that they set out what the Government is trying to deliver, but we cannot do that without the participation not only of local authorities but of statutory agencies that are responsible directly to ministers. The advantage of the arrangements that are now in place is that we, as ministers, have direct responsibility for and, in many circumstances, power of direction over, national agencies. We can say, "Look—those are

the indicators that you have to achieve. Work towards that.” We cannot say that to local authorities. We have to do it by voluntary agreement, which is essentially what is covered in the sentence that I quoted.

The beauty of the situation that we are now in is that there is an alignment of priorities between national Government, local government and the various agencies. We are all working to achieve the same outcomes and indicators. Clearly, all the indicators can be monitored. On Friday, we published the definitions and the working papers that lie behind all the indicators, which give the detail of what we are measuring and why it matters.

**Patricia Ferguson:** Am I right in thinking that, although a concordat has been arrived at with COSLA, an outcome agreement has to be reached with each individual local authority before we will know what local authorities have signed up to deliver?

**John Swinney:** Yes, but I assure Patricia Ferguson and the committee that the Government will not sign up to single outcome agreements and agree to the package unless we have confidence that we can achieve our national outcomes and indicators.

**Bob Doris:** The evidence session with the COSLA representatives was refreshing, in that they were very open about their discussions with the Government. They said that they went into the discussions saying that between £10.8 billion and £11.5 billion was the range of their expectations for their settlement in the next financial year. They settled for £11.14 billion. Obviously, they would have liked £11.5 billion, but they think that that is a good settlement in the circumstances. COSLA’s written submission states that the negotiations

“were clearly based on our costed understanding of our spending requirements, but took into account an expectation that the resources available to the public sector in Scotland would make this a very tight Spending Review.”

COSLA seems to acknowledge that the Government was operating within a tight spending review and that the concordat is realistic. Mr Mair from COSLA stated that it was the first time that they had had detailed discussions with Government before the budget figures were released. That seemed to be a breath of fresh air.

I will say one final thing on that before I come to my key question: the witnesses seemed to be pleased to have resolved a series of non-cash issues within the concordat. That is all the positive stuff.

12:45

Members of the committee have expressed concerns about the lack of ring fencing, but

COSLA was clear about the need for a reduction in ring fencing. I would like to hear your comments on that. Mr Watters, from COSLA, repeated that people must understand that flexibility does not mean irresponsibility. The witnesses were keen for the committee to acknowledge that greater flexibility would not reduce the ability or desire of local authorities to deal with issues across the range of their responsibilities.

The witnesses also said that the withdrawal of ring fencing from 50 areas would have an immediate benefit through efficiency savings, as there would not have to be 50 separate sets of reports, audited accounts and returns for each ring-fenced fund. They said that the money could be used more effectively if those relatively small amounts could be pooled to improve service delivery. Can you reassure the committee that flexibility for local authorities does not mean irresponsibility? Do you think that increased flexibility will bring some major immediate benefits through efficiency savings?

**John Swinney:** I agree with what the president of COSLA said about flexibility bringing responsibility. I cannot persuade myself of the malevolent view that, unless money is ring fenced, local authorities will spend it on different priorities. I cannot believe that local authorities are waiting for the removal of ring fencing, rubbing their hands and saying, “Great—we won’t have to spend money on vulnerable people in our society any longer.” I refuse to believe that. By removing ring fencing, we can provide flexibility to ensure that services are designed appropriately for local circumstances, and remove a volume of frankly pointless bureaucracy that goes with ring fencing.

Let us consider the situation that the Government inherited. In 2007-08, about 75 per cent of the funding that was provided to local authorities was unhypothecated—local authorities were free to do with it what they wanted, within their statutory responsibilities. The Government has extended the figure from 75 per cent to—probably at the end of the period—about 90 per cent. We have replaced ring fencing with a focus on outcomes that allows us to see what difference our public investment makes to the quality of life of individuals in our society. At the moment, we could look at endless amounts of information on the inputs of money and all the paraphernalia that goes with that without getting much sense of what impact the money has on people’s quality of life, so this is a good positive agenda to take forward.

Obviously, there are reporting requirements in place to ensure that the Government will in due course be able to inform Parliament about performance—which relates, by extension, to the point that I made in answer to Jim Tolson. The process provides a strong platform for how we want to proceed in the period ahead.

**Bob Doris:** Can I ask one final question? There will be new Governments in 2011 and 2015. Is this a principle of mutual respect between national Government and local government that should be extended irrespective of which Government is in power?

**John Swinney:** I look forward to committing the Governments in 2011, 2015, 2019 and beyond to that principle.

**The Convener:** Well done, Mr Doris. If that does not get you up the list, I do not know what will.

**John Swinney:** The only thing that Bob Doris missed was to suggest that I will be a participant in all that. That would have definitely got him up the ladder.

**The Convener:** On that point, we had an interesting discussion with COSLA on the parochial matter of Inverclyde having pockets of deprivation and the fact that some of the funds that have been rolled up are important to us. COSLA assured us, and I hope that you will confirm, that the funding will be protected for the three years and will not be rolled up or allocated on a per-head basis that does not take into account deprivation and our other problems. It is positive news that, in effect, that funding will be protected for the next three years.

**John Swinney:** We are changing a number of arrangements for funding streams, but the distribution mechanism and its effect will be stable. I accept Duncan McNeil's point. Once the concordat was agreed, we embarked on a more detailed set of discussions with COSLA about distribution issues, which are informed by individual local authorities' perspectives. We have had good discussions to the satisfaction of local authorities on the stability of the arrangements. I will examine the matter closely in the next few days, before I make the local government finance settlement statement next week.

**The Convener:** I presume from your earlier evidence that we can give the voluntary sector some reassurance that the outcomes of spending un-ring fenced moneys will be subject to scrutiny by the Government and the committee.

**John Swinney:** The atmosphere that I am trying to create for the discussion involves our having not only a focus on national outcomes and indicators, but a clear steer—I made the point explicitly in my response to Mr Gibson and have made it on countless other platforms—that we want the voluntary sector to be significantly involved in the design and delivery of public services. We encourage local authorities to pursue that locally. I hope that that provides sufficient reassurance.

**The Convener:** I am happy to take your assurance. I think that, like COSLA and the

committee, you will acknowledge that a serious problem of perception exists. The third sector—the voluntary sector—perceives that it will take a disproportionate hit as a result of some actions. I am prepared to accept your assurance that that is not the case, but I hope that you agree that we all need to work to reassure those people. As you said, part of that reassurance will involve our scrutinising outcomes and whether the impact on voluntary sector funding has been disproportionate. I am happy to work with you on that.

**John Swinney:** I accept that entirely. The message that ministers have given the voluntary sector has been entirely consistent with what the convener has said, but we must monitor how individual decisions are taken and their consequences.

**The Convener:** I welcome that comment and the fact that we will be a part of that monitoring or at least of the scrutiny process that results from that monitoring.

**John Swinney:** We need in the fullness of time to have a separate discussion about where the committee sits in relation to the scrutiny process. I am happy to discuss that.

**Johann Lamont:** I have questions to which you can respond in writing if you do not have the time to respond to the substantial points now. It would be useful to know the rationale for ring fencing money for some purposes but not for others. The logic of working on the basis of flexibility is to make all money un-ring fenced.

Will consultation on single outcome agreements go beyond local authorities? I understand that health boards were not consulted on the current position. Will they be part of the process? You will know that equality groups are anxious about the impact on their concerns. Will they be consulted on the development and monitoring of SOAs? I have lodged questions on those matters, but they have all received holding answers, and to have that information would be useful.

Where are we on full cost recovery in the voluntary sector? Voluntary organisations' budgets might be growing and I support the idea that the voluntary sector provides some services better than local government can, but if local authorities are driving efficiencies into the system, the danger is that they will drive out into the voluntary sector. Progress has been slow. If you told us where we are with full cost recovery, that would provide reassurance.

I want to ask a specific question about housing and the anxieties—well founded or not—of housing organisations about the impact of the budget. They are saying that the consequence of removing ring fencing from the supporting people

fund might be that critical homelessness prevention services suffer. Has the minister met representatives from housing organisations to discuss their legitimate concerns? If not, should he?

Will the minister contemplate either keeping the money for dealing with homelessness out of the single outcome agreement or keeping it ring fenced until the single outcome agreement is in place? Do you agree with your minister—Mr Maxwell—who said that if local authorities spend money that used to be ring fenced for dealing with homelessness on something other than homelessness, the Government could always put the ring fencing back? I ask because—you might want to look at this in more detail—COSLA officials indicated that once you make the announcement on distribution it will not be possible to re-ring fence money for the next three years.

Should the responsible minister meet the housing organisations to talk through those issues? Should something be done around ring fencing in the short term until the single outcome agreement is agreed? What input will the housing organisations have to the development of the single outcome agreement? What is your capacity to re-ring fence funds if there is evidence that local authorities use the money for something else—although I am not saying that they will? The minister said that you could do that but COSLA said that you could not do it after next week.

**John Swinney:** I will try to address all those questions.

We decide case by case whether to ring fence money. We decide whether the transition to a non-ring fenced fund is achievable within the context of the settlement. In my view, some grants will always be ring fenced, such as the police grant, for example. There is no appetite to de-ring fence that grant, even within the local authorities, because it makes sense in terms of the number of police boards that we have. We decide case by case where there could be a practical advantage to relaxation of ring fencing.

I know that the equalities issue has been emerging through the parliamentary scrutiny process. I hope that the budget is making enough provision so that equalities question can be properly addressed. Many such issues have statutory—

**Johann Lamont:** I am sorry; I probably misrepresented what I wanted to say. Will the organisations that work on behalf of excluded groups, equalities groups, disabled groups or whatever have a part to play in shaping and monitoring the single outcome agreements? Their fear is that if they do not, their particular issues will

not be recognised in whatever comes out of the other end. I am not asking about how the Government conducts itself over equalities duties because local government has a responsibility in that respect. It is about how the single outcome agreement will incorporate an equalities dimension to what it looks like and how it is judged.

**John Swinney:** That is a question that we can answer during the practical steps that we are taking to agree the single outcome agreements. I certainly want to see such issues reflected: local authorities would take the same view.

The Government is encouraging delivery of full cost recovery. I am happy to provide the committee with further updates on the steps that have been taken, but it is an example of something that will, to be honest, be seen once it has been delivered.

On housing and supporting people, I am not familiar with where the Minister for Communities and Sport is in discussions with the relevant organisations.

**Johann Lamont:** Could you confirm that it would be a good idea for him to meet those organisations? They are anxious that he has not shown the same degree of urgency in meeting them as, for example, the higher education sector. They should be reassured that their concerns will be allayed.

**John Swinney:** I am sure that you appreciate that I do not know where the Minister for Communities and Sport is on that question, but I will certainly report to him. The last thing that the Government can be accused of is a lack of engagement with organisations around the country. I am sure that a lot of organisations feel that they are sick of the sight of ministers, frankly. I will recount your point to the Minister for Communities and Sport.

I suppose that, in theory, money could be re-ring fenced if the concordat does not work and we end up ripping it up. However, members will understand that I am proud of the concordat because it reflects a sense of partnership that I want to bring to Government and its work with local authority partners on delivering services. At this stage, I prefer to think about the strengths of the concordat, how they translate in respect of matters such as the single outcome agreements, and how we can refocus public services to support the needs of individuals in our society and our aspirations on economic growth. If it all goes pear-shaped, the Government will have to revisit that—

13:00

**Johann Lamont:** I understand, but the issue is not whether it all goes pear-shaped. If you are



concerned about spending on a particular group of vulnerable people but everything else is going a whizz, can you re-ring fence money to meet certain targets?

**John Swinney:** I presume that the specific issue that you raised refers to the indicator in the concordat that

“All unintentionally homeless households will be entitled to settled accommodation by 2012”.

If I am correct, that is an absolute continuation of the legislative commitment of the previous Administration. It is a hard indicator—not only in that it is difficult to achieve but in the sense that it is definitive. We have to put in place in our outcome agreements with local authorities the capacity to achieve on that indicator. Otherwise, we will not deliver on it. There will be various staging posts between now and 2012 at which it will be obvious whether or not we are on course to deliver.

The structure of the agreement is such that the COSLA leadership will meet the Cabinet Secretary for Education and Lifelong Learning and me bi-monthly. There will be a six-monthly report from local authorities on performance, and we will need a single outcome agreement to achieve such hard indicators. The Cabinet will meet COSLA annually to address the issues. There are enough mechanisms in the concordat to allow us to take account of issues on which we are not making progress as we should. The indicator on homelessness is one of the more definitive on which the Government must ensure delivery.

**The Convener:** I call Alasdair Allan to be followed by Kenny Gibson—I am conscious that we have taken half an hour more than our allotted time with the cabinet secretary.

**Alasdair Allan:** As I understand it, one area in which money remains ring fenced is the health and well-being budget. How does the Government view the measures of deprivation that are used when calculating that budget, and are any of them in need of adjustment or review?

**John Swinney:** The Government uses the Scottish index of multiple deprivation to assess most such questions. That mechanism has many strengths, but it has a weakness in that it cannot capture small pockets of deprivation, particularly in dispersed populations. It captures significant blocks of deprivation pretty effectively, but it is not focused enough for rural areas.

I discussed that with the convention of the Highlands and Islands at our meeting in Ballachulish just a few weeks ago. Some work is going on to see how best we can continue that debate, and discussions have taken place between Government officials and representatives

of local authorities in the Highlands and Islands and of the convention to try to address those points. I understand that the situation also has ramifications in some of the Highland and Islands health boards. Development work is under way, but it has no effect on the settlement.

**Kenneth Gibson:** At the start of the next financial year, there will be a 13.3 per cent increase in the local government capital budget. In the two years following that, there will be only a 1.8 per cent increase and then a 0.1 per cent increase. COSLA has welcomed the overall increases, but why has it been front-loaded?

**John Swinney:** The increase has been front-loaded to ensure that local authorities have the capacity to take forward some of the practical physical work that is required to ensure that we can, between local and national Government, deliver the reductions in class sizes. From my experience of local authorities, I know that there will be an endless amount of capital work that local authorities could undertake. However, we took the decision to front-load the settlement to give the maximum opportunity for progress on class sizes.

**The Convener:** How much is included to reduce class sizes?

**John Swinney:** The uplift in the budget for the first financial year is 13.3 per cent.

**The Convener:** Is that specifically for class sizes?

**John Swinney:** The money is not ring fenced, but, as I have said to Mr Gibson, one reason why the increase is front-loaded is to take account of the fact that there is clearly a consequence of the policy of reducing class sizes. Infrastructure and fabric works may be required in schools, so we have to provide resources to allow them to happen.

**The Convener:** Will it become clearer after we discuss it with the various local authorities?

**John Swinney:** It will become much clearer.

**The Convener:** Will we be able to identify an overall figure or council-by-council figure of what has been allocated to reduce class sizes?

**John Swinney:** You will be able to see the capital allocations to local authorities, but we are not putting a little price tag on each allocation to say that the money is exclusively for class sizes. I was simply illustrating to Mr Gibson that the reason why the increase is front-loaded is to recognise that there is an infrastructure and fabric issue at the outset.

**The Convener:** I take note of your smile, cabinet secretary.

**John Swinney:** I am always smiling when you

are here, convener.

**The Convener:** Thank you very much for your time and for that of your colleagues—we appreciate it. We hope to resolve any outstanding issues in writing, if that is okay.

**John Swinney:** I will be very happy to respond. There are issues on which I have not been able to give definitive answers today—they will follow in writing as soon as possible.

**The Convener:** Thank you.

13:07

*Meeting continued in private until 13:40*

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice at the Document Supply Centre.

No proofs of the *Official Report* can be supplied. Members who want to suggest corrections for the archive edition should mark them clearly in the daily edition, and send it to the Official Report, Scottish Parliament, Edinburgh EH99 1SP. Suggested corrections in any other form cannot be accepted.

The deadline for corrections to this edition is:

**Monday 17 December 2007**

#### PRICES AND SUBSCRIPTION RATES

##### OFFICIAL REPORT daily editions

*Single copies: £5.00*

*Meetings of the Parliament annual subscriptions: £350.00*

The archive edition of the *Official Report* of meetings of the Parliament, written answers and public meetings of committees will be published on CD-ROM.

##### WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

*Single copies: £3.75*

*Annual subscriptions: £150.00*

Standing orders will be accepted at Document Supply.

Published in Edinburgh by RR Donnelley and available from:

#### **Blackwell's Bookshop**

**53 South Bridge  
Edinburgh EH1 1YS  
0131 622 8222**

**Blackwell's Bookshops:**  
243-244 High Holborn  
London WC1 7DZ  
Tel 020 7831 9501

All trade orders for Scottish Parliament documents should be placed through Blackwell's Edinburgh.

**Blackwell's Scottish Parliament Documentation**  
Helpline may be able to assist with additional information on publications of or about the Scottish Parliament, their availability and cost:

**Telephone orders and inquiries**  
**0131 622 8283 or**  
**0131 622 8258**

**Fax orders**  
**0131 557 8149**

**E-mail orders**  
**business.edinburgh@blackwell.co.uk**

**Subscriptions & Standing Orders**  
**business.edinburgh@blackwell.co.uk**

#### **Scottish Parliament**

**RNID Typetalk calls welcome on**  
**18001 0131 348 5000**  
**Textphone 0845 270 0152**

sp.info@scottish.parliament.uk

All documents are available on the Scottish Parliament website at:

www.scottish.parliament.uk

**Accredited Agents**  
(see Yellow Pages)

and through good booksellers