

# **LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**

Wednesday 29 October 2008

Session 3

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## LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

26<sup>th</sup> Meeting 2008, Session 3

### CONVENER

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

### DEPUTY CONVENER

\*Alasdair Allan (Western Isles) (SNP)

### COMMITTEE MEMBERS

\*Bob Doris (Glasgow) (SNP)

Patricia Ferguson (Glasgow Maryhill) (Lab)

\*David McLetchie (Edinburgh Pentlands) (Con)

\*Mary Mulligan (Linlithgow) (Lab)

\*Jim Tolson (Dunfermline West) (LD)

\*John Wilson (Central Scotland) (SNP)

### COMMITTEE SUBSTITUTES

Brian Adam (Aberdeen North) (SNP)

Paul Martin (Glasgow Springburn) (Lab)

Alison McInnes (North East Scotland) (LD)

Margaret Mitchell (Central Scotland) (Con)

\*attended

### THE FOLLOWING GAVE EVIDENCE:

Brenda Campbell (Convention of Scottish Local Authorities)

Barbara Lindsay (Convention of Scottish Local Authorities)

Councillor Graeme Morrice (Convention of Scottish Local Authorities)

Councillor Rob Murray (Convention of Scottish Local Authorities)

### CLERK TO THE COMMITTEE

Martin Verity

### SENIOR ASSISTANT CLERK

David McLaren

### ASSISTANT CLERK

Ian Cowan

### LOCATION

Committee Room 5



## Scottish Parliament

### Local Government and Communities Committee

*Wednesday 29 October 2008*

[THE CONVENER *opened the meeting at 11:06*]

### Subordinate Legislation

#### Energy Performance of Buildings (Scotland) Regulations 2008 (SSI 2008/309)

**The Convener (Duncan McNeil):** Good morning and welcome to the 26<sup>th</sup> meeting in 2008 of the Local Government and Communities Committee.

Agenda item 1 is subordinate legislation. The regulations under consideration are a negative Scottish statutory instrument. Members have received a copy of the instrument and have raised no concerns on it, although I have had notice this morning that some questions arise. No motion to annul the instrument has been lodged. The Subordinate Legislation Committee raised two concerns on the instrument with the Scottish Government. Details of those concerns and the Scottish Government's response are contained in committee paper LGC/S3/08/26/2. I invite members to discuss the instrument, should they wish to do so.

**Mary Mulligan (Linlithgow) (Lab):** I do not have a problem with the instrument—it is incumbent on all of us, as individuals and as Governments, to consider how much energy we use and to reduce our carbon footprint. I hope that my questions will be taken in that context.

My questions are about the practical measures relating to the introduction of the regulations. If I put my questions on the record, hopefully someone will come back with some answers. First, the introduction of the instrument represents an additional burden for social landlords—both housing associations and councils. Will social landlords' budgets be increased to cover the cost of energy performance certificates, including software development and necessary training?

Secondly, will the Scottish housing quality standard incorporate the recommendations? Will it be updated to do so? Finally, will funding be made available to take forward any EPC cost-effective recommendations? Clearly, we would want to ensure that the recommendations within the SSI are considered, that we get best practice and that any burdens are therefore reduced to a minimum.

If I get a response to my questions, I am even more likely to support the SSI.

**David McLetchie (Edinburgh Pentlands) (Con):** Mary Mulligan's questions will have to be answered before we report to Parliament on the regulations. Cost implications will also arise for private landlords, who represent a significant part of the market. Those implications, too, should be examined.

We must bear it in mind that the origins of the regulations lie in a European directive that we are required to implement in some shape or form. We will have to establish whether we have implemented the directive in the most cost-effective manner. Among member states, there appears to be wide divergence in how European directives are implemented, and it has been suggested that some states are more enthusiastic about gold plating them than others. That point, which has been raised before in reports from parliamentary committees, should also be considered.

**John Wilson (Central Scotland) (SNP):** At the end of the day, who will decide on the regulations in relation to the directive? The annex of the directive says that member states will decide, but the Scottish Parliament and Scottish Government do not represent a member state. Will anything that is agreed in Scotland be subject to approval by the United Kingdom Government?

**The Convener:** A number of questions have been raised, which will help the committee clerks to write to the Scottish Government. The clerks will arrange for this agenda item to be carried over to next week. Do members agree to proceed to our next item?

**Members indicated agreement.**

## Budget Process 2009-10

11:11

**The Convener:** Under agenda item 2 we will take oral evidence on the Scottish Government's budget proposals from representatives of the Convention of Scottish Local Authorities. I welcome Councillor Rob Murray, who is vice-president; Councillor Graeme Morrice, who is resources and capacity spokesperson; Barbara Lindsay, who is strategic director; and Brenda Campbell, who is head of finance. I thank them all for coming. The witnesses have given notice that they would like to make a short introductory statement. After the statement, committee members will ask questions.

**Councillor Rob Murray (Convention of Scottish Local Authorities):** Thank you, Mr McNeil. Graeme—Councillor Morrice—will make the opening statement on behalf of COSLA.

**Councillor Graeme Morrice (Convention of Scottish Local Authorities):** Thank you, convener, for allowing us to address the committee on the draft Scottish Government budget. I also thank you, and the other committee members, for enabling the committee's timetable to be rescheduled to allow us to give evidence here today. We are very grateful to you for arranging it so that we were able to attend today's evidence session. Because of previous outstanding commitments, we would have been unable to attend the earlier session. Given the importance of the discussion that will take place we wanted to field a strong team with experience in budgetary and corporate matters, to ensure that we provided committee members with the most informed answers possible. Thank you for giving me time to raise a few issues before the detailed questioning begins.

Much of the debate on public sector funding focuses on perceived budget cuts, or on a move away from the achievement of narrow input targets. We do not believe that we should be focusing on input measures at a time when both national Government and local government have agreed that the focus should be on outcomes. Put simply, we should be concentrating on the steps that local authorities can take to improve the lives of the citizens whom they serve. The enabling mechanism to achieve that is, of course, the concordat between local government and central Government.

The outcomes approach provides a huge opportunity for local government and all the public sector agencies to focus their resources on a small number of agreed national outcomes and on

the contribution that they can make to them locally.

Removal of ring fencing and grant-aided expenditure lines provides the flexibility to deliver fully on the outcomes approach. That means that local politicians, working with local communities, can make decisions about the best way to spend money, and about the priorities that are attached to different outcomes.

The settlement is tight and, with the current economic climate, things will get tougher before they get easier. However, we have always acknowledged that the settlement that was negotiated was the best that was possible under the circumstances. How councils allocate resources to individual services is rightly and properly a matter for them. There might be circumstances that mean that hard decisions will need to be taken, but the financial freedoms will help local authorities to prioritise services in the areas that they represent and understand. Local flexibility means that spending priorities can be addressed at local level so that money gets through quickly to the services that are most in need.

11:15

Each council will monitor its development of services through single outcome agreements, which are being drafted for next year in co-operation with local community planning partnerships. The SOA approach increases transparency and heightens public accountability around spending. SOAs are public documents that provide in-depth detail on the development of councils' service priorities. Never before have we had such openness and clear accountability.

We are here as a team to answer your questions, which we will do to the best of our ability. If there are detailed matters on which we are unable to provide answers today, we will be more than happy to come back with fuller answers at a later date, if that is necessary.

**The Convener:** In recent weeks, we have read about local authorities highlighting, although not focusing exclusively on, the issue of free school meals. The inadequacy of the budget has been raised and discussions have been opened up with the Scottish Government with a view to obtaining recognition of the changing situation as regards the budgets that are available to local authorities. What stage are those discussions at and what is COSLA's position in them?

**Councillor Murray:** The next meeting at which those matters will be discussed with the cabinet secretaries is due to take place on Wednesday of next week. As I am sure you are aware, there has always been a clause in the concordat that allows

us to discuss funding pressures or extreme changes in events. Up until now, we have had meetings with the cabinet secretaries on a two-monthly basis, at which any pressures that we have been aware of have been discussed. Funding for free school meals is one of the issues that will be on the agenda for the meeting on 5 November.

**The Convener:** Does COSLA have a clear position in its discussions with the Scottish Government? Given the focus on outcomes, what do you expect the outcome of those discussions to be? What will your pitch be to the Scottish Government? How much money will you ask for?

**Councillor Murray:** We do not have a set sum in mind. The discussions will be about how much it will take to deliver particular items in the concordat compared with the amounts that might have been set in the past.

**The Convener:** What do you expect the outcome of those discussions to be?

**Barbara Lindsay (Convention of Scottish Local Authorities):** When we agreed to the settlement, we felt that it was the best deal that could be achieved for local government. We recognised that it was a three-year settlement and that it was not possible to anticipate every set of circumstances that would arise during those three years. That is why, as Councillor Murray said, we have a clause in the concordat whereby both sides can say, "Look, we face a different set of circumstances. What, jointly, do we want to do about that?"

In the weeks that lead up to meetings with the Government, we work to identify the exceptional and unanticipated pressures. It is important to say that we are not reopening a settlement that we have already agreed to, but are pointing out the exceptional pressures that exist over and above the settlement that we have agreed to. Some of those issues are well known to committee members. Inflation is much higher than it was. Energy prices are another important issue.

**Brenda Campbell (Convention of Scottish Local Authorities):** It is clear that the current economic situation is impacting on councils. That was not predictable at the time of the settlement. Councils are losing income from things such as planning fees. They cannot generate the planning fees that they used to generate. Big businesses are approaching them. Some big businesses are going bankrupt, but a number are asking to phase payments of non-domestic rates, which suggests that they are in financial difficulties. There are implications for the future that were not predictable at the time of the settlement. We have the opportunity to explore those implications further

and discuss them with the minister in our joint bimonthly meetings.

**The Convener:** Are the bimonthly meetings specifically for doing that?

**Brenda Campbell:** We have trailed the funding pressures over a number of meetings, but we will focus a little more on them. We hope to have a more specific discussion about them next week.

**The Convener:** Did free school meals rather than the general situation spark the discussions? Am I misreading things?

**Brenda Campbell:** There are two issues. You asked initially about free school meals. There is a commitment on free school meals in the concordat, and agreement on them. An evaluation process is under way. The pilot schemes have just been completed—they ended in the last academic year. As per the concordat, the evaluation process should take place over the remainder of 2008-09. That is where we are with free school meals. General funding pressures on councils is a separate issue, which we are discussing with the minister. Such discussions are part of the normal discussions about budgets.

**The Convener:** You mentioned the burdens that have been placed on councils as a result of increasing inflation, fuel costs, businesses going down, planning gains disappearing and so on, but you have not mentioned the increasing burdens that are costing local authorities but which come from the concordat or the Scottish Government.

**Councillor Murray:** The intention was to discuss in the 5 November meeting general pressures on local government budgets that have been created by the economic situation that we are in. Those pressures on our budgets have a knock-on effect on all existing and new services.

**The Convener:** So the continued freeze on the council tax and the £70 million allocation, on which an announcement has been made in the past week, are not a burden on local authorities. They are not a problem.

**Councillor Morrice:** I am not saying that the situation is without difficulties. I think that everyone has experienced difficulties in the current financial year, and that they will do so over the next couple of financial years.

We have been given the figures for the money that the minister is providing through the local government finance settlement to assist local authorities to freeze the council tax. The figure for the current year is £70 million; it is the same for the next two years, on a recurring basis. Obviously, we will need to discuss specifically with the minister whether that will be enough.

It has already been explained that we are in a unique situation as a result of the global economic circumstances that we and everyone else are in. Inflation is increasing. There have always been many burdens, and there will continue to be many in the future—perhaps we can discuss them later. Obviously, we will need to sit down and discuss whether the money that is specifically earmarked to assist freezing the council tax will be enough.

**Barbara Lindsay:** Slightly different orders of things are going on. First, free school meals are one thing in a package of things that we agreed in the current local government settlement. In the discussion that we had in COSLA, we were satisfied that there were resources to provide free school meals and that we had agreed on that package of things.

The second issue is whether there are exceptional pressures generally on the local government settlement that we could not have anticipated. We will raise those pressures with the Government.

The third issue is the council tax freeze as a specific commitment. We know the Government's aspiration and, notionally, the amount of money that it has to devote to fulfilling that aspiration. Councils now need to discuss what our response to the aspiration should be.

**David McLetchie:** The concordat states:

"Assuming the legislation is passed, local authorities will provide free school meals to all P1 to P3 pupils from August 2010."

Am I right in thinking that the legislation that is to be passed will not make the provision of free school meals to that age group mandatory, but will simply remove the current requirement to charge and therefore put the provision of free school meals on a discretionary basis?

**Councillor Murray:** As far as I am aware, under the concordat, we will be able to offer free school meals to all pupils in primaries 1 to 3. As part of the negotiations on the concordat, we ensured that sufficient funding was in place for local councils to do that.

**David McLetchie:** That is my point—that you will be able to do that. In other words, following the change in legislation, it will be at the discretion of councils whether to provide free school meals to pupils in those year groups, so councils will not be required by law to provide them. Is that your understanding?

**Barbara Lindsay:** Yes. The legislation will introduce a power, rather than an absolute duty on us. I think that that answers the general thrust of your question.

**David McLetchie:** So a discretion will be established in legislation. Given that we are told that the arrangement with local government is supposed to free up councils and give them greater discretion in the application of their resources and revenues, why does the concordat contain a provision that, in effect, will eliminate the exercise of a discretion that councils are about to be given by law?

**Councillor Murray:** If you read the concordat, you will find that specific requirements are attached to the funding that has been allocated to local government. One of the requirements is on the provision of free school meals to primaries 1 to 3.

**David McLetchie:** In other words, it is ring fencing. You are given discretion, but you sign an agreement that says that you will do something for a purpose.

**Councillor Murray:** An amount of money is being added to the local government settlement to provide funding for free school meals for P1 to P3. The key difference between that and ring fencing is that, if the moneys that are indicated for the year 2009-10 are in excess of what is required, councils will be free to spend the additional funding in any way that they choose.

**Barbara Lindsay:** The money has been made available within the overall package and, within that package, we have agreed to provide the free school meals. However, there has not been ring fencing of an individual budget line. As part of the overall agreement, we have agreed to provide the free school meals, but the individual sum has not been ring fenced.

**David McLetchie:** What would happen if a member council said that, because it was experiencing financial constraints and problems, it would not be an appropriate use of its money to spend it on free school meals in 2009-10 or 2010-11? Would that council have its revenue allocation from the Government cut?

**Councillor Murray:** You would need to ask the Government about that.

**David McLetchie:** Would you expect its revenue allocation to be cut?

**Councillor Murray:** The commitment in the concordat is that we will provide free school meals. I anticipate that all councils will provide them, as the funding is there.

**David McLetchie:** But there will be no legal obligation to provide them. It will remain a matter that is at the discretion of local authorities. Is that correct?

**Councillor Morrice:** That is absolutely the case. The concordat is an agreement between the



Scottish Government and COSLA on behalf of Scottish local government. That does not mean that every council is absolutely committed to delivering on every issue in the concordat. There is an assumption of funding in the concordat for the delivery of free school meals for P1 to P3 of £2 million for the current year, £20 million for next year and £40 million thereafter. However, because that is not ring fenced, it will be down to each local authority to determine whether it wants to provide the free school meals. There is an expectation and assumption but, as you rightly say, there is no statutory obligation or requirement on local authorities to do that. A requirement may come, but at this point local authorities retain the freedom and flexibility to determine their local priorities. Free school meals may not be a priority for some, but for others they will be.

11:30

**David McLetchie:** Do you know whether any penalty in the form of a grant penalty would apply if a member authority did not follow the policy?

**Barbara Lindsay:** We have not reached that stage of discussions. To put it simply, that does not reflect the relationship that we have with the Government. We have a job of work to do with our member councils on the agreement that we have reached. We would not take lightly the concerns of any member council on a specific issue. On the other hand, there is a package of things in the concordat that we have all accepted. We have accepted an end to ring fencing and that we can keep our efficiency savings. The discussions that we would have with our members would be in the round. The discussion that we would have with the Government would reflect the relationship that we have with it, which is not punitive or prescriptive—there is a dialogue.

**David McLetchie:** But do you not think that it is a good idea to know from the start the rules of the game and whether particular sanctions will apply?

**Councillor Murray:** It is within the spirit of the partnership agreement of the concordat that local government will deliver the specific requirements that are set out. If any of our member councils had problems delivering any of the requirements—not just free school meals—I am sure that they would raise the issue with us and that the matter would go on to the agenda for discussion at our standard bimonthly meetings with the cabinet secretaries about funding and how councils could provide the services that were built into the concordat in the first place.

**John Wilson:** I am sorry to continue with this point, but in order for us to get a grasp of the budget for 2009-2010 it is important that we understand fully what the concordat means to the

parties to it. I am aware that COSLA has signed up to the concordat on behalf of its members. When the cabinet secretary announced the decision to try to go ahead with the introduction of free school meals in 2010, a number of local authority spokespersons said that they did not have that money in the budget or that the money for it had not been allocated as part of the concordat.

Is there a difference between what COSLA agreed to in the concordat with the Government and how the 32 members of COSLA interpret the concordat? As I understand it, a number of local authorities claim that they have not signed up to the concordat. They say that they have agreed to the general principles of the concordat, but have not signed it—COSLA signed it. Some would argue that that gives local authorities the flexibility to say that they agree with 95 per cent of the concordat but disagree totally with 5 per cent of it and that they will not implement that 5 per cent at any stage as part of the local government financial settlement.

Where are we with the 32 members of COSLA's agreement with the concordat? The free school meals issue highlights the fact that there might be future problems with measures that the Government thinks are tied into the concordat but which local authorities say that they cannot deliver either because they do not have the financial wherewithal or because they disagree with the principles that are set out in the concordat.

**Councillor Murray:** As I said, local authorities are signed up in principle to the spirit of partnership working with the Government through what is stated in the concordat. Where a member council has difficulties in delivering any part of the concordat or any of the specific requirements, we anticipate that the council would raise that with us to allow us to discuss it with the cabinet secretaries in our bimonthly meetings.

**Barbara Lindsay:** It was probably rather confusing to have different statements published in the press, and I think that some of them were misinterpreted. The leadership board at COSLA met following the publication of the press statements, and a clear statement was then produced, which was agreed by all the political groups. It stated that political group leaders and the leadership board were satisfied that the money was contained in the settlement that we had agreed at the start of the three years. Whatever the understanding was before that, that was the case when the leadership board met.

Some councils may have had concerns over issues of implementation. Those are being taken up through our education, children and young people executive group and with the cabinet secretary. There is a route for addressing those

issues. Although they were not saying that the money was not there, some councils had concerns about the wider economic situation, which introduced a new dimension to the financial package. We said at the leadership board that we recognised that. There is a route for taking up that issue, too, through meetings with the cabinet secretary. If it is helpful, we can circulate a note on the leadership board's discussion and agreement to committee members.

**The Convener:** John Wilson has relayed some information that he received from local government colleagues and others, and we know about the meeting on Friday. That has not communicated to us the idea that you are giving the committee this morning, which is that there is agreement and that everybody is happy with the situation. There was a meeting of representatives on Friday, was there not? Was it not split top to bottom by the discussion?

**Councillor Murray:** There was an internal discussion on the matter, and it has been covered in our responses that, given that there are some concerns about future funding—

**The Convener:** There was a row on Friday, was there not?

**Councillor Murray:** There was no row. There was a discussion on the matter, but I would not use the word "row".

**The Convener:** Tied votes?

**Councillor Murray:** A tied vote is not a row, convener.

**The Convener:** Heated discussion.

**Councillor Murray:** There was discussion, but—

**Barbara Lindsay:** Let us be clear: we are a political organisation, and if we need to have a discussion behind closed doors with our members, we are entitled to have one. However, COSLA has a publicly stated position on free school meals, which is as I have described it. We are happy to circulate it to the committee. That was not changed by the discussion with our membership on Friday.

**The Convener:** It is just in the reading of it. We might read about a football match between journalists and MSPs in an exaggerated way.

**Barbara Lindsay:** Yes.

**The Convener:** I heard that the COSLA meeting was similar to the one that took place between journalists and MSPs.

**Councillor Morrice:** We read those things in the media too.

**The Convener:** Anyway, I invite John Wilson to ask one quick question before we move on.

**John Wilson:** I seek clarification. I accept that COSLA has agreed the concordat. I am reassured by the comment that the political leaders of COSLA have agreed the principles that were agreed under the concordat. However, I find it interesting that the spokesperson of one council said that there were costs of £1 million for introducing free school meals that had not been budgeted in, yet the leader of that council is one of the political leaders who agreed to the concordat. There clearly seem to be issues around what has been agreed in the concordat, what is to be delivered by it and how that will be delivered within the agreed budgets. That is the main thrust of this morning's debate—it is to find out how the budgets will be used over the coming years. Other committee members and I need confirmation that, if the Government sets out objectives or outcomes under the concordat as part of the financial settlement with local government, those can be delivered.

**Councillor Murray:** There is agreement at COSLA and among COSLA members that the financial settlement contains the funding to deliver free school meals.

**Councillor Morrice:** Mr Wilson is correct to refer to the issue of outcomes. As I said earlier, we are very much focused on outcomes. Healthy communities, for instance, are an outcome that is shared nationally and locally. No one would disagree with that, either locally or nationally; the issue is how to achieve that outcome. Local authorities, through their funding and through the general agreements relating to the concordat, have the flexibility and freedom to deliver that outcome.

It could be argued that, to put it crudely, school meals are an input into that process. They are an important factor in themselves, but the issue is how we achieve healthy communities. There is more to that than free school meals. They will assist in the process, but there are a range of other issues.

Views on the funding of free school meals may differ. We have said that we have made budget assumptions about what is included in the local government finance settlement for the next three years; I gave the figures earlier. However, as Barbara Lindsay said, there are still concerns about implementation and capacity issues. The assumption is that there will be a 70 per cent uptake of free school meals in P1 to P3. That could be challenging. If there is a big increase in uptake of free school meals, we need the capacity to respond to that. There is a capital expenditure implication that is not wholly covered by the revenue amounts that we mentioned. People have

raised that issue, which we have recognised. We referred to a leadership board meeting at which the issue was discussed. The board, which includes all the political leaders, agreed unanimously to take the matter forward through COSLA's education, children and young people executive group and to raise it directly with the minister.

**Mary Mulligan:** I have a further question, but I want to respond to Councillor Morrice's comments. I do not want to labour the point, but are we to understand that the free school meals policy will be implemented for only 70 per cent of our children, because council budgets will not allow you to go beyond that? Are councils saying that they do not have the capital revenue to introduce free school meals?

**Councillor Morrice:** Evaluation of the pilots showed that uptake was about 70 per cent. Funding of the policy and the assumptions that people have made are based on that figure. If uptake is greater than 70 per cent, the issue will have to be addressed. Capacity issues must be tackled and capital issues must be factored in.

**Mary Mulligan:** So COSLA believes that it has enough resources to support 70 per cent of our children taking free school meals. If 100 per cent come forward, it will not have the money to fund the policy.

**Barbara Lindsay:** Our decision to sign up to the commitment had to be based on a set of assumptions, just as the local government settlement was based on an assumption about inflation. If uptake of free school meals is much higher than 70 per cent—the estimate on which costings were based—we can discuss the matter with the Government. We agreed that we could not anticipate all future issues and that some commitments would have to be tested in pilots. If those pilots throw up issues, we will have to discuss them with the Government. There is a route for us to do that.

**Mary Mulligan:** If I recall the discussion of the free school meals pilots correctly, their aim was to establish how much capital was necessary to implement the policy. Are you saying that that has not been done?

**Barbara Lindsay:** We cannot comment on all the detail of the evaluation of the free school meals pilots. We came prepared to respond on the budget more broadly, not the detail of the evaluation. We can get that detail from the executive group on education, children and young people, if it is needed.

**Mary Mulligan:** I return to my original broad question. Our briefing from the Scottish Parliament information centre refers to "key government policies" that were discussed before the concordat

was signed, including free school meals, funding for kinship carers of looked-after children and improving the quality of care homes. Those issues have been discussed before, but I am interested in how COSLA will pursue issues that arise separately. Such issues should not be confused with issues arising from changing economic circumstances—I am referring to additional responsibilities that councils will be asked to take on. How do you negotiate a settlement on such issues? For example, the national licensing forum was not part of the earlier discussions but is now a responsibility of local authorities. How has that been arrived at and how will the discussions about how it is to be resourced be developed?

11:45

**Councillor Murray:** Anything that is not covered in the concordat will need to be part of our discussions with the cabinet secretary on how those things can be carried forward. As we have explained, the concordat aims to meet the funding of local government as it stands plus the specific requirements that are stated within it. Therefore, if a service is neither currently being delivered nor a specific requirement that is stated within the concordat, we do not have the money for it.

**Brenda Campbell:** We are now in quite a different relationship with the Government. Previously, we were not involved in any policy discussions even at official level. The policy was developed by the Government and we were brought into discussions in the latter stages of that. We are now in a very different relationship with the Government and have early discussions on new policies.

**Mary Mulligan:** So, if something is introduced now, would you expect the resources for it to be provided?

**Brenda Campbell:** Yes.

**Councillor Murray:** Absolutely. For anything that is new.

**Brenda Campbell:** If it is significantly over and above what we do at the moment.

**Bob Doris (Glasgow) (SNP):** As I listen to some of the comments this morning, it is as if some politicians in Scotland are desperate to ensure that young children in Scotland do not get free nutritious school meals.

I thank the witnesses, especially Barbara Lindsay, for their clarity. You said that the policy of providing free school meals is not a new or additional burden on local authorities, as the funding for it was agreed when the concordat was signed. Is that correct?

**Councillor Murray:** That is correct, yes.

**Bob Doris:** So, when people say that it is an additional or new burden, that is factually inaccurate. When COSLA speaks to the cabinet secretary about new burdens on local government, those do not include free school meals, kinship care payments or anything like that—those have been agreed up front with COSLA. The discussions would be about such things as food prices, fuel prices and the general economic climate. Is that correct?

**Barbara Lindsay:** I think that there is a set of general pressures such as those that you have described. As Brenda Campbell said, any Government may want to introduce new policies. Our job is to sit down with the Government at the start of the process and work out how the financial costs of new policies can be accommodated. Some of the things that we are doing currently may no longer be necessary because of a new policy, or additional funding may be required. The process is established as very much a joint one.

**Councillor Murray:** Obviously, the emerging changes in the environment and the emerging exceptional funding pressures to which you have referred will have a knock-on effect on existing services. For example, dramatic increases in food prices affect the school meals that are being delivered at the moment. That kind of issue is raised with the Government anyway, and we will continue to discuss the exceptional funding pressures that you have mentioned with the cabinet secretary.

**Bob Doris:** That seems reasonable.

Local authorities are now in their second year of budget setting under a three-year concordat. One local authority has told us that it needs £1 million to enable it to provide free school meals. Should it be setting a year 3 budget line for that now? I understand that some local authorities may be committing expenditure elsewhere, outwith the concordat commitments; they will then say that they do not have any money left in year 3. Should local authorities be setting budget lines for year 3 now, to ensure that they can deliver on their concordat commitments?

**Councillor Murray:** Good budgeting will take into account future commitments and requirements.

**Bob Doris:** So it would be good practice for councils to have one eye on their year 3 budgets when they set their year 2 budgets, so that the pot is not empty when they reach year 3.

**Councillor Murray:** I would call that good budgeting and financial management.

**Councillor Morrice:** It is good practice for local authorities—I am sure that they all do this—to look at medium to long-term financial planning in the

development of financial strategies. I am sure that councils look not only at year 1 but at years 2 and 3 as well and allocate figures for service areas accordingly.

**Bob Doris:** Thank you for that. I will certainly look at Glasgow City Council's budget lines for free school meals and kinship care payments in years 2 and 3.

**The Convener:** In these difficult times, you are seeking to review budgets and are speaking to the cabinet secretary about what money is available now. The Government is bringing forward money for affordable housing, so that there will be a drop of around 23 per cent in that budget line in year 3 as a result of money being pulled from year 3 into years 1 and 2. I do not know how we can get a good understanding of the budget process and of how to run an efficient budget when there is such a degree of flexibility in it.

Alasdair Allan will ask specifically about council housing.

**Alasdair Allan (Western Isles) (SNP):** I am sure that other members will want to speak about other aspects of housing, but I am particularly interested in council housing. Council house building has ground to a halt over several years. The concordat seeks to reverse that situation, and there seems to be enthusiasm on the part of Government and councils to achieve that. I notice that £25 million is allocated in the budget to incentivise council house building. How is that being accessed and is it proving successful?

**Councillor Murray:** The £25 million is outwith the concordat; it is additional funding.

**Brenda Campbell:** Yes, it is new money specifically for council housing. Discussions are taking place between COSLA and local authorities on how that money should go out to local authorities. Although £25 million sounds like a large sum of money, it is not a significant sum for addressing council housing issues. We need to ensure that it is directed appropriately and that it is not just a case of every council bidding into the £25 million, because it would not do an effective job if it were spread across all councils. There have been several discussions about that in COSLA and it has also gone to several leaders meetings.

**Alasdair Allan:** You say that it must be directed appropriately. What principles apply to that?

**Brenda Campbell:** I do not have the detail of that, but I would be happy to get it and circulate it to the committee.

**Barbara Lindsay:** If it helps, I can give a general idea. We have reached an agreement with the cabinet secretary that the outcomes that the Government wants for the use of the £25 million

will be set and local government collectively will consider how to achieve them. Rather than straightforwardly dividing the £25 million up and giving a small piece to each area, which may not make the desired impact, we have agreed what the outcomes should be and will work up a proposal to achieve them. We do not have the detail of that, but we can certainly make it available.

**Alasdair Allan:** I will stray slightly—but not much—from the budget. What principles apply to local government's forward planning for council house building? Various interested parties, not least the construction industry, are looking for a picture of local government plans for local council house building. How is that being factored in?

**Barbara Lindsay:** I am not sure that we can answer that question here. We are a member of the housing supply task force, and the matter will be a live issue for councils at a local level. We have brought our finance spokesperson rather than our housing spokesperson, but we are happy to get Councillor McGuigan to meet any member of the committee who would like to discuss housing in more detail.

**The Convener:** We are asking for a general description of the new arrangement—the changing priorities of the Government and the discussions that take place with COSLA. Do we need to improve those discussions? When the Government announces a priority or an initiative that involves COSLA, do discussions about it take place at the start of the process, or does the Government merely announce it?

Alasdair Allan asked about the process for setting the objectives for the £25 million and what input you had into it. The same question applies to some of the other figures, such as the £40 million contribution from local government to the £100 million for the overall housing programme. Did the negotiations on that start before or after the announcement? What stage are we at now? What is the likelihood of the £40 million being provided and what will the impact be in year 3?

**Councillor Murray:** The negotiations on the £40 million started before the announcement and detailed discussions are now taking place. Local government expects that the full costs will be recouped from Government.

**The Convener:** When precisely did the negotiations with local government and COSLA start before the announcement was made? Was it a day or a week? What details were discussed?

**Councillor Murray:** It was certainly more than a day or a week, but I do not have the actual date. Again, I would need to provide that information later.

**Barbara Lindsay:** All that we can do is describe the general approach, which is that we expect to be involved at the start with any developing policy. As Councillor Murray said, we certainly expect to have joint discussions before an announcement is made. Often, announcements are made jointly. Housing is Councillor McGuigan's area and we do not have all the details of the discussions that he has had. We can give a ballpark picture of where we are on the £25 million and the £40 million, but Councillor McGuigan would have to provide the details that you seek.

**The Convener:** So negotiations are on-going and it is in your brief. When do you expect those to be concluded?

**Brenda Campbell:** The £40 million was discussed at our most recent convention. Our agreed position is that a £40 million contribution from local government, which involves £20 million in the current year and £20 million next year, will go into the overall pot of £100 million for affordable housing and that the contribution will come back to local government in year 3 of the settlement, through the retention of capital grant. We are in detailed discussions with directors of finance about how the £20 million contribution in this year and next year will be split among councils. We have had a detailed political discussion about the issue and reached agreement politically. We are now in discussions at officer level about the practicalities and technicalities.

**David McLetchie:** I want to understand about the £40 million and to confirm something with Ms Campbell. In effect, the £40 million is a cut that has been made to local authorities' capital investment programmes in a range of areas so that the money can be deployed specifically in the affordable housing investment programme.

**Brenda Campbell:** No, it is not a cut. The money comes through capital slippage. As you may be aware, capital programmes do not always run to time and there tends to be slippage. The present slippage throughout Scotland enables £20 million to be contributed this year and next year towards the affordable housing programme.

**David McLetchie:** So the idea is that, because of what you describe as slippage, councils will not spend capital grants that they previously had discretion to spend in the two years, but they hope to get the money back.

**Brenda Campbell:** There is not just hope; there is a guarantee that they will get it back in year 3.

**David McLetchie:** Right. Those are the capital grants that, for instance, the City of Edinburgh Council or other councils would have received to help with their school building programmes. Is that right?

**Brenda Campbell:** Every council has its own capital programme. I cannot comment on that specifically.

**David McLetchie:** Yes but, broadly speaking, we can say that those timetabling changes are not without cost. If £40 million is taken out of councils' capital allocations for this year and next, that is, in effect, deferring expenditure on councils' capital projects.

**Brenda Campbell:** No.

**Councillor Murray:** It is being taken from slippage, so councils would not spend the money. As Brenda Campbell explained, projects tend to fall behind in their timescales and there is always slippage in councils' capital budgets. In effect, councils would not draw down their full allocation. So that the money does not go to waste or is not delayed into following years, it will be drawn down for the specific purpose of being allocated to the additional £100 million that will be invested in housing.

**David McLetchie:** There is not slippage every year because, if there was, you would not spend the money at all. There must be years in which you overdraw for projects.

**Brenda Campbell:** Through the discussions that we have had with the Government, we are reprofiling the money for the period of the present settlement.

**David McLetchie:** You are reprofiling. In other words, money that you wanted to spend on capital projects will not be spent in those years.

**Brenda Campbell:** That is not the case.

12:00

**Councillor Murray:** That is not the case. It has been drawn from slippage, so it is money that we are not in a position to spend.

**David McLetchie:** But you would be able to spend the same money on other projects. You are supposed to have discretion in how you spend your capital grants.

**Barbara Lindsay:** We have that discretion. We have reached an agreement with the Government that stimulating the local economy is a priority, and we are prepared to commit £40 million to that.

**David McLetchie:** Could you not stimulate the economy by spending £40 million on improving our schools as opposed to investing it in affordable housing?

**Barbara Lindsay:** We have decided to spend it on this.

**David McLetchie:** So spending it one way no more stimulates the economy than spending it in another way does.

**Barbara Lindsay:** That might be your view, but we have decided to spend it in this way because the economy is a priority.

**Councillor Murray:** The money is coming from slippage, which is money that we are not in a position to spend to stimulate the economy in one area. We cannot use the money in our budgets because of project timescale slippage, so it has been transferred to another area.

**David McLetchie:** Are there any projects that are not slipping?

**Brenda Campbell:** I could not possibly comment on that.

**Councillor Murray:** Every council has projects that finish before time, on time and past time.

**David McLetchie:** So there are projects that are ahead of schedule that are calling for more resources as opposed to projects that are slipping.

**Councillor Murray:** No. If they were ahead of schedule, it would just mean that the job was finished on time; the money for them has already been allocated.

**David McLetchie:** Exactly, but if a project finishes ahead of time, you have to pay people when they deliver, so you spend the money ahead of time.

**Barbara Lindsay:** The overall position that we can describe—

**The Convener:** The point has been made, although we have a few more questions. Another issue is that we have only from now until March to spend the £20 million that has been allocated for this year. What if that slips?

**Brenda Campbell:** Although the final decision has been made now, we have been discussing the £40 million with the Government for two or three months. We are aware of the issue, but we have been working on and negotiating a political agreement. It is not as if the issue has just been flagged up; we have known about it and directors of finance have taken it into account in the advice that they have given their elected members in reaching the agreement.

**The Convener:** So, in reaching the agreement, you have had buy-in from all local authorities. They have all agreed to make a contribution.

**Brenda Campbell:** Yes, they have agreed to make a contribution and we are now discussing the practicalities with the directors of finance.

**The Convener:** Is there a full expectation that they will be able to spend that £20 million between now and March?

I see people nodding but no one is putting anything on the record.

**Brenda Campbell:** The councils will not spend it; the Government will.

**Barbara Lindsay:** The money is our contribution to a package of £100 million.

**The Convener:** Not all councils.

**Barbara Lindsay:** That is what we will be discussing with the councils.

**The Convener:** That is interesting.

**Jim Tolson (Dunfermline West) (LD):** I want to follow up on the practicalities of spending that money on the ground within the timescale given. Notwithstanding the fact that the Government's sudden budget change creates a void in year 3, it seems impossible in practice to spend the £100 million from the Government and local authorities on building houses, especially as it can take an average of between 18 and 24 months to buy a plot of land, go through the planning process, and build a house. How practical does COSLA think that it is to do that? I am talking not about shifting budgets from one area to another but about delivering houses for affordable rent on the ground.

**Councillor Murray:** The Government has asked for the money and has said that it will be able to spend it. We accept that that is the Government's word and take it in the spirit in which the discussions have been conducted.

**Jim Tolson:** I would like to see that rabbit come out of the hat. It is almost impossible, given the practicalities of building a house anywhere in Scotland, far less a house for an affordable rent.

**Barbara Lindsay:** A series of things has happened. We have been asked whether we think that it is a priority to bring forward the total sum of money and spend it to stimulate the local economy by building houses. We agreed that it is, and we then agreed that we could make £20 million available in two years. Clearly, in working up the detail of that, which is what we are doing now, we will want to ensure that the proposal works and that it has maximum impact. I imagine that the Government wants to make sure of that as well, so I do not think that we will be fighting it on that.

**Jim Tolson:** I agree that COSLA and the Government have decided on the policy and I understand that you hope that it will be delivered. That is fabulous, and I, too, hope that it will be delivered, but I cannot understand how it will be practically possible to do that. You and your 32 member local authorities will have responsibility

for delivering the policy, and the Government will try to oversee that to some extent. How will that be possible, given that it takes so long to put things in place on the ground?

**Barbara Lindsay:** You are asking questions that we are not prepared to answer in the context of a discussion about the budget, but we are prepared to discuss specific housing issues with you on another day—sorry, I did not mean “not prepared” in an awful way; I meant that we are literally not prepared to discuss detailed policy issues, because we are here to consider the full range of budget issues.

**Jim Tolson:** I appreciate that a colleague of yours has detailed knowledge of the housing budget. However, the implications of the policy for the budget raise serious concerns for me and for many people throughout Scotland.

**The Convener:** I think that you have had all the answers that you can get. Barbara Lindsay said that in detailed discussions with Government the argument has been articulated—somewhere—that the policy can be delivered. I am sure that that information can be shared with the committee.

**Mary Mulligan:** Given that an outcomes-focused approach is being taken, what outcomes do you expect from the bringing forward of the money?

**Brenda Campbell:** We do not have that information with us.

**Barbara Lindsay:** We are again getting into issues that go beyond the budget. In broad terms, I can say that we have agreed that house building can stimulate the local economy and that the approach is worth taking. However, I cannot comment on the detail of the discussion that Councillor McGuigan has had with ministers. I appreciate that the matter is of interest to everyone, but it would be better if we came back to the committee with a team that included Councillor McGuigan, who I am sure would be able to answer members' questions.

**The Convener:** You are on the defensive, but given that the focus is on outcomes, if £25 million or £40 million is to be spent on housing we should be able to hear from COSLA witnesses who can explain what the ambition is and set out the expected outcome of that spending. It is legitimate for us to expect that. Perhaps we need to discuss with COSLA the availability of witnesses on the matter.

**Mary Mulligan:** I return to the discussions about how the situation came about. It worries me that although COSLA has been discussing the matter for more than three months our questions still cannot be answered. What is the problem with

making the money available and deciding how it will be spent?

**Brenda Campbell:** I do not think that there is a problem. There has been a series of discussions and there have been a number of ministerial meetings. We have a process, and there is a timing issue in that regard, because COSLA leaders' meetings take place only once a month, and information must be taken back to those meetings.

We wanted to ensure that everyone understood—and that there was a guarantee—that if we contributed £40 million that sum would come back to local government in year 3. We wanted to ensure that we were all signed up to that. We also wanted to ensure that we got something back, so discussions have been going on with the cabinet secretary to try to resolve that issue. A paper was delivered to our convention on Friday and we have all reached agreement. The issue has been on-going only because discussions were continuing. We all wanted to ensure that we understood what was happening and what we were going to deliver.

You are right to say that there will be a series of outcomes, but we do not have that information with us today. That is unfortunate, but we can certainly present a team or have separate discussions on the matter.

**Mary Mulligan:** I am concerned that you can reassure me that there is no problem, when you do not know what outcomes are expected.

In response to the convener's question about how the money will be spent, you said that the Government will spend it. However, the Government will not spend the money; the money is being reallocated to local authorities. You are shaking your head, but £9 million has already been reallocated to local authorities to spend on specific projects. How is that process being arrived at?

**Brenda Campbell:** I cannot comment specifically on the £9 million, although I accept that it has gone to particular councils. We are not renegotiating the overall £100 million package or the £40 million local government element of it. The £100 million is a package in total, and it is likely to be spent in different ways. Some will go to registered social landlords, and some will enable land acquisition. It will do a number of things.

I can only apologise that I do not have the information in front of me. It is frustrating for us that we do not have it. We are not trying to be evasive, but we can certainly re-examine the matter and perhaps send a further statement to the committee on it. Would that help?

**Mary Mulligan:** Yes.

**Barbara Lindsay:** You also said that although it has taken two or three months we still do not have the answers. It might be helpful to say that our discussion with the Government was about councils' wider role as strategic housing authorities and how we can secure some benefits for local authorities, rather than being about issues or problems with the £40 million package.

**John Wilson:** I want to ask about the response to David McLetchie's question on how the £40 million is drawn down. I accept that it is provided through the slippage in capital expenditure by local authorities, but I want to widen the issue. Do the directors of finance report regularly to COSLA on slippage, not necessarily in relation to the £40 million but in other areas in which expenditure is expected to take place in local authorities? Does COSLA collate information from the directors to indicate where there may be areas of slippage, including in planning? As was mentioned earlier, a number of local authorities are saying that they will be massively out of kilter with the projected income and expenditure because of the lack of receipts through planning. How is that information fed into COSLA, and how does COSLA feed it into discussions with the Government?

**Councillor Murray:** There are two separate points in that question. Slippage would not normally be reported to COSLA by directors of finance. That is a matter for each council to supervise itself. As part of the discussions on the possible contribution of £40 million to the £100 million funding, COSLA had discussions with directors of finance, and slippage was the route that they identified for providing £20 million this year and £20 million next year.

**Brenda Campbell:** Let me clarify that COSLA does not collate any specific information on council expenditure or capital. However, there are a number of formal returns that councils have to make to the Government, one of which is a capital payment return that shows where they are with their capital programmes. One of those returns is due this week.

**Councillor Murray:** We would not normally discuss the matter with directors of finance; we did so only to find a source for the £20 million. On the second point that John Wilson raised, he confused capital and revenue budgets. We have already discussed pressure on revenue budgets, and planning receipts is one of them.

**John Wilson:** So my confusion on revenue related to the planning issue and planning departments.

**Councillor Murray:** I understood that you were making the point that planning departments would be short of money because of the lack of applications. That is a revenue issue, and we



discussed earlier the revenue pressures that would be discussed with the cabinet secretary.

**John Wilson:** I accept that; I asked about the issue because in an earlier response one of the panel members mentioned the reported shortfall in planning departments' revenue.

On the reporting mechanisms and flagging up issues in the on-going discussions between COSLA and the Government, the response was that directors of finance report back to ministers on slippage and any underspend or overspend. How does that fit into the overall negotiations that are now taking place between COSLA and the Government and the financial settlement that local authorities receive?

12:15

**Brenda Campbell:** It is not COSLA's role to collate financial information for all 32 councils or to comment on that directly. It is the responsibility of individual councils to budget and to manage their budgets. As I tried to clarify earlier, there are regulations that require councils to make specific returns to the Government. Although we do not collate factual information on councils' expenditure, we have regular discussions with them. The fact that I had meetings with councils yesterday enables me to identify for you some of the funding pressures with regard to forthcoming budgets that they are telling us about. It is not an exercise that involves a spreadsheet with numbers on it; it is a general discussion with councils. If we needed factual information to back up our position, we would ask directors of finance to assist us in any discussions with the cabinet secretary.

**John Wilson:** I am grateful for that clarification.

**The Convener:** The importance of the impact on local authority budgets of efficiency savings and how they are retained has been mentioned. Can you give us some information about what efficiencies local authorities have identified, how important they are, what level they are at, how they are measured and what information on them will be available in the future?

There is also the question of how major capital expenditure will be funded and the impact on the economy of the role of the Scottish Futures Trust in relation to new schools. Perhaps you could comment on that. Another general issue that you mentioned in your broad description of the concordat was the involvement of communities in the process. Perhaps you could reflect on experience locally in that regard. There are a number of issues on which it would be useful for you to go on the record.

**Brenda Campbell:** I will start with efficiencies. Recently, we reported the efficiency savings that

councils made in the period up to the financial year 2007-08. For the years from 2005-06 to 2007-08, for which the Government set a target of £327 million, it was reported that local government made efficiencies of £469 million, so it is clear that we were significantly in excess of the target that was set. The difficulty arises when we look forward in the current settlement period, which runs from 2008-09 through to 2010-11, when we are required to achieve efficiencies of £524 million. Although we have done extremely well and believe that we are still on target for that period, the general view exists that efficiencies become more difficult to achieve as time goes on. One tends to be highly successful in achieving efficiencies at the start of a programme, when there are probably more identifiable efficiencies to be made.

We are working closely with councils on the achievement of that target. We share best practice with councils as much as possible, because one council might have taken action that other councils had not thought of. To ensure that cross-council working takes place on efficiencies, we try to keep best practice updated, as far as we can.

We believe that we will achieve the efficiencies target by the end of year 3. We do not have interim information for 2008-09; we let the full year run, at the end of which councils produce an efficiency statement. The latest position that we have takes us up to the end of 2007-08. It is a continuing process, which we recognise is difficult. We do as much as we can to address the issue through best practice. We are considering the involvement of Scotland Excel in procurement and the achievement of economies of scale, where possible, by working together and providing shared services, for example.

**The Convener:** Did you say that the target was £520 million?

**Brenda Campbell:** The target for the current settlement period is £524 million.

**The Convener:** Everyone is considering what needs to be done now, rather than the figures that were set just a year ago when you discussed the settlement with the Government. If those discussions were being held in the present circumstances, what efficiencies would you need to make? You might feel that you will still meet the target that was set a year ago, but surely in the present circumstances efficiencies of more than £524 million need to be made.

**Brenda Campbell:** I think that councils are probably addressing that point in their budget processes. They are setting a budget for 2009-10—in the current economic climate and under current funding pressures—and they will naturally be considering what efficiencies they can achieve. I cannot give specific numbers or say what those

processes will be like, but that work is going on across all the councils.

**The Convener:** The committee has heard evidence that fewer people will be working in local government at the end of this three-year process. I think that has been acknowledged by Mr Mair and by the cabinet secretary. What does £524 million mean in terms of jobs?

**Brenda Campbell:** I could not possibly comment on that.

**The Convener:** Jobs are a significant factor in local government costs. Has there been no assessment of that?

**Councillor Murray:** No, because the whole £524 million is not being saved through job losses.

**The Convener:** How much has been saved through job losses?

**Councillor Murray:** If you will forgive me, I—

**The Convener:** Half of it?

**Councillor Murray:** I could not say.

**The Convener:** About 25 per cent?

**Councillor Murray:** I could not say without going back and analysing all councils' efficiency savings, so that I could see what was being gained from initiatives such as the sharing of services that we have heard about, from Scotland Excel procurement methods, or from other methods of changing the delivery of services. We would have to analyse exactly where councils were saying that they had achieved efficiencies. From that analysis, we could work out the savings made through job losses.

**The Convener:** COSLA is considering best practice, shared services, outsourcing and so on. When you tell a council about a case study in another council that has achieved savings, do you not tell the council that those savings were achieved through a saving of X number of jobs?

**Brenda Campbell:** I do not have that information with me today. We have individual efficiency statements from 32 councils, and we share them on an intranet facility that enables councils to access the information. Therefore, councils have the information and can see exactly where efficiency savings have been made elsewhere. However, I do not have information on the breakdown of where the £400-odd million has been saved, so I cannot answer your question.

**The Convener:** But you can make the information available to us.

**Brenda Campbell:** I am not sure whether the information can be made public, but I will certainly check whether it can be made available to you. I

am not sure of the status of the efficiency statements, but I will certainly find out.

**The Convener:** I am not pressing you; there are other ways of getting the information. However, if it could be given to the committee, that would be fine.

**Councillor Murray:** I will check whether we can do that.

**Alasdair Allan:** Economies of scale have been mentioned, and I appreciate that many of the points made relate to individual local authorities. However, have you an idea of the proportion of the efficiency savings that you hope to achieve through economies of scale?

**Brenda Campbell:** I am sorry but I do not have that information.

**David McLetchie:** The concordat says that

"the level of efficiency savings which all parts of the public sector will be expected to meet has been set at 2 per cent per annum"

for the three years in question. Has the figure of £524 million been used to calculate the figure of 2 per cent per annum?

**Brenda Campbell:** Yes.

**David McLetchie:** Can you explain how the figure has been made up? Does the 2 per cent apply to the totality of local authority expenditure—that is, to the totality of your overall budget, and not just the parts that are financed by grants from the Government?

**Brenda Campbell:** I would need to come back to you on that.

**David McLetchie:** I have assumed from the figures that the Government is giving you roughly £11 billion in grants.

**Councillor Morrice:** It is £11.1 billion.

**David McLetchie:** Right. Well, simple little me would say that 2 per cent of £11.1 billion is about £220 million. Therefore, if I want to achieve a 2 per cent efficiency saving, in year 1, I should be achieving £220 million; in year 2, I should be achieving £440 million; and in year 3, I should be achieving £660 million. I am therefore not sure how £524 million comes into it.

**Brenda Campbell:** Can I come back to you to clarify that?

**David McLetchie:** Am I right in saying that the figure is cumulative? If I achieve £220 million in year 1, I would expect to get £440 million and £660 million subsequently. In the way that some people used to do the sums, the final number would be £1.32 billion over the three years.

**Brenda Campbell:** Yes, but that would not be the figure; with the sums that you used, the figure would be £660 million over the piece.

**David McLetchie:** Yes. I was just talking about the creative accountancy of previous Administrations. It would be helpful if you could get back to us to clarify the numbers.

I also wanted to ask you about efficiency savings, which you will probably have to write to us about. We are used to talking about cash-releasing savings and non-cash-releasing savings. How much of your £524 million target is cash releasing and how much is non-cash releasing?

**Brenda Campbell:** It might be helpful if I provided you with information on where we were with efficiencies up to 2007-08. We can split that between cash-releasing savings and time-releasing savings, which might give you a flavour of savings looking ahead. However, I do not have that information at the moment. As I said, we are just starting the new settlement period, so I do not have the breakdown between cash-releasing savings and time-releasing savings. Perhaps information on where we were up to 2007-08 will give you a flavour of the split.

**The Convener:** What discussions have taken place on capital spend and the importance of the Scottish Futures Trust?

**Councillor Morrice:** We have had discussions on the Scottish Futures Trust. We responded comprehensively to the consultation that the Scottish Government launched some months ago. We had at least one meeting with a minister on the SFT; I attended a meeting back in July.

We have arranged a meeting on Tuesday with Sir Angus Grossart, who is the chair of the SFT. We continue to have detailed discussions with the Scottish Government on the SFT at both political and officer level.

**The Convener:** So, there is no detail as yet. The first meeting with Sir Angus Grossart is next Tuesday.

**Councillor Morrice:** Yes—this coming Tuesday.

**The Convener:** Do you regret the delay or hiatus?

**Councillor Morrice:** Our officers—the directors of finance—have been involved in the process and have been looking at the technical detail. We had political input through the consultation. The SFT has been a moving feast. The Scottish Government's original intention for the SFT has changed somewhat. Initially, it was considering the provision of bonds; the Scottish Government does not have the power to provide bonds, although local authorities do. More recently, the Scottish

Government has talked about the SFT providing a centre of excellence for the dissemination of best practice and getting not just local authorities but other public sector agencies to consider joint projects across the board and the potential benefits of economies of scale. It is clear that a lot of the detail needs to be bottomed out. We are not 100 per cent clear about the ultimate direction that the SFT will take and the real-terms effect on additional capital expenditure to enable local authorities and other public sector agencies to deliver projects. I hope that we will be able to have a detailed discussion on Tuesday, so that we get a clearer picture of the whole process.

**The Convener:** Is it your expectation that the funding will be on or off balance sheet? Will it be counted against local government funding?

**Councillor Murray:** We do not have that detail. I hope that we will get a clearer picture of that.

12:30

**Brenda Campbell:** We have been trying to explore that. With all due respect to the Government officials, they have had some difficulty in trying to flesh out the details as well. We have been working closely with them to try to flesh out the details and we are trying to assist them as much as possible. We hope that the meeting on Tuesday, which Councillor Morrice mentioned, will assist with the process, which will then start to move along.

**Councillor Morrice:** Following our input to the consultation, my executive group—the resources and capacity executive group—has continued to discuss the matter. An imperative is coming from local authorities, regardless of their political complexion, that something needs to happen soon. A number of councils are holding back capital investment. Previously, we had the public-private partnership regime, and we are still going through that process, but we need information about the future. Many local authorities—again, regardless of their political complexion—want to know the detail as quickly as possible and what it will mean to them in real money.

**Councillor Murray:** On the final point, which was about community involvement in the planning process—

**The Convener:** Before we move on to that, do members have further questions?

**Mary Mulligan:** I sense COSLA's concern that it is important to move on the matter fairly quickly, not only for local authorities but for bigger projects about which we are concerned, such as the new Forth crossing. Do you have any timescale for when commissioning is likely to take place?

**Councillor Morrice:** We do not have any timelines in that regard. We hope to have a clear indication of that following our meeting on Tuesday.

**John Wilson:** Concern has been expressed that, when the concordat was signed, some local authorities had little if any discussion with community planning partnerships and voluntary organisations about the single outcome agreements. Has COSLA issued any guidance on how local authorities should increase the involvement of the voluntary sector and community planning partnerships to ensure that future single outcome agreements address their concerns?

**Councillor Murray:** The agreement was that the SOAs for 2009-10 will be produced in partnership with our community planning partners. It was accepted that some authorities might not be in a position to do that for the 2008-09 SOAs, although I understand that at least half the councils were able to produce SOAs that had been agreed with their community planning partnerships. For 2009-10, all councils must do that, so there is a route in for the community planning partners to become involved in drawing up 2009-10 SOAs. We hope that all community planning partnerships will discuss these matters and that the voluntary sector will be involved in such discussions.

**The Convener:** Is there any monitoring of the situation? Locally, I have noticed that some work is being done directly with voluntary groups and bodies—outwith the community planning partnerships—about what involvement they believe the community councils and other organisations had in setting the single outcome agreements. I heard that second-stage guidelines might be produced to improve the standard. Is that the case?

**Barbara Lindsay:** It is fair to say that the process involved learning through doing because we needed to get the single outcome agreements in place quickly. As Councillor Murray said, the expectation was that some councils would involve community planning partners. The high-level group that considers the matter, which includes COSLA, the Government, Audit Scotland and the Improvement Service, has examined what was prepared for the current year and will pick up the issues about which people expressed concern, such as the involvement of community planning partners and the voluntary sector. We anticipate that revised guidance will be issued by the end of the week.

I hope that we are attacking the voluntary sector issue from both ends. Locally, the voluntary sector would be expected to be involved through community planning, but we also have a national

group in which the voluntary sector and the Government are involved, which considers good practice and what is expected.

**The Convener:** I think that the committee is pleased to hear that. Assurances were given to the committee that there would be such engagement with the voluntary sector, and it has been nervous about the whole process. Therefore, we are pleased to hear that such work is being done locally and at the higher level.

**Mary Mulligan:** It would not be right to discuss local authority budgets without recognising the headline pressures. I refer to pensions and single status agreements, for example. Obviously, we are aware that there have been industrial disputes in recent months and of issues to do with the resolution of employees' incomes. How do you foresee such issues being resolved? Are there further challenges to be faced?

**Councillor Murray:** I think that we covered those issues earlier, when we said that the concordat provides the opportunity to discuss exceptional pressures with cabinet secretaries and the Government. As we said, we will do that next week and those pressures are among the issues that we will talk about.

**Mary Mulligan:** What will COSLA say to the Government about the pressures that it is under?

**Councillor Murray:** I think that all the pressures that we are under have been described. They include increased inflation, fuel and heating costs—the cost of all types of energy has increased—and increased food costs. We are under quite a number of exceptional financial pressures. We will discuss with the Government how we can deal with them and progress matters. It is not a case of going into discussions with a list of demands, because that will get us nowhere. We must discuss and understand the pressures that both sides are under.

Negotiations on particulars with unions are on-going, and I am not in a position to say anything about those. Pension pressures are being dealt with. We have discussed police and fire service workers' pensions with the cabinet secretaries and have reached agreement on how they will be handled.

The single status agreements situation is on-going. Most councils have taken action and have built in, or are building in, single status agreement costs into their on-going budgets. There are, obviously, concerns in local government about the recent judgment that was made in England, which may have serious protection implications for us.

**Mary Mulligan:** When do you expect all the local authorities to have resolved the single status

problems? Are there not a number of appeals outstanding?

**Councillor Murray:** There are. I do not know whether Barbara Lindsay knows the number of authorities that have reached agreements. I understand that 26 of the 32 councils have implemented or are extremely close to implementing agreements.

**Barbara Lindsay:** The other six are at an advanced stage in proceedings. It is difficult to give a definite date because, although we may have an aspiration, negotiations that involve people's individual rights must take place. Keeping things moving along is certainly a high priority for COSLA and the councils.

**Mary Mulligan:** I appreciate that. I think that we are all concerned that we are talking about low-paid workers who have been waiting for some considerable time to have matters resolved. That was helpful. Thank you.

**John Wilson:** The Government has indicated its desire for a council tax freeze next year and has set aside £70 million as a contribution towards achieving that objective. Given the discussions that we have had about the constraints that are on local authorities at the moment, does COSLA have a figure for how much would be required to deliver a council tax freeze?

**Councillor Murray:** We do not. As I said to Mrs Mulligan, we will discuss the list of pressures on local government with the cabinet secretaries, but we are certainly not going in with a list of costed demands. We want to discuss the best route forward for both parties.

**The Convener:** The lack of preparedness that you have communicated is surprising, given that the meeting is next week. You do not seem to have an idea of what it would cost to freeze the council tax next year.

**Councillor Murray:** There have been some discussions with directors of finance on all issues, as part of the preparation for the meeting next week. However, it is for each local authority to put a figure on how much freezing the council tax might cost.

**The Convener:** Local authorities agreed on a global figure last time, did they not? If you do not have an answer for the minister when you go in and say, "Minister, we've not got enough money", and he asks you how much you need, it will be a short meeting.

**Barbara Lindsay:** It is important to set the context. The discussion next Tuesday will be the start, not the end, of the process.

**The Convener:** So it is a discussion about discussions.

**Councillor Morrice:** It is a continuation of a process. Obviously, the process started last year, when the local government finance settlement for the current year was agreed. With regard to the three-year package in the concordat, there were four ministerial meetings, and we are continuing with that process.

We know that the Government assumes that what is required in order to freeze council tax is £70 million for each of the three years. We all understand, however, that because of the global economic situation, we are in a unique position—Mrs Mulligan referred to some of the pressures earlier—and we will raise that issue in our discussions.

Of course, we always want more than people are often prepared to give us, so we have to strike compromises. We accept the difficulties and pressures that are being faced by the Scottish Government and the UK Government. We are all in the same boat and must negotiate sensibly to try to come up with a compromise package. Last year's deal was the best possible one under the circumstances, but circumstances have changed.

**The Convener:** As a result of the council tax freeze, the councils' only option is to increase charges. I am not making a political point, but there is a pressure on councils to increase charges. We have facts and figures on how charges are increasing.

**Councillor Morrice:** There is no doubt that there are pressures on local authorities and that those pressures will continue for the next couple of years. We accept that we are all working with a tight financial settlement. Efficiency savings are being made. I understand that a number of local authorities have introduced new charges or are increasing charges for services. That is a matter for those councils. At the end of the day, the books have to balance and we have to turn out legal budgets. Everyone is in a difficult situation, but it is down to each local authority to determine for themselves how they achieve that.

**The Convener:** As we discussed earlier, when we talk about efficiencies, we are talking about increasing charges. Is that right?

**Councillor Morrice:** The decision to increase charges is one of the decisions that local authorities might make in order to balance the books. That is part of the budgetary process.

**Councillor Murray:** In previous years, charges played a part in the local authorities' decision making on the amount by which council tax bills would be increased.

12:45

**The Convener:** The process is incentivised because councils can offset some of the problems in their budgets by retaining the efficiencies. That is what has changed.

**Councillor Morrice:** Yes.

**David McLetchie:** Am I right in understanding that, in 26 out of the 32 councils, equal pay and single status matters are now treated as resolved and settled?

**Barbara Lindsay:** The single status issues are settled, yes.

**David McLetchie:** What about equal pay claims that are related to single status? Is that situation resolved in 26 out of the 32 councils?

**Barbara Lindsay:** We do not have those figures with us.

**David McLetchie:** Any discussion that we have had on the matter has always linked the two elements, so the issue is material. We would like to be assured that, in 26 out of the 32 councils, there are no class actions, test cases being brought by unions or any other outstanding issues of that nature.

**Councillor Murray:** There are outstanding issues of that nature.

**David McLetchie:** It might not be fair to ask you to answer off the top of your head, but it would be useful to know in how many of those 26 councils it is only the single status element that is settled and not the equal pay element, as that could have considerable financial implications in terms of back costs.

**Councillor Murray:** Some of those authorities have come to agreements on equal pay, but individual cases might be outstanding.

**David McLetchie:** And some of those cases will have implications for other cases, should the local authorities lose them.

**Councillor Murray:** Absolutely. That is why I referred to the case south of the border. We need to investigate what the implications of that case are for Scottish local authorities.

**David McLetchie:** I think that a decision was made the other day that will have serious financial implications for the City of Edinburgh Council.

**Councillor Murray:** That is what I was referring to. We need to take legal advice on how that might affect authorities in Scotland.

**David McLetchie:** The issue of uncosted liability has huge implications.

**The Convener:** It would be useful to get that information soon, as part of the reason for this

evidence-taking process is to prepare us for next week's meeting with the cabinet secretary. We have already been given information about the number of cases, but I do not know whether we got anything on liability.

**Bob Doris:** I would like to confirm a few numbers. The council tax freeze for the current year was roughly equivalent to a 3.2 or 3.3 per cent uplift in revenue. If that is achieved over three years—through negotiation, obviously—revenue will have increased by around 9 or 10 per cent without there being an increase in council tax. I believe that those are the figures that we were given previously.

**Brenda Campbell:** Those are the correct figures. The figure of 3.2 per cent is in effect equivalent to the £70 million in the current year.

**Bob Doris:** I just want to double check. There is £70 million in year 1. Is that baselined into the budget for year 2, giving £140 million in year 2?

**Brenda Campbell:** Yes.

**Bob Doris:** By my reckoning, that comes to a figure of £420 million over the three-year period that council tax payers will not be paying if COSLA and the Government can agree a council tax freeze. Is that correct?

**Brenda Campbell:** Sorry, what was that figure?

**Bob Doris:** If it is £70 million in year 1, and £140 million in year 2, it will be £210 million in year 3.

**Brenda Campbell:** Yes.

**Bob Doris:** Okay. This is not a party-political comment, but if in the current economic situation we can lift a burden of £210 million off the backs of council tax payers, that will be a good thing. I hope that COSLA can achieve the council tax freeze, in collaboration with Government.

**The Convener:** Yes, but without cuts. We are all for that.

I thank our witnesses for their time and co-operation.

We will deal with agenda item 3 in private.

12:49

*Meeting continued in private until 13:25.*

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