

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

Wednesday 9 September 2009

Session 3

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LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

21st Meeting 2009, 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:

David Dorward (Dundee City Council)

Rozanne Foyer (Unite)

Alan Geddes (Highland Council)

Glyn Hawker (Unison Scotland)

Stephanie Herd (Unison Scotland)

Kevin Hutchens (Aberdeen Trades Union Council)

Alex Jannetta (Falkirk Council)

Helen MacNeil (Glasgow Council for the Voluntary Sector)

Peter McColl (Scottish Council for Voluntary Organisations)

Kenny Murphy (CVS Falkirk and District)

Mary Pitcaithly (Falkirk Council)

Craig Sanderson (Scottish Social Enterprise Coalition)

Jacqui Watt (Scottish Social Enterprise Coalition)

CLERK TO THE COMMITTEE

Susan Duffy

SENIOR ASSISTANT CLERK

David McLaren

ASSISTANT CLERK

Ian Cowan

LOCATION

Committee Room 4

Scottish Parliament

Local Government and Communities Committee

Wednesday 9 September 2009

[THE CONVENER *opened the meeting at 10:00*]

Local Government Finance Inquiry

The Convener (Duncan McNeil): Good morning and welcome to the 21st meeting of the Local Government and Communities Committee in 2009. As usual, I ask members of the public and committee members to turn off their mobile phones and BlackBerrys.

Agenda item 1 is oral evidence on the local government finance inquiry. I welcome our first panel of witnesses: Stephanie Herd, chair of the local government service group, and Glyn Hawker, Scottish organiser of bargaining and equal pay, both from Unison Scotland; and Rozanne Foyer, senior regional organiser, from Unite. I appreciate the witnesses forgoing their opening statements; we have three panels this morning, so we thank the witnesses for their understanding. We will move directly to questions. Alasdair Allan will open the session.

Alasdair Allan (Western Isles) (SNP): Last week, we had an interesting round-table discussion and some novel ideas were proposed about local government. I am interested to hear the witnesses' views on some of the issues that were raised. A particular point was that some of the problems that are facing local government predate the financial recession that we are in, and they might require a longer-term response from local government. Do the unions have a view on that?

Stephanie Herd (Unison Scotland): The economic crisis is certainly having a major impact on public services. However, on the suggestion that there have been long-term problems, I note that, within local government, attempts have been made to find efficiencies, to make services more responsive to local needs, to meet those needs politically locally, to streamline services, and to look at the way in which the business is operated. The Government has set efficiency targets of 2 per cent, and such targets have increased over the past few years. Local government has certainly been looking at the way in which it provides services, seeking efficiencies and improving the way it delivers services, while also finding efficiency savings.

We were originally tasked with finding efficiency savings in areas where we could identify duplication of services and administrative processes and cut out bureaucracy. Any savings that were made were then to be reinvested in front-line services. However, for the past few years we have not had the luxury of being able to reinvest in front-line services. The evidence that we have provided shows that there are 6,700 fewer workers in local government in Scotland than there were two years ago. Local government has been looking at the way it performs and at the workforce, and certainly the workforce has shrunk during the past couple of years, so it is incorrect to suggest that we have been doing nothing.

Rozanne Foyer (Unite): Unite is here to talk about issues that relate to the local government workers who are our members and not-for-profit sector workers who are contracted by local authorities to deliver services. I agree that, for both sets of workers, it is not just the recent funding crisis that has raised serious issues. We want to put on the record the fact that despite the propaganda about public sector workers having a feather-bedded existence, public sector pay rises have not exceeded private sector pay rises over a 10, 20 or 30-year window.

There has been a process of contracting out the lower-paid professions—blue-collar work, cleaning, and care services—and that has increased the average public sector wage. However, that is not a real increase. The statistics show that it has happened because the disappearance of many of those workers has pulled down the average public sector wage.

It must be recognised that many of the workers who now deliver key public services are part of the voluntary sector. Local government has had to embrace significant change by driving so-called efficiency savings, which has been about the creation of arm's-length companies, procurement practices and so on. Many savings have been driven by contracting out to the voluntary and private sectors. There are examples of good management, and partnership with the voluntary sector in particular has a good future, but that has to be funded properly. The sad fact is that much of the money that has been saved has come from pulling resources from charitable organisations in the third sector. Staff costs have been significantly lowered; in many cases, the pay and conditions of voluntary sector staff have been driven down.

Alasdair Allan: I should say that the propaganda that you mentioned does not come from the committee; I was reflecting comments made by witnesses at our previous meeting.

Another provocative comment from previous witnesses that might relate to what you have just said was that it is virtually impossible to sack

people in local government. Our witnesses suggested that it is difficult to deal with underperforming staff. I expect that you have a view on that and I would be interested to hear it.

Stephanie Herd: That is certainly not my experience. I am here today as the chair of Unison's local government service group, but I am also a local government employee. As a branch secretary, I represent numerous underperforming people who have to go through incapability procedures. Local authorities certainly look at performance to make sure that they have well-trained staff who are able to do their jobs. If someone is underperforming, there are procedures in place to deal with them. Unfortunately, where retraining or redeployment do not assist those people, they are dismissed and their contracts terminated. The idea of not being able to sack a local government worker sounds ludicrous from where I am sitting.

Given that the response to the current financial crisis of several local authorities with which we are dealing is to make posts redundant, we are negotiating to try to ensure that there are no compulsory redundancies and that natural wastage—an unfortunate term—is considered. Temporary contract holders and agency staff have had their contracts terminated so the idea that local government staff are employed and protected for ever is, frankly, nonsense.

Rozanne Foyer: I simply concur with my colleague. That local authority workers cannot be sacked is certainly not our experience of dealing with hundreds of personal cases—if only it were.

The Convener: In evidence last week, Professor Alexander used an example not from the private sector or the third sector, but from Scottish Water. He said that Scottish Water, in which you organise, has been able to take 40 per cent out of its operational costs and that

"if that 40 per cent saving was available to Scottish Water, it beggars belief that it was not available when water was run by local government."—[*Official Report, Local Government and Communities Committee*, 1 September; c 2212.]

Given what you said about job cuts over time in a workforce that is—what size?

Stephanie Herd: Unison represents 100,000 workers in local government, but clearly the whole workforce is much bigger than that. I ask my colleague Glyn Hawker to answer the point about Scottish Water.

The Convener: The point being made by last week's witness was, "Here's an example from Scottish Water of the pace of change: it can take 40 per cent out of its operational costs, but local government can't match that in any shape or form

and hasn't been doing so." The witness argued for greater regulation to force that change.

Glyn Hawker (Unison Scotland): I do not want to get into a debate about statistics, first, because I am not an expert and, secondly, because we can all prove what we want to from them. It is not so long since Scottish Water's function was provided by local government, but my knowledge of that area is not as up to date as it was a few years ago. Local government certainly has made at least the amount of efficiency savings that you mentioned over a long period. Scottish Water is a fairly recent entity and it operates differently. Although it remains a public sector body, a heck of a lot of its functions have been removed from direct provision by the public sector and have gone out to arm's-length private contractors. Much of the reduction in operating costs will be because services are not provided directly by that body, but have been privatised.

Our experience of privatisation is that the private sector is far more expensive in the long run than the public sector. However, I certainly do not defend anything to do with maintaining things as they are. Local government and public sector provision ought to be dynamic, changing and developing. If that is happening in Scottish Water to make it efficient and effective, Unison and, I am sure, Unite would have nothing to say in opposition to that. However, we have difficulties with service reduction or limited services that come on the back of efficiency savings, which actually are not efficiencies.

The Convener: We have had evidence in another inquiry that, on care services, the public sector can lag behind on quality. It does not necessarily follow that the quality of services is better in the public sector.

Glyn Hawker: I certainly do not want to get into the game of defending bad services, but public services and local government services are for the most part very good, although they can always be improved. I am sure that everybody in the room could come up with examples of superbly good provision, as well as examples of poor provision and areas where we need to improve. Nobody argues with that but, for the most part, public sector provision is of a much higher quality than that in the private sector. That has a lot to do with the fact that the services are people provided, so the people must be properly rewarded and respected, as well as trained and supported in their work. That tends to happen more in local government and to a large extent in the community and voluntary sectors, but it happens far less in the private sector. There is a hierarchy.

One of our major concerns, which we share with our colleagues from Unite, is that more and more services are moving from local government to the

community and voluntary sectors and others are moving from there to the private sector because of cuts in costs and expenses. That happens at the expense of standards of service and care, because people who provide services in the private sector move quickly and do not stay to be trained. They have no loyalty and they move as soon as they can for better-paid work. The trade unions' universal view is that that is a real difficulty. After the committee has heard from us, you will take evidence from community and voluntary sector organisations, and you will not hear a different story from them.

David McLetchie (Edinburgh Pentlands)
(Con): I was interested in the written submission from Unison and I want to pick up on some of the points that it highlights. In the overview section, you comment on the unfair criticisms, as you see them, that are often made of workers in the public sector. One of the criticisms that you mention is that people

"ridicule valuable jobs because of their titles".

Do trade unions feel an obligation to protect their members from the imposition of titles that bring their work into ridicule? Have you done anything about that issue or made any representations to employers on it?

10:15

Stephanie Herd: There certainly have been articles in the press that ridicule job titles. When we look at the work that our members carry out, we consider the value of the work that they do, regardless of their job title.

Our priority has not been to go to the employers to ask them to consider changing job titles. Articles such as the recent *Daily Mail* centre-page spread on what sounded like jobs that had been made up to keep people in work without providing a service do not reflect my experience. Regardless of their job titles, local government staff have tasks, duties and responsibilities to other staff in providing services. I do not believe that there are many people with, as was suggested, made-up jobs, made-up titles and trumped-up positions. If we were to examine all the tiers of management down to the front-line workforce, we would find no one sitting in an office twiddling their thumbs and making work for themselves by shuffling paper. We all provide services, including through managing and commissioning them. There is a degree of ridicule, as mentioned in our submission. Job titles are an easy target for some commentators, but our priorities are to protect our members' jobs, their terms of employment and the services that we provide.

David McLetchie: If you did not have the titles, you would not invite the ridicule. Do you agree that

some of the titles that are applied to jobs invite ridicule because the public consider them ridiculous and if the employees concerned did not have titles that the public considered ridiculous—which feeds into the articles that you describe—there would be no ridicule?

Glyn Hawker: You answer your own question. My colleague has explained that job titles are not the top of our priority list. It is local authorities' responsibility to determine what they call posts; it is the trade unions' responsibility to protect the people who occupy those posts and to ensure that they are valued for the work that they do, not what their jobs are called. In the scheme of things, the job title is a trivial point for us.

David McLetchie: Right. Oh well, I will note that.

Your submission says that 6,700 fewer people work in Scotland's councils than two years ago, as has already been mentioned this morning. You contrast that unnoticed gradual reduction with the major publicity that is attracted when there is a proposal to close a factory, for example, and a dramatic number of jobs is under threat in one go, as you highlight is the case with the Diageo plants in Kilmarnock and Port Greenock. Is it unfair that certain jobs, whether in the private sector or the public sector, attract an iconic or symbolic status and, therefore, all the attention and resources of government in dealing with a difficult situation? That contrasts with the situation of the workers whom you represent. As you rightly say, all those jobs have been lost after two years with hardly a by your leave. In that respect, is it an unfair world across the workforce as a whole?

Rozanne Foyer: With respect, it is Port Dundas and Kilmarnock where the thousands of Diageo workers will lose their jobs. To be honest, I am not here to say that those jobs are any more or any less important than local government workers' jobs. I am sure that my colleagues in Unison agree that we simply want to highlight the fact that we can be talking about the loss of many jobs but, because of the way in which they are being reduced, the reduction is not as immediately apparent. We are not in the business of commenting on whether one group of workers is more important than another.

David McLetchie: Would anybody else like to comment on that?

Stephanie Herd: I agree with what Rozanne Foyer has just said.

David McLetchie: Taking the discussion a little further—thanks, by the way, for correcting me on the place name, which was a slip on my part—we see suggestions that the Scottish Government might make significant amounts of public money available to Diageo to sustain the employment of

workers in a particular location. The figure of £70 million over a period of years has been mentioned in that context. Presumably, that same £70 million could be made available to Scotland's councils over the same period to sustain the employment of Unison members who work for those public sector employers. What I am trying to get at is why one group should deserve an offer of £70 million to preserve or sustain their jobs when a similar offer is not made to sustain the local government jobs of the people whom Unison represents.

Glyn Hawker: I do not think that we can answer that question, which is about the hierarchy of what is more deserving. We do not make the decisions about where money is allocated. To answer the question that was asked earlier, yes, it is an unfair world, but we seek to make it fairer for those whom we represent in local government and the public services. Sometimes, we do a better job than others, but we are also reliant on others to make the world a fairer place.

Certainly, we are not here to say that local government workers are more deserving than those in Diageo. Our submission simply points out that an enormous outcry has arisen over the impact on that community from the loss of those jobs, but far more jobs have already gone in local government. Our expectation is that yet more will go over the next few years. However, those jobs are being lost slowly, so there has not been the same outcry. I suspect that such an outcry would occur if anyone suggested that redundancy be imposed on the same number of nurses as the number of threatened Diageo workers, because for whatever reason—whether because of the particular community or the particular service—some jobs have more appeal.

The perhaps sad fact is that our local government workers are doing just ordinary, mundane, day-to-day jobs that are extremely essential and valuable, but their jobs do not hit the headlines. That is why we want to take opportunities such as the one presented today to make these points on their behalf. Those people have families and belong to communities in the same way as anyone else, but they are losing, have lost and will continue to lose their incomes and employment.

David McLetchie: I think that we are at one on that, so I am glad that we have been able to offer you the opportunity today to make that very point.

Can we be given an overview of where we are with pay negotiations in local government? What deals have been negotiated that are being implemented? What is the state of play as regards future years? Can one of the witnesses tell us how they see the situation and where we are from that perspective?

Stephanie Herd: I am happy to do so.

Within local government, the chief officers' pay settlement has another year to run. That will take us to 2010. The same is true of the settlement for teaching staff. Chief officers have a pay settlement of 2.5 per cent. Teachers have a pay settlement, which has still to be implemented, of 2.4 per cent.

David McLetchie: Are those figures for 2010-11?

Stephanie Herd: Yes.

For the rest of the local government workers whom we represent, we are preparing a pay claim for submission later this year that will run from 2010, as we are at the end of the current pay deal. Members will no doubt have read press reports of various political parties calling for pay restraint within local government. One leak was about a report that went to the Convention of Scottish Local Authorities leaders meeting two weeks ago that suggested that COSLA would call for a pay freeze for the next five years. We in Unison responded to that and were quickly invited to meet the employers' side of the negotiating machinery so that some of the leaks in the press could be dispelled.

My understanding is that the pay strategy report that went to the COSLA leaders meeting a fortnight ago in fact suggested not that there was to be a five-year pay freeze but that options would have to be considered, given that COSLA had to wait for and assess the implications for local government of the announcement of the percentage of the £500 million cut for 2010-11 that will apply to local authorities and the following three-year spending review.

The employers gave a commitment that they would enter into early discussions with us, that they would provide an open book on the finances and that we would have a genuine and mature debate about how services will be delivered and what that will mean for the workforce in terms of affordable pay. My view is that any pay offer will be for only one year, which will be followed by further discussions about what happens on there on. We have been invited to a further meeting in a fortnight. I believe that the employers now have the information on the £500 million slice from the budget and that they will invite us in during the week beginning 21 September.

David McLetchie: Does Rozanne Foyer want to comment?

Rozanne Foyer: Yes. We would have to be crazy to think that the current economic circumstances do not mean that there is a grim and difficult period ahead for public sector workers. We certainly see that in the future, but we want to give a clear message to MSPs and to our

members that we will do everything that we can to defend our members' pay and conditions and the quality of public services that local government provides to members of the public, whether directly or indirectly. For us, that is about having quality pay and conditions for the people who deliver those services—the two issues are intrinsically linked. There is a sense of grim determination about how we will move forward in the period ahead.

Mary Mulligan (Linlithgow) (Lab): Good morning. I will pick up on a point that Ms Herd made on the discussions that you have just had with local authorities about future wage settlements. What indications did local authorities give you about the money that they will have on the table for wage negotiations?

Stephanie Herd: They gave us no indication at all. They told us that they were awaiting the financial information on what will be available in local government budgets and that they will, when they have that information, call us in and tell us what it means in terms of how they expect to deliver services in the future, and their consideration of what will be affordable. There was no suggestion that a pot of money will be set aside for wages. Clearly, we will go in looking for that information.

As Rozanne Foyer said, although we know that there is an austere financial position just now for all local authorities, we would certainly expect in a fair world to be treated similarly to our colleagues in the chief officers group and the teachers group, who have a pay settlement for 2010-11. For example, it would be unreasonable for us to expect pay restraint and a pay freeze this year for a classroom assistant who will sit in the same room as a teacher who is getting a 2.4 per cent pay increase. There is unfairness in the world, but we are looking for a discussion with the employers in which we will say that although we understand the situation that they are in and that we, too, want to protect jobs and services, we also have to protect our members' wages, which will be reinvested in the local economy.

Rozanne Foyer: On the community care sector and the not-for-profit sector, we have over the past few months been involved in many negotiations on the 2009-10 pay settlement with employers who provide services to local government. The picture is extremely serious for contracted service providers.

10:30

At the moment—most of the pay-round talks for 2009-10 started in April—no major national community care sector provider that we are speaking to on behalf of our members has been

able to commit to any cost-of-living increase; indeed, many are talking about breaking long-standing links. They tell us that they are doing that to follow local government pay increase rates because it is unsustainable for them to continue to use those links, given their new contract settlements. In addition, many providers are actively considering closing their pension schemes or drastically reducing the quality of those schemes, asking employees to work longer hours per week for the same pay, and considering redundancies. Furthermore, they are looking at lots of different schemes for reducing sick pay and holiday entitlement and for trimming a range of key benefits that workers enjoy.

The situation for the third sector workers who provide vital public services to vulnerable people cannot be described as anything other than a complete crisis. It amounts to nothing less than expecting workers—in the main, they are women and are low paid—to subsidise our public services, which is completely unacceptable and unsustainable. I make this very strong plea on behalf of those workers. We know that this is not about the employers because there is nothing in the pot for them to give out. Clearly, we want to support our members, but we are also clear that we need to tackle the public sector funders if we are to get a fair settlement for these workers.

Mary Mulligan: I share your concerns, particularly given that you are still discussing the 2009-10 settlement and we are now in September. That seems incomprehensible.

Local authorities have been saying for some time that council budgets are under pressure. Given the additional pressure of the recession, what, if any, suggestions have you made to the authorities on how to maximise their provision for your members who provide services to the rest of the community?

Stephanie Herd: That is a huge question to which there is not one simple answer. In each of our branches, branch activists are involved in weekly discussions with employers on how savings can be achieved and services provided without the excesses and luxury that used to be attached to local government budgets and activity.

We are at the point at which it is difficult to find areas to trim back. We are deeply involved in discussions with employers at local level on how to reconfigure services, on whether that will make them more effective and on how to improve efficiency.

Options appraisals and business resource activity analyses are the precursors to discussion. The result is that local authorities are looking to outsource jobs, move to trusts and cut jobs—the idea of simply being greener and leaner is past.

We have moved on from that environment to talking in hard terms about how to keep jobs in vital services. We are also in discussion with employers on the statutory and non-statutory requirements on local government. We have to deal with the hard decisions that Parliament and local employers take.

Mary Mulligan: I have a simple question. Is the council tax freeze sustainable?

Stephanie Herd: No.

Rozanne Foyer: The view of the local government unions is that we were not consulted on the council tax freeze. We were also not consulted on the concordat, which affects how funding is dispersed within the local authorities, or on the business rate cuts. Those are all areas in which we wish to bring our views to the attention of local government and the Scottish Government, and have done so consistently. Some things cannot be funded without the money being there to pay for them. Too many corners are being cut, which means cuts to people's pay, conditions, training and the quality of service for people out there.

A cuddly and positive partnership with the voluntary sector for reasons of quality is fine, but we have said consistently to local government that privatisation as a cost-cutting exercise can become very costly, given the number of consultants and contracting managers who are involved. People have to spend all their time making bids, sometimes as often as yearly, in order to get pots of funding when there should be long-term sustainable funding to provide services.

There are a range of areas where money could come from to go into the high-quality delivery of front-line services.

John Wilson (Central Scotland) (SNP): I am a member of Unite, so my comments might be coloured by my membership of that organisation. [*Interruption.*] I will let Bob Doris answer his phone.

Bob Doris (Glasgow) (SNP): It was not my phone.

John Wilson: I want to delve into the figures that Unison has given us in its submission, which refers to 6,700 job losses in local government in the past two years. That seems like a lot of people being lost to local government. How many of the 6,700 people have been transferred to arm's-length companies or limited liability partnerships, or transferred under the Transfer of Undertakings (Protection of Employment) Regulations, where services have been contracted out but remain under local government control? I know that a number of local authorities have decided, for various reasons, to set up arm's-length companies

to which staff have been transferred. How many of the people who have been transferred are included in the 6,700 figure?

Stephanie Herd: I cannot give a figure now, either as a percentage or as a number, but I will provide the information in writing as soon as I can.

John Wilson is absolutely right that many local authorities have sought to transfer services out to trusts—leisure trusts are certainly on the increase, and some local authorities are also looking to review their leisure trusts and to expand what they cover. In my local authority, an appraisal exercise is being undertaken on what leisure services there are and whether the trust could be expanded to include other local authority services, for example in terms of arts and culture, such as libraries, or in community learning and development. Those are options. I apologise that I cannot give the breakdown of figures today. I will certainly try to provide more detailed information.

We follow our members when they are transferred under TUPE to arm's-length companies. Many of them still feel that they are part of the local government family and that they are still council workers, even though the business has moved across to an arm's-length company—they still see themselves as providing public services. The wage slips come from another centre, but the workers still feel that they are part and parcel of the council in providing that network of services.

We expect that over the next couple of years the opportunities for outsourcing will be grabbed by some local authorities. As Rozanne Foyer said, that in itself can be costly. We are concerned that it might be a waste of resources, which could be used for investment in the services that we have in-house just now.

John Wilson: I accept that people's being transferred to arm's-length companies such as leisure trusts and building firms might have an impact on the total number who are employed by the local authority, and I look forward to receiving those figures from Unison. The issue is important. It goes back to Rozanne Foyer's point, which is that people who are being transferred out of local government to arm's-length companies come under greater pressure in relation to their pay and conditions. As Rozanne indicated, that is particularly the case with transfers into what would be seen as quasi voluntary sector organisations.

National pay and conditions negotiations currently take place, but certain aspects of those negotiations could take place at local level. What is the panel's view on future national pay negotiations? Will we eventually find that the unions are defending the position in 32 separate pay and conditions negotiations with local authorities?

I understand the distinct nature of teachers' pay and conditions, but I do not understand why local government chief officers' pay and conditions are separate from the rest of the workforce. Pay rises within the public sector have kept pace, but chief officers' pay has not. Five years ago, chief officers received a massive percentage increase in their pay and conditions—up to 14 per cent in a single year, although some local authorities did it over two years. What is the panel's opinion of performance-related pay being awarded to chief officers in local government?

Stephanie Herd: I go back to my earlier comments, and the experience of services that have been moved out to arm's-length companies. In the initial stages, the companies follow the national pay settlements. However, as we experienced in our most recent pay dispute, arm's-length companies have wanted to break away from reflecting the Scottish joint council's pay settlements. I predict that that trend will continue. It is a concern for us and our members—those who transferred still feel as if they are part of the local council. They still provide the services that they were providing the previous week, but their terms and conditions are being treated differently from those of the colleagues with whom they have had a close working relationship.

In relation to national pay, we will absolutely defend national bargaining. Since the implementation of single status, a number of local authorities have negotiated local terms and conditions, as was always the case. The national bargaining machinery should set the minimum standards that we expect to see within local government. However, as in the past, some local authorities have negotiated higher terms and conditions.

What we are concerned about—Rozanne Foyer has led the evidence on this—is that whereas arm's-length companies and community and voluntary sector organisations used to reflect the terms and conditions that had been set nationally, employers are now cherry picking—they are looking to see what they can and cannot afford. As Rozanne Foyer said, terms and conditions in local government are being lessened. We are now having to decide which fights we think we can win. In certain instances, annual leave entitlement is being eroded and the opportunity to work overtime is being completely taken away. Sick leave allowance and other issues that we might have taken for granted in the past are all now under review. Local authorities in different areas are coming forward with proposals that will lessen our terms and conditions, and lessen our contracts of employment. In some instances, that will have significant implications for our members' ability to earn what they are on at the moment. There is

sufficient evidence that our employers are moving that way.

I would prefer to have one set of national bargaining for all our terms and conditions. I do not think that Scotland is geographically so big that we need 32 sets of regular negotiations. As for chief executives and our colleagues in the craft section, I would much prefer them all to come under the one piece of bargaining machinery.

10:45

Glyn Hawker: A point was made about performance-related pay, of which trade unions have not been in favour. It is divisive, and it is not effective. We have never followed the logic that says that already well-paid people should be paid more money. The system exists and we will deal with it, but it is not something that we support or wish to pursue—I would reinforce Stephanie Herd's point on that. John Wilson said that he understands why teachers are bargained for separately from the chief officials. I am not sure that I do, but that is history.

Not many weeks ago I came before the committee to give evidence about equal pay in local government. The point was made firmly at that time that much of the difficulty for women lies in there being 32 separate negotiations about single status and job evaluation. The problem is far more complicated than being just about pay, although the basic question is this: why on earth would anyone choose to do 32 times the one task that could be done universally? I remind people that the agenda for change agreement for the United Kingdom makes things much easier for all of us.

My other point about equal pay links back to the points that have been made about privatisation and jobs going out of direct local government provision into the community, voluntary and private sectors. It is of major concern to the trade unions that it is women's jobs that are going, it is women's jobs that are poorly paid, and it is women who have been undervalued and who have had difficulties in getting equal pay. If the solution to the equal pay problem is to put women in situations where they cannot claim because they do not have comparators, which is because they work for poor employers who pay them badly, we are all in a great deal of difficulty. There is legislation that says that that cannot be done, and councils are required to undertake equality impact assessments of any changes that they make. We need to be vigilant about that, but it remains a massive concern—alongside an absolute recognition that public services and local government will be having enormous financial difficulties for the next few years.

My real concern, which is shared by my trade union colleagues, is that the low-paid women workers will pay the price, and because it is those low-paid women workers who provide front-line services to the most vulnerable people in our communities, those vulnerable people will suffer.

Rozanne Foyer: I concur with some of what has been said. I completely support the strengthening of national pay negotiations for local government. If nothing else, it would be a great efficiency saving—it could save local government a lot of money to return to a more nationalised approach. Something has been lost over the years in that respect.

On chief officers, it is simply morally wrong for the highest-paid people in local government to get their settlements when low-paid front-line workers are left wondering whether they are going to get a pay rise or not.

I go back to Glyn Hawker's point about the whole equal pay issue. On single status and the impact of equal pay, there is now a much wider gulf between front-line care workers, who are directly employed in local government, and the areas where the service is contracted out, whether to the voluntary sector or the private sector. I believe that local authorities see that as an easy area from which to cut funding. Provision in which the workers are not directly employed is where authorities will look first to cut funding, because they have responsibility only for the quality of the service and its efficiency, not for the employees. That is a fundamental problem.

We are very interested to examine local government's public equality duty, and how the contracting process discriminates against and impacts on women workers. There is a massive equal pay for equal value issue: workers who are contracted to do a care worker's job by the local authority, for example, will be paid differently from internal directly employed care workers who do exactly the same job, and who have been evaluated as being equal to garbage collectors, for instance. That is a massive issue that needs to be looked at. We are currently talking to the Equality and Human Rights Commission about how we can start to tackle that issue. I certainly think that national local government pay bargaining should take some responsibility for that in the future.

Patricia Ferguson (Glasgow Maryhill) (Lab): Good morning. We might well touch on this later when we discuss petition PE1158 from Aberdeen Trades Union Council, but I know that in my area many voluntary organisations—I am aware that both Unison and Unite organise in the voluntary sector—are concerned that, although they receive local authority funding and regard themselves as having a close relationship with the council, they are unable even to keep up with local authority

pay and grading, despite the fact that their staff are often on what were originally model local government contracts. In the current financial situation, will that gulf become bigger? Does that particularly concern Unison and Unite?

Glyn Hawker: Yes is the simple answer. We are already seeing that gulf becoming bigger. As the committee has heard, in services that were formerly within local government but which have been moved into the community and voluntary sector, pay and terms and conditions have often been flattened because the sector does not have the necessary level of funding. Increasingly, local authorities are contracting services from the private sector because it provides cheaper estimates. Community and voluntary sector organisations are competing against each other for work and are being required to do so on the basis of reducing costs. Such services are people provided, so an enormous amount of the cost—at least 80 per cent—is from staffing. Therefore, the only way to save money is to pay people less and to reduce their terms and conditions. We are very concerned about that.

We have been engaged in discussions on levels of funding with local authorities and with the Parliament in an attempt to seek guarantees that there will be no differentiation between care providers. The issue is not only the quality of the services but equality of treatment for the people who provide those services.

The question is easy to answer because such things are already happening. Yes, we have concerns that that will continue and make the situation far worse. To reinforce my previous point about equal pay, let me state again that it is women who work in those organisations. Women will continue to want to provide those services to vulnerable people.

Rozanne Foyer: The issue that Patricia Ferguson has highlighted is why we organised our funeral march outside the Parliament in March and why we submitted our "Death by a Thousand Cuts" report along with the petition on fairer funding—PE1231—which we submitted along with a number of other key stakeholders in the sector.

A human tragedy is involved. Responses that our members who work at the sharp end submitted to our consultation—some of which were included in that report—provide harrowing evidence about the work that they do and the cuts that they personally have chosen to accept in order to keep what are sometimes very small voluntary sector organisations alive. People are working massive amounts of unpaid hours and building up 50, 60 or 70 hours of TOIL—time off in lieu—that they have no hope of ever being able to reclaim. People are operating in unsafe lone working conditions that would never be accepted

in the public sector. On a wide range of issues, standards and regulatory protections are being thrown by the wayside in order that people can continue to deliver the service. Sometimes, people make a personal choice to cover up the cracks, but the situation is unsustainable. I cannot stress enough how concerned we are, in the current climate, for our members in the voluntary sector.

Patricia Ferguson: A recent Sunday newspaper article on the effect of the current financial crisis and the council tax freeze on local government finance quoted a paper from COSLA that suggested that local government might consider reopening the negotiations on pay deals that had already been struck. What would the unions' reaction to such a proposal be?

Stephanie Herd: That would be difficult for us. We are directly involved in the chief officers pay settlement, although our colleagues in the GMB take lead role in that bargaining arena. Obviously, we do not have a seat at the negotiating table for teaching staff. Clearly, we would be concerned about employers unravelling pay deals. We would expect to have a discussion on how employers will provide finances for the rest of the workforce to enable pay increases to be offered to our members. I would not want to enter into discussions on unravelling deals that have already been struck. We need to take a hard look at the available finances and what local councils in Scotland want to do with the services that they have.

Unfortunately, what has been missing from any of the discussion is a joined-up strategy at a Scottish level. We are finding it difficult to get strategies from councils on what services they want to provide in the first instance, how they will provide them and who will provide them. We do not have that information. At the moment, instead of having an overview on a council-by-council basis that can be reflected at a Scottish level, we are getting piecemeal information as and when councils develop their thinking. Alongside that discussion, we need to look at the biggest cost in providing those services: staffing. We need to know what employers can do, within budget, to provide some pay increases for our members. As I said, we are in negotiations on a local basis where our terms and conditions of employment are being eroded. We want to defend our members' pay.

Glyn Hawker: We also have to consider the national health service in Scotland, which is covered by a three-year pay deal that the Scottish Government implemented under a UK agreement. It would be an unacceptable unfairness for local authorities to revisit pay agreements for local government workers—indeed, we would end up in far more of a mess. On the broader picture of public sector pay, we need to take into account

that we are not talking only about pay rates that are determined in Scotland, even when separate bargaining is involved.

Patricia Ferguson: That is helpful.

The Convener: Earlier, Rozanne, you said that it was immoral for people to get top pay. I assume that you include politicians in that. Will you say more on that?

Rozanne Foyer: As a trade unionist, I would have to say that, if a deal has been struck and a pay negotiation has taken place, it should stand. I do not advocate any unravelling of previously set agreements. Once people go down the road of making deals with some sections of the workforce, they should ensure that they have the funding to enable them to make agreements in a fair way across their full workforce.

The Convener: Why is it immoral to negotiate such an agreement and not to expect the employer to pay out on it? As a worker who negotiated the deal, why did you describe it earlier as immoral?

Rozanne Foyer: I think that I said that it was immoral in the context of low-paid, front-line workers getting nothing. In that context, it would indeed be immoral.

The Convener: Only if they get nothing, or something less than 2.5 per cent.

Rozanne Foyer: There should be a fair settlement. If an employer pays 2.5 per cent to one section of the workforce, it should consider seriously where the money will come from to make similar settlements to all the people for whom it has responsibility, including indirect responsibility.

The Convener: So we should not complain about getting 2.5 per cent at the top of the tree.

11:00

Rozanne Foyer: No. I do not think that any of us are going to sit here and complain about workers getting—

The Convener: The committee just needs clarity. When you give evidence here and use language like that, you are being critical of people who are in receipt of that pay increase. However, as you rightly pointed out, the pay increase was freely negotiated and people have every right to expect that it will be paid out.

Rozanne Foyer: Absolutely.

Jim Tolson (Dunfermline West) (LD): As part of the committee's inquiry into local government finance, we have received petition PE1231, to which Ms Foyer referred earlier. As we all know, there has been a squeeze on local government finance for many years and not just in the current

financial situation. In that context, how feasible is it to increase voluntary sector pay levels to bring them into line with local authority pay levels at the same time as seeking salary increases for local authority staff?

Rozanne Foyer: Well, it is clear that it will be extremely difficult in the current climate.

Jim Tolson: What is your solution?

Rozanne Foyer: We talked about a range of issues in answer to previous questions. We take issue with how local authorities have been allowed to gather in their resources. I mentioned that local government unions were not consulted about council tax freezes and so on.

At the end of the day, where the money is going to come from is an issue for the employer. My job as a trade unionist is to make the case about the effects on front-line service providers and users of the gulf that has developed. I have to point out clearly and robustly that the current funding process is unfair and needs to be addressed or, in effect, we are causing pay discrimination for thousands of very low paid workers.

Jim Tolson: I accept your point about your responsibility as a trade unionist, but I ask you to understand that members of the committee have a responsibility to all taxpayers to make sure that there is a fair pay settlement for all public sector bodies.

Rozanne Foyer: Absolutely.

Bob Doris: I return to the point about the drop in the number of local authority workers in the past two years. Scottish Government figures use Unison evidence, and Unison's submission says that there are 6,700 fewer workers. You say:

"This is a substantial job loss. If these people were all made redundant by a private employer there would be demands for swift government action."

To reiterate what John Wilson said, if you are going to use those figures and make that analysis, you really should know how many of those employees have been TUPE-ed over to third-party organisations, and how many of those are arm's-length organisations or limited liability partnerships; otherwise, the figure of 6,700 becomes meaningless. Whether the Scottish Government, COSLA or the unions have to work on that, we need more information or we cannot draw anything from the figure; it becomes an unreliable way of talking about substantial job losses.

I want to focus on the idea of job losses. Time and again, we have heard that we need to reconfigure and restructure services to get more efficiencies. There is a sense that we cannot make an omelette without breaking eggs. If we keep pay

and conditions as they are and get decent pay increases for employees, at some point that will mean fewer employees in local government. As we restructure, we can find better working practices and new technology will come in. Whatever happens, we get cleverer, and that means fewer employees.

Assuming that we keep pay and conditions respectable for employees and trade unionists, do the witnesses expect to see fewer people employed in local government in the next five to 10 years, not because of the recession but because of efficiency savings in local government?

The Convener: He did promise me that it would be a short question.

Bob Doris: That is a short question for me.

Stephanie Herd: The answer will be equally short.

I take on board the comments about the job-loss figures that we have used. We will certainly provide as much information as we can to give further background.

On whether we expect to see fewer jobs over the next five years—whether due to efficiencies or to the recession—the answer is yes. I do not think that the threats and fears are unfounded. We expect that services will no longer be provided by local authorities. Savings might be made through services being outsourced or provided indirectly or through services simply no longer being provided. That is the harsh reality that we are working with. Unfortunately, I think that the face of local government will change, but not for the better. As I said previously, I do not see any overview on a Scotland-wide basis—never mind on an individual local authority basis—of how services will be provided. There will come a point in time where further cuts cannot be made without doing away with services. I think that we will see a massive debate about that on a Scottish level and on a local authority level. We could start to see headlines in the local and national press when we reach the point where the number of jobs losses is sufficiently high to cause a reaction, whether at the level of public or local demand or at the political level.

Glyn Hawker: Let me add to that by highlighting points that are further down the page in Unison's submission from which Bob Doris quoted. The first example that is given is the loss of 200 teaching assistant posts in Aberdeen City Council. That was not to do with new technology or efficiencies; it was a reduction in front-line support for our children in school classrooms. That is already coming through. Our submission makes it clear that that is merely the start and that worse is to come next year. I would like to think that any

reduction in jobs in local government will come about because of increases in efficiencies that enable people to move on and use their skills in other areas. My concern is that we will have severe financial cuts and knee-jerk reactions that result in the loss of services such as the cuts that have already started to come through. Some 200 jobs were lost in Aberdeen. That is a lot of jobs.

Rozanne Foyer: We know that we are in unprecedented times. We know that the harsh financial reality that we are all trying to face will put massive pressure on jobs and services. However, the services that local government provides are vital to keeping communities going during the recession. On behalf of Unite, I urge extreme caution about cutting funding to front-line local government services over the coming years. Unemployment is undoubtedly set to rise for the next two years, so our most vulnerable communities will be the most challenged by the recession. Let us not repeat the mistakes that were made in previous recessions by cutting vital public services that are provided to the most vulnerable people. In some ways, this is the very time when we should be putting the most into such services. We will see the effects in future generations if we make the wrong decisions now.

The Convener: On behalf of the committee, I thank all the witnesses for their attendance and for the evidence that they have given this morning. We will have a short pause while we move to our next panel.

11:08

Meeting suspended.

11:10

On resuming—

The Convener: We move on to our second panel of witnesses, who represent the voluntary sector. Jacqui Watt and Craig Sanderson are board members of the Scottish Social Enterprise Coalition. Peter McColl is policy officer at the Scottish Council for Voluntary Organisations. Helen MacNeil is chief executive of Glasgow Council for the Voluntary Sector. Kenny Murphy is chief executive of CVS Falkirk and District. Kevin Hutchens is from Aberdeen Trades Union Council, but the committee knows him as the petitioner who lodged petition PE1158.

Thank you all for your attendance. As you know, we have three panels of witnesses today. We do not have time to take opening statements from everyone, so we will move straight to questions.

John Wilson: Welcome to this morning's session. What is the panel's opinion of the comment that, during a recession, it is easier to

cut services and conditions in the voluntary sector than to make cuts in other sectors?

Kevin Hutchens (Aberdeen Trades Union Council): In answering that question, perhaps I could reflect on what has happened in Aberdeen since I lodged my petition. I would like to give three examples that show the situation in Aberdeen. The first concerns the voluntary group that came with me when I presented my petition to the Public Petitions Committee. Choices has now evolved into a community organisation called Future Choices, but it is struggling to raise funds for alternative services. It has been unable to get funding agreements with key bodies, including the Scottish Government and the local authority, yet it has found that the number of people who need its services has increased from 56 to 76. Its campaign to show the injustice of what has happened to it is being progressed by a film called "The Wrong Choice", which tells the story of its campaign to try to halt the closure of Choices and its subsequent work to try to raise a phoenix from the ashes of that group.

The Convener: Kevin, I know that you have a wee prepared statement there. I am sorry to interrupt you. I do not want to make it an ordeal, but we need to get through this session. I have asked the committee for its co-operation in asking short, sharp questions and I am afraid that the answers need to be similar. Could you bring your remarks to a close and give others an opportunity?

Kevin Hutchens: Okay. Just to say that I have with me today three examples of community and voluntary organisations that are suffering as a result of the cuts in Aberdeen city. Most recently, a dementia unit was due to be closed down last week. That was announced by Voluntary Service Aberdeen.

Aberdeen Trades Union Council's experience has been that the voluntary and community sector in Aberdeen is suffering unduly, and we believe that the same situation exists throughout Scotland. We are deeply concerned about that and we ask the committee to consider it. We invite you to come up to the north-east of Scotland and visit Aberdeen to talk to the community and voluntary sector there, because we believe that the situation is a major issue and it will be replicated elsewhere in Scotland in the near future.

The Convener: Thank you. I invite the other witnesses to respond in general to John Wilson's question.

11:15

Helen MacNeil (Glasgow Council for the Voluntary Sector): I will give a brief answer. Services in the voluntary and community sector have already been cut and are being cut day by

day. That is possibly partly because of a lack of visibility and because individual organisations suffer in silence or are taking gentle steps towards oblivion. It is not easy to cut services anywhere. The discussion is difficult because we have council, public sector, private sector and voluntary sector services, but there is no hierarchy of services. All services to people are important, but most of the services that the third sector provides tend to be at the front line and to vulnerable people. Those are sometimes hidden because of the level of individuality. It is not easier to cut such services, but there is a sense in which the cuts are not being captured as effectively as they could be.

The cuts in local government funding are not the only cause of cuts in third sector services. Third sector organisations have a range of other sources of funding that have traditionally funded many services, and funding from all of them is being cut. There is discussion of a perfect storm. There is a loss of grant funding, trust funding, corporate social responsibility funding and funding from a range of other sources. That is impacting on our sector. The recession is having a serious economic effect on us, but some of that is not being captured.

Craig Sanderson (Scottish Social Enterprise Coalition): From the point of view of the social enterprise movement, we stress the points that Annie Gunner Logan made to the committee at a previous meeting about full cost recovery and having to retender for services that we currently provide. I will not add to the points that she made. Those issues are having an effect on social enterprises in their efforts to continue to provide quality services.

Peter McColl (Scottish Council for Voluntary Organisations): There is a perception in the third sector that third sector services get cut first. Many of our colleagues presume that that is the case, but there is a real need for information on that. We have tried to gather that information, but serious effort is required to drill down and find out exactly how cuts in third sector services compare to cuts in public sector services. It is difficult to gather that information. However, there certainly is a perception that, when cuts come, they come first to voluntary sector services. That perception is in itself a problem because, for boards and employees of voluntary organisations, the perception that their organisations are first for the chop creates planning blight and problems in providing sustainable services.

The Convener: Evidence that we have received over the piece bears out all that you say, but at last week's meeting we heard that, if education and health spending are ring fenced and pay in local government continues to be protected, services outwith those budget headings will face

40 per cent real-term cuts. The issue is relevant to the petition on wages that we are considering as part of our inquiry. As the witnesses will know, social work is one of the services that is outwith those budget headings. If the situation shakes out in that way, what impact will that have on the services that you can deliver? Figures are being bandied around about 5 per cent cuts across the board. Has any work been done on the impact of that on your organisations? Do you work together to research the impacts?

Helen MacNeil: Impact assessment has been absent from many of our discussions. Our sector has been warned repeatedly that major cuts are coming and that statutory services will be protected—the implication being, of course, that all other services are up for grabs. The point is well made: there has been no assessment of the impact of such a move on our sector. I could say that if such cuts were made the sector would be devastated, but we are simply asking for some good research and analysis to be carried out and for risk and impact assessments to become very much part of the discussions about where cuts might fall and where savings can be made.

Peter McColl: I was interested in comments made last week by Richard Kerley and Alan Alexander about how a 40 per cent cut was made in Scottish Water's costs without making much difference to the delivery of front-line services. However, it is very difficult to see where in voluntary organisations and the rest of the third sector you could cut fat or find the levels of management that were removed from Scottish Water in order to make those savings. One real benefit of the voluntary sector is that it very efficiently provides front-line services with low levels of management overhead. It has always had to do that; local authorities have been stripping out management costs for a number of years now. As I say, it is very hard to see where such savings might be found, unless we are talking about front-line provision.

The Convener: I think that there might be a bit of confusion. In last week's evidence, a 40 per cent figure was mentioned twice, first in relation to Scottish Water and secondly by Jo Armstrong, who said that if funding for education, health and so on were ring fenced, the impact on local government would be a real-terms 40 per cent cut in funding for services lower down, such as social work.

John Wilson: In response to Helen MacNeil's comment about a perfect funding storm, I point out that in its submission the SCVO claims that in 2006-07 28 per cent of all funding to voluntary sector organisations came from local government. That means that the other 72 per cent must have come from elsewhere. Does the panel think that

this perfect storm is being exacerbated by other funders, rather than only by local government's allocation of grant funding?

Kevin Hutchens: A very recent example that I can highlight in that respect is aye can, which was an aluminium can recycling project in Aberdeen involving people with learning disabilities. The Scottish Government offered the service a grant, giving it a chance to be saved; however, because of the recession and the falling price of aluminium, which was variable anyway in recycling initiatives, it had to be closed.

Jacqui Watt (Scottish Social Enterprise Coalition): I will respond with my Scottish Federation of Housing Associations hat on instead of my Scottish Social Enterprise Coalition hat. For quite a while now, Scotland's housing associations have been talking about a perfect storm with regard not to local but central Government funding, the situation with the banks and the cost of borrowing. In order to build an affordable house that has an affordable rent, our members rely on securing a third or more of their funding from the private sector to make the sums add up.

Helen MacNeil: I am sure that the figures for local government funding that John Wilson cited are correct, but the fact is that local government disproportionately funds more small to medium-sized organisations and organisations that are run purely by volunteers. There is a whole raft of organisations at the smaller end of the scale, including those in fields such as sports, arts and community learning, that are 100 per cent local government funded. There is the question of what will happen to the larger organisations that provide services under contract, but there is also a question about local community service providers that get the majority of their funding from local government. It is really important that we do not lose sight of them.

Craig Sanderson: Without responding to it, I want to comment on your question whether we have assessed the impact of cuts on our organisations. In our submission, we suggest that we should all look more closely at assessing what is known as the social return on investment. Our inability to respond to the question to your satisfaction indicates that, as a movement, we have not done enough to assess the extra benefit that can accrue for every pound of investment—not grant, but investment—that we get from the Scottish Government and elsewhere. Our submission outlines the case of Forth Sector, here in Edinburgh, which estimates that for every pound invested in the organisation there is a £6 benefit to the taxpayer. Some of us are doing more of that sort of work so that we can answer more accurately questions such as that which the committee put today.

David McLetchie: Most of the submissions and oral evidence has been on how the difficulties in the public finances will impact on the organisations that you represent. The financial crisis is a reality that has to be coped with. Although the consequences can rightly be highlighted, MSPs and Government have to deal with the situation as is. Although it is perfectly legitimate for anyone to argue their corner, we cannot escape the fact that something has to be done.

If we cannot wish away the difficult situation in which we find ourselves, there must be some kind of transparency, fairness and objectivity in the measurement of best value for the public purse in sustaining public services. Is there a mechanism to do that or is it deil tak the hindmost: he who shouts the loudest gets the most and pity those who don't?

Jacqui Watt: The Scottish Social Enterprise Coalition is about solutions, including sustainable procurement in local authority contract letting. In our submission, we argue that community benefit clauses should be seen as the norm and not the exception in that regard. We can provide the committee with other examples of value to the wider community from local government using community benefit clauses. As we said, added value can be secured from public spend. That is one of our pitches today.

We are asking not for special treatment but parity of esteem and a level playing field for the 3,000 social enterprises in Scotland that have, between them, a combined turnover of £2 billion. By backing them, or enabling them to compete for contracts, local and central Government can satisfy itself that it is ensuring wider social benefit for every pound of public spend. Craig Sanderson may want to give a few examples of the sort of businesses that we are talking about.

Craig Sanderson: A couple of housing associations have introduced community benefit clauses into the procurement of their development programmes. For example, when Link Housing Association built 285 houses at Petersburn, it created 50 jobs and 30 apprenticeships as the result of a condition that it placed on the main contractor. That is becoming more the norm among housing associations.

All of us in this corner are working for organisations in which every surplus penny that is generated—if we manage to make a surplus—is ploughed back into the company. It does not go into shareholders' pockets by way of dividends. That is an important point to make in the context of the current Government's five aims for Scotland. We are making the country wealthier by reinvesting everything that we make into the businesses.

11:30

David McLetchie: I will put one more point into the pot for discussion. As I understand the representations that have been made, the concern is that in the financial crisis, local authorities, which are major funders if I can put it that way, will look after their own in-house teams and service providers and so on at the expense of voluntary sector providers who might already be providing some of those services, or who might become eligible and wish to provide services.

Can we achieve greater objectivity, fairness, value for money and quality of provision by requiring that local authorities put more of their services out to tender for provision by organisations such as your own, so that we can see who is providing better value for money and standards of service to the clients? If we do not make that a requirement, your organisations will inevitably get the short straw. Is that a fair comment?

Peter McColl: All local authority and government procurement is already obliged to go through a best value process. We want the fair and transparent application of that best value process so that we can see whether in-house services provide best value or whether that is provided by tendering out those services. I do not think that there is one solution to that, but the fair and transparent application of the best value process through best value 2 and other mechanisms will allow us to see more clearly the most appropriate way to spend public money. We need to use that process, rather than say dogmatically that services should be provided in-house or tendered out.

David McLetchie: But there should be an opportunity for tendering. That is not dogmatic; it is transparent.

Peter McColl: Best value must apply to in-house services as well as tendering.

Kenny Murphy (CVS Falkirk and District): I agree with some of the points raised in the discussion. I reiterate Helen MacNeil's point about the need for impact and risk assessments to be conducted before any decisions are made. There is growing acceptance that cuts are coming and we want to make sure that they are made strategically in areas in which they will not compound public sector finances further down the road, and will not further disadvantage people who are already disadvantaged. Earlier, Jacqui Watt made a point about parity of esteem. We certainly want that around the community planning partnership tables. We want to make meaningful contributions to single outcome agreements.

There is a concern that things that are currently below the waterline of the SOA—a phrase that is

used heavily in the public sector—could face cuts without necessarily undergoing impact assessments. We do not know what impact such cuts would have on the outcomes that appear above the waterline. We want to make sure that services are not being cut just because they are less visible.

There is a need for a local resilience fund to work alongside the impact assessments to ensure that the good work that is being done already is not lost, because it would be more expensive and difficult to bring it back later. Momentum would be lost as well as experienced volunteers, skilled staff and the relationships that have been built up with local communities.

We really want early engagement, especially local engagement if organisations are facing cuts. Sadly, it is not uncommon for an organisation to be told that it is facing cuts in the current financial year. We want the opportunity to solve problems jointly and consider other funding opportunities and packages. We face not only a loss of local government funding but losses across the board: reserves are depleting and we are losing investment income, generated income and donations. The recession's impact has been significant.

There are opportunities to consider approaches such as public social partnerships and working together better, rather than simply saying that the voluntary sector must be protected. There are opportunities to deliver services differently and to provide better value.

Kevin Hutchens: We found that proper impact assessment was not taking place in Aberdeen. When we talked to people in the community and voluntary sector about equality impact assessments that were presented, we found that they had not been involved as fully as they would have liked.

We are concerned that services should not go to the voluntary sector at the expense of terms and conditions and, potentially, standards. That has been raised as an issue. High-quality services are feasible in the public and voluntary sectors and should be supported, but they deserve adequate finance.

Helen MacNeil: I will add something about making savings. There is a big public sector savings agenda but there is little capacity for organisations in the third sector to make efficiency savings because there is no capacity to invest new resources. The investment fund that has been set aside is important. For larger organisations, it provides a potential lifeline for restructuring and considering how to make efficiencies in back-office and shared services. There are also opportunities for efficiencies in better, shared procurement of

energy and consumables; those have not really been investigated. If some investment and resources were set aside, the sector could be more efficient and make savings.

The Convener: We discussed that last week. I am sure that some of you read the evidence from that round-table session. We also discussed the lack of flexibility that local government will have to deal with those problems because it will be facing cuts. One issue that was debated was charging for some of the services. Do you have a view on that?

If you do not have a view on that, I will ask another wee question on flexibility. If we accepted the trade unions' point of view that there should be a 2.5 per cent rise in local government workers' pay in the next year, the gap between the voluntary sector and local government would widen. Given that we face pay restraint, how realistic is it to expect pay increases that would bridge the gap between the voluntary sector and local government? I am not saying that you should not argue it.

Helen MacNeil: Recognition that there ought to be realignment would be extremely positive. I am not saying that we could make up the ground that we have lost. My organisation held out for years to continue to pay cost-of-living increases and increments but, two years ago, was forced to stop that. We would like to be able to reinstate them. Parity of pay and a recognition that workers in the third sector should be able to look for increases and increments are important. It is about respect.

Peter McColl: We appended the fairer funding statement that we agreed with trade unions to the SCVO written submission. The statement suggests that workers in the voluntary sector should be paid the same for doing the same work as workers in the public sector. The evidence that the committee took at the meeting on 10 June from the Scottish Commission for the Regulation of Care suggested that voluntary sector organisations could provide services at lower cost than public sector providers. There is therefore flexibility for proper pay for staff in the voluntary sector, for inflationary uplifts and possibly even for increments. We reiterate our desire for that, although I understand that the financial situation is difficult at the moment.

The Convener: I still have not seen evidence for the cost benefits to which you referred, so perhaps that argument needs to be made. The evidence that we took suggested that prices for care contracts were £11 an hour for companies outside the local authorities, whether private sector or whatever, as against £23 an hour for the public sector. I know that the workers involved do not receive anything like £11 an hour at the bottom end and certainly do not receive £23 an hour, so there is a big gap. Are you suggesting that the big

gap is because of bureaucracy? Or do you take the same line as the trade unions, which is that your workers get lower pay and fewer holidays, are exploited and do not get pensions? The description that we got earlier of workers' conditions in the voluntary sector was pretty negative. Do you accept the case that was put?

Peter McColl: Many workers in the voluntary sector are subject to such conditions. The trade unions have realised that that is done not at the behest of boards or management in the voluntary sector but by organisations that want to provide services within the terms and conditions that local authorities set out for them, because they are required to tender at that level. To prevent that, we would like local authorities to sign up to a commitment to equalise pay and conditions for front-line workers.

Bob Doris: I want to consider the cash that the voluntary sector has—or, rather, the cash that it gets from other public bodies and local authorities. The written evidence from the Scottish Social Enterprise Coalition states:

"Public authority contracts should be paid promptly during this period to deal with cash flow issues. While the Scottish Government has a commitment to pay contractors within 10 working days, all public bodies should abide by and meet the same standard."

Has there been an on-going issue over a number of years about whether public bodies promptly pay social enterprises in the voluntary sector money that they are owed? Are local authorities becoming serial offenders in that regard during this difficult financial time? Are things getting worse?

Jacqui Watt: Our impression is that things are getting worse for the members of Scottish social enterprises. I think that that is common across all areas of business—local authorities are taking longer to pay. That can have a significant impact on the cash flow of a small organisation that employs, for example, only two or three people.

Craig Sanderson: My organisation operates across a number of local authority areas, and there are different performance levels when it comes to settling up.

Kenny Murphy: That has been an issue for all voluntary organisations for years, but other factors are having an impact at the minute, too. For example, diminishing reserves and so forth are making the cash-flow situation much more severe for organisations. Paying more promptly would make a big difference for organisations of all sizes. We hear mostly from very small organisations that are being paid 30, 40 or 60 days beyond when they should have received the money. That situation is simply no longer sustainable—those organisations cannot manage it.

Helen MacNeil: Decisions on whether to approve the funding for small organisations are getting later and later. For example, even in January or February, which is just in advance of the start of the new financial year, organisations will still not know whether they will be funded. That is a real problem.

11:45

Kevin Hutchens: I agree with my colleagues: prompt payment is crucial.

Going back to reserves and the example that I gave earlier of the Woodgrove care home in Aberdeen, in the past three years Voluntary Service Aberdeen has put £800,000 into that project. That ate substantially into its reserves and it was faced with finding another £400,000, so the only answer for it was to go into consultation on cutting the service.

Bob Doris: Has there been any attempt to create some form of national benchmark standard for local authorities via COSLA or the SSEC? Have there been discussions with local authorities on that, and is there any prospect of achieving it? If things are getting worse, we might have to achieve a standard pretty quickly.

Jacqui Watt: That is a worthwhile suggestion and the SSEC would be happy to take it directly to COSLA.

The Convener: Do local authorities not already have such a standard when dealing with business in general? We are talking about going beyond stated objectives such as, say, paying a bill within four, five or six weeks. Is that not stated policy? I understood that most councils and Government bodies had a stated policy for paying bills. Are we talking about breaches that go beyond stated policies or are we just talking generally?

Helen MacNeil: My personal experience is not of local government paying slowly but of the health service being notoriously poor at paying.

Bob Doris: It would be good to get more information on that.

The Convener: Yes. Any examples would be interesting. We like picking fights.

Craig Sanderson: Some local authorities have been better at embracing e-commerce, and most of those that have are ahead of the game.

The Convener: We would like to see good examples as well as bad ones.

Craig Sanderson: I will name North Lanarkshire Council then.

Alasdair Allan: I want to pick up on a point that Peter McColl made, although I hasten to add that I am not asking you to argue against improving pay

and conditions in the voluntary sector. I was interested to see that the SCVO submission indicates that, in terms of performance, the third sector does better than the public or private sectors. In light of what you said about what would appear to be poorer pay and conditions, what is the relationship there? Do the good results come down to the motivation of the people in the voluntary sector? Would changes to pay and conditions improve performance still further? Is there any relationship between pay and conditions and the quality of the services that the voluntary sector provides?

Peter McColl: Part of the response to that is about rights. Voluntary sector workers have the right to be paid and treated in the same way as other workers who do the same work: it is a question of equal pay for equal work. That principle overrides any concern about whether people will work less or do less good work if we pay them more—which I do not think is likely to be the case.

Alasdair Allan: I was not suggesting that—I was just interested to find out whether there is a relationship. Indeed, I thought that it might be the opposite.

Peter McColl: A lot of voluntary sector organisations have an ethos that leads workers to produce higher quality work. In many cases, their management is leaner, which allows them to deliver services at a lower cost. In some cases, organisations rely on the input of volunteers, often to undertake central management tasks around human resources and other areas. People are doing those tasks out of good will and in their free time, which can substantially reduce costs.

Helen MacNeil: In the third sector, there has always been an investment in workforce development and quality training, but the capacity of organisations to train and maintain the level and standard of quality training is being eroded because it is hard to access any funding to do it.

The Convener: So while the care commission is saying that, on its current standing, the third sector can provide better quality in care services than the private sector and local authorities, you are saying that, if we do not invest in that, it will not always be the case.

Helen MacNeil: I am saying that that is currently the case, but organisations are already struggling to find the resources and time to give their staff training and access to Scottish vocational qualifications. Scottish Government funding goes to the sector every year, but that funding has not increased over the past number of years, even though demands on the organisations for child care, for example, have increased. If we watch the uptake of that funding, we see that people are

increasingly waiting with bated breath in the hope that they will receive funding to enable them to put their staff through basic training.

David McLetchie: I regret to say that I must leave for another meeting, but I would like to ask about an issue before I do so.

On the proposition about equal pay for equal work and comparators between third-party voluntary sector providers or private providers and local councils, we already know from our inquiries into equal pay in local government and from considering the cohort of local government employees that a paralysis situation, 10 years of wrangling and 35,000 cases before the industrial tribunals in Scotland have resulted from what has happened. If we extend the comparators in the way that you have suggested, will we not create an even more sclerotic system than we currently have? If we want to adjudicate in a system of equal pay for jobs of equal work across the whole range of employers, we will get into a situation that is virtually incapable of being resolved or impossible to resolve. People would never be out of the courts and tribunals trying to adjudicate. Would the judgment of 1,000 Solomons not be needed to come up with an answer to that?

Peter McColl: The issue is the pricing structure in contracts and how local authorities make decisions. Equal pay arrangements in local authorities and the equal pay settlements that we are seeing are for comparable work across different fields. We are talking about exactly the same work: when local authorities and voluntary sector organisations provide social care work, the figure per hour per worker in the contract that is tendered to provide that work should be the same for both. Local authorities should be encouraged to sign up to that provision.

David McLetchie: Okay, but I must ask a fairly simple question. We know from the evidence on third sector providers, which has been endorsed again today, that they provide the highest standards of service to customers or clients coupled with the best value to the taxpayer. Why should more be paid in the current financial situation when we have, on the face of it, the best of both worlds from the standpoint of both the payers for and the recipients of services? That does not make a great deal of sense to me.

Peter McColl: The principled answer to that question is the one I gave earlier about giving equal pay for equal work. There is also a pragmatic answer, which is to do with the sustainability of the organisations that provide the services. At the moment, voluntary sector providers can provide very high-quality services at lower costs, but they may not always be able to do so. The longer we go on paying lower wages, diminishing those organisations' reserves and

demoralising their workforces, the less likely it is that that situation will be sustainable. If we wish to sustain a situation in which we get the highest-quality services for lower costs, I suspect that providing slightly more money to do that would be a sensible move.

David McLetchie: Would it not be a more sensible move to equalise some of the issues that have been identified when the public finances are in a better state and there is more largesse around? To suggest that we should embark on such a process now is hardly the best timing.

Peter McColl: You will note that we signed the statement in November 2007. That was maybe better timing, but I still think that, in principle and pragmatically, it would be prudent to move to a more sustainable model for the financing of voluntary sector organisations.

Helen MacNeil: In recent years, many services have been subsidised, and third sector organisations have contributed through other funds, donations or their own income and reserves to maintain the high quality of the services. That is no longer possible, as most organisations are using up their reserves dangerously and with great speed.

David McLetchie: Is that not why people make donations? If I make a donation to a charity that I support, it is because I want that charity to provide services to people with disabilities, to support cancer care or any of a range of things. That is why I give it the money. What is the problem with that? That is why we do it, is it not?

The Convener: You have the opportunity to respond, if you wish.

Helen MacNeil: Most public donations are given for specific things. They are not given to subsidise contracts to deliver end-user services; they are for things additional to and separate from public sector contracts.

Jacqui Watt: The distinction must be drawn between voluntary charitable organisations and enterprising organisations. Craig Sanderson and I are here to represent the enterprising third sector. Those organisations trade for profit, like any business, but they feed their profits back in for social, environmental and wider benefits.

We have not made any submission about pay and conditions or parity; we have asked that our members be allowed to compete on a level playing field with the private sector. We want local authorities to be encouraged to let more of their contracts using the community benefit clauses, as that will enable social enterprises to compete. It will also enable the private sector to embrace community benefit clauses in tendering for contracts. Without being too extreme about it, that

will create an opportunity to revolutionise the way in which contracts are tendered for at the local authority level, thus ensuring wider social, environmental and community benefits. That is the point that we have come here to make to the committee.

David McLetchie: Thank you very much.

The Convener: The issues that Alasdair Allan and David McLetchie have mentioned are raised in the petitions that we are looking at. I refer to the third sector task group that the Government has set up. What has the group looked at and what work is it doing on those issues? I take it that you have raised the issues with the task group.

Peter McColl: Yes. We asked COSLA to sign up to the fairer funding statement, but it said that that was not possible.

The Convener: Did you approach COSLA as part of the task group or separately? Has the third sector task group, which includes the Government and COSLA, met to discuss the issues?

Peter McColl: Yes.

The Convener: In that forum, COSLA has said no. What has the Scottish Government said?

Peter McColl: The Scottish Government has said that that is not an issue for it because of the concordat.

The Convener: Okay. Are there any other questions or comments?

Craig Sanderson: On that last point I should say that, although those of us who work in a range of local authority areas may not talk to COSLA as such, we talk to individual local authorities. We also talk to each other, and there is now more talk about voluntary organisations, housing associations and other organisations coming together in some form of joint working. We recognise that we can no longer square the circle by working on our own. I reassure the committee that a lot of talking is going on to find ways through the minefield of a lack of public funding in the future. Maybe we do not need to worry so much because, according to this morning's *Guardian*, we are out of the recession anyway.

The Convener: That is good. We will take your word for it—at least, that you read *The Guardian* this morning.

Kevin Hutchens: The comment was made earlier that neither the trade unions at a national level nor Aberdeen Trades Union Council at a local level were consulted on the development of the concordat. I am sure that the situation is the same for other bodies elsewhere that are involved in representing people in the community and voluntary sector.

Helen MacNeil: A lot has been made of the difficulties that we face and that local government funding cuts will cause. We would like to stress the contribution that the sector makes and could make to joint working. I ask all public agencies to engage in a greater discussion with the sector in order to develop a better understanding of the impact on communities of the work that is done at a local level. I do not think that those matters are being discussed, but we need to think about what the impact on communities could be and how we can jointly contribute in that regard.

We are willing to reshape our services and do things differently, but we are looking for an honest analysis of the real problems that public agencies face in terms of funding so that we can help to solve the problems that we all face.

The Convener: As we have no more questions, I thank our witnesses for their attendance and for the evidence that they have given us.

I suspend the meeting briefly to allow our panels to change over.

12:01

Meeting suspended.

12:02

On resuming—

The Convener: With us on our third and final panel of witnesses today we have David Dorward, deputy chief executive of Dundee City Council; Alan Geddes, deputy chief executive of Highland Council; and Mary Pitcaithly and Alex Jannetta, chief executive and director of finance of Falkirk Council, respectively.

We have had quite a long meeting already, and we are pleased that the witnesses have agreed to move straight to questions rather than make opening statements. Of course, we will be able to refer to the written submissions that we have received.

Mary Mulligan: We all accept that local authority budgets are under pressure. Our discussion today, therefore, should focus on how you are dealing with those pressures and what can be done to assist you in that. One of the big pressures in local government is staffing costs, which make up 50 per cent of local authorities' budgets. It has been suggested to us in oral and written evidence that the answer to the problem of that pressure is for you to outsource more of your responsibilities, so that the burdens become someone else's responsibility. What are your views on that?

Mary Pitcaithly (Falkirk Council): It is difficult to say that outsourcing in itself would produce

savings that would help us to meet the financial challenges ahead. Outsourcing has to be part of the solution, and we are looking at all sorts of areas in which there could be solutions, but there is no obvious evidence that, in itself, outsourcing would reduce costs significantly. The people who deliver services, whether they are employed directly by the local authority, the third sector or the private sector, still have to be paid, and they generally get paid similar salaries across those sectors. Outsourcing does not necessarily lead to immediate savings.

We are always examining whether our services are competitive and whether outsourcing would be a competitive solution. We do not rule it out, but it is not necessarily the whole answer.

Alex Jannetta (Falkirk Council): Obviously, if we benchmarked our organisation's performance in delivering a service against that of private sector companies such as Capita and found that there was added value in outsourcing, it could be part of the solution. However, there would be no point in doing that for no reason; there would have to be a clear advantage to the local authority in the difficult times that we face.

Alan Geddes (Highland Council): Outsourcing is potentially part of any council's response to the current climate. Highland Council has recently gone through an external tendering process for a proportion of our home care services, and we are currently considering externalising our information technology services. Those are examples of the range of activities that many councils are considering. However, outsourcing is not always the right answer. A proper business case must be produced so that the council knows that the route that it is taking is the best-value solution in terms of service delivery.

David Dorward (Dundee City Council): I cannot add terribly much to what my colleagues have said. Outsourcing is only part of the toolkit. Now, more than at any other time, we are considering all other options, and sharing services—delivering services in co-operation with other local authorities or public sector bodies—is being reviewed alongside outsourcing.

Mary Mulligan: Are local authorities embracing options around shared services or do they secretly feel threatened by them, as they could lead to structural changes?

Mary Pitcaithly: I think that most of us are engaged in a variety of forms of shared services, although we do not always refer to them as such. For example, for a long time we have had a local purchasing consortium with other local authorities, the fire service, Forth Valley College and others. Through it, we have made significant procurement savings. Scotland Excel is another perfect

example of a shared service coming together. There are many varieties of shared service.

The threat that people are concerned about in relation to shared services is the loss of jobs. Obviously, local authorities—particularly in rural areas—provide jobs that are important to the community. If those jobs are outsourced elsewhere or offshored, jobs that are valuable to the local economy are lost. That is a greater consideration than are concerns about structural change that might flow from shared services.

Alan Geddes: I can give you a specific example of the work that is being done around shared services. Seven councils in the north of Scotland are considering developing a shared-service approach to delivering revenue and benefits activity. At the moment, the councils procure seven individual pieces of software, seven IT systems, seven management teams and so on. However, now they are examining whether there are opportunities to rationalise what they do while providing an equal or better service. Work is being done on that; a feasibility study has been undertaken. We are looking for support from the local government environment to take that forward.

To echo what my colleague Mary Pitcaithly said, retaining and sustaining jobs in our communities is part and parcel of councils' considerations in all of this. Through the use of IT, councils can now move information rather than people. If we can sustain jobs in our communities by doing that on a combined basis as cost effectively as a single organisation working on its own can, that will be a very good way to go.

All seven councils have formally signed up to that and we are about to approach the Government with a view to obtaining pump-priming funding to take it to the next stage, for which a significant up-front financial commitment is required.

Mary Mulligan: I have one last question on staffing. Local authorities already have pay agreements with chief officers and teachers, which are on-going, but they will need to renegotiate with other council staff. Is it sustainable to maintain the agreements that have already been made, in the face of the recent suggestion—you can tell me whether it is true—that local authorities are proposing a pay freeze for other staff members?

Mary Pitcaithly: There has been a lot of discussion about a pay freeze across the public sector, rather than specifically within local government—there was publicity about a leaked report on that issue. COSLA, which is the national negotiating body for local government, has been considering a forward pay strategy. In line with that strategy, there has to be negotiation with all

staff groups, whether chief officers; teachers; administrative, professional, technical and clerical workers; or craft and manual workers. There has to be proper negotiation using the national procedures.

As has been said, 50 per cent of our costs generally go on staffing: 30 per cent of our budget goes to teacher staffing alone. We are going to have to find significant efficiency savings over the next few years. Whether the figure is 3 per cent or 5 per cent or whatever, it will not be 3 per cent or 5 per cent of the entire budget. If you take out all those salaries, you end up with a relatively small sum from which you have to find the efficiencies. We cannot leave pay out of the picture altogether, but it is part of a national forward pay strategy that is currently being explored. We will see where that gets to.

Alex Jannetta: If you look at the major components of a local authority's budget, you will see that half of it goes to education. If you add on social work, police and fire, that takes you up to about 80 per cent. Pay for teachers and so on is therefore a major part. Future awards will undoubtedly apply pressure to local authority budgets. Until we get our settlement figures towards the end of the year, and we see how our budgets will work out in detail, the question of the affordability of pay awards cannot fully be answered.

Jim Tolson: I want to ask the panel about the impact of the council tax freeze on local authorities. As we all know, over the past couple of years, the Government has put in place a freeze, which many people welcome. The Government gave you the carrot of a potential £70 million a year, spread across the 32 local authorities, to try to offset the freeze. However, many of us feel that you have been given more burdens during that time within the fixed pot that you have, so in many ways there has been a real-terms cut. The Government and the rest of the Parliament are now starting to look at next year's budget, and potentially there will be another council tax freeze. Has the current council tax freeze been helpful or a burden to your authorities? What will be the effect on your authorities if it continues?

12:15

Alan Geddes: In some ways, it depends on the eye of the beholder. A council tax payer might welcome the fact that their council tax has been frozen. There clearly is an argument that, in the current economic climate, freezing an element of people's outgoings can be extremely helpful. However, from the perspective of local government and the sources of council finance, the sums that the Government has set aside to freeze the council tax are forgone with regard to

front-line service delivery. A political choice has been made.

David Dorward: All 32 councils have taken up the council tax freeze in each of the last three years. The argument was very persuasive. If Dundee City Council had not frozen the council tax for those three years, we would not have received the cumulative effect of the grants and we would be sitting with £5 million less at the starting point in 2010-11. The argument that if we did not have a council tax freeze the grant settlements would start to fall back over time was persuasive to our members. Not having the freeze would have caused council tax increases of not 3 per cent per annum—the equivalent of the council tax freeze grant—but approximately 5 per cent per annum. We potentially would not have made savings equivalent to the freeze, and we would not have had the council tax freeze grant.

As we move into a far more austere financial situation, there is a dichotomy. We are trying to protect local council tax payers, who might be having difficulty paying the tax but, equally, as my colleague Alan Geddes said, the Government could use the £70 million—if that is what the figure is in 2010-11—in other ways to help public services. The situation is difficult but, once the local authorities have got on that particular gravy train, if you like to call it that, it is difficult to get off.

Alex Jannetta: My council's band D council tax is £1,070 at present, so an increase of about 3 per cent would mean asking council tax payers to pay about £30 additional council tax a year, which is about 60p a week. That would take the band D rate up to £1,100. The more fundamental question is about the level of council tax that is affordable to the community in relation to the services that the local authority provides. The £1,070 band D payment contributes to educational attainment, looking after the elderly, roads and transport services. There is a bigger question about the level of council tax and its contribution to paying for those vital services.

Jim Tolson: Those responses were helpful, and some aspects were surprising. However, all the witnesses focused on the financial part of my question. I am also interested in whether, in the period for which there has been a council tax freeze, the Government has placed extra burdens on the services that you must provide from within the totality of your budget. If so, is that causing problems in your authorities?

Mary Pitcaithly: The concordat provided for additional burdens, which we recognised and understood were part of the concordat arrangement. Every time that legislation is passed by the Parliament, it potentially has financial consequences for local authorities. The recent Climate Change (Scotland) Act 2009 and the

Education (Additional Support for Learning) (Scotland) Act 2009 potentially have implications. However, increasingly, there is less of a tendency to cost implications and to be clear whether the settlement is sufficient. In effect, the council tax freeze subsidy, while welcome, is funding that could otherwise be in the settlement. As David Dorward said, politicians must wrestle with that dichotomy.

David Dorward: I must admit that the funding pressures that we are feeling over and above the budget in the current financial year are caused not by legislative changes or new policies but by the recession, which has led to a shortfall in income in some areas and additional spending pressures in others.

The Convener: In our evidence session with the academics last week, we heard that some of the problems in local government that will require cost cutting are not just due to the recession. Scottish Water, which has reduced its running costs by about 40 per cent, was given as an example that local authorities should take on board. The consensus around the table last week was that there is an issue about the pace of change regarding shared services, such as procurement. We also need to understand what the cost savings will be, given that such changes will not solve the problem. Does the panel have any comments on that evidence from last week?

Alex Jannetta: Over the past 10 years, local authority council tax has increased by just over 40 per cent. Over the same period, water and waste charges have increased more than fourfold, with an increase of about 400 per cent. Yes, local government can always make efficiencies and so on, but local government stands up quite well in any consideration of how council tax has increased as compared with how water and waste charges have increased over the past 10 years.

David Dorward: Frankly, I do not think that we are comparing apples with apples. Whereas water, which was previously a regional council facility, is predominantly a capital investment service—admittedly, it includes some labour-intensive elements—the local authority services with which it is being compared are personal services. In comparing the staffing for such services with the staff who are required to run Scottish Water, we are not comparing like with like. I can well understand Alex Jannetta's point about the increase in water charges, but that was due to a phenomenal increase in Scottish Water's capital investment. I do not think that the comparison is fair.

Mary Pitcaithly: Last week, Professor Alexander recognised that it is not fair to compare an investment-led, single-service organisation with multifaceted local authorities that deliver demand-

led services such as personal care that are related to the huge demands of changing demographics. Very fairly, he recognised that point. However, I do not want committee members to think that local government believes that it has nothing to learn from other sectors. The Society of Local Authority Chief Executives and Senior Managers—SOLACE—has organised an event on Friday at which we will hear both from John Arbuthnott about his work on shared services in the west of Scotland and from Scottish Water. We will hear at first hand about the approach that Scottish Water took to driving out efficiencies and transforming its business. We are absolutely clear that, across the public sector, we can all learn from each other and that there are benefits to talking and learning about what others have done. I am sure that others can learn from local government as well. It is entirely right to recognise that there are different ways of doing things.

The Convener: The people around the table at last week's committee meeting were supportive of local government—they did not want to privatise everything—but some concerns were expressed about the pace of change and why the shared services agenda is being discussed seriously only now. Why did shared service changes not take place during the 10 years when we had investment? Why do we need 32 procurement departments, heads of services and so on? It was suggested that those issues could have been dealt with during the 10 years when we had investment rather than just now, when we are at a point of crisis. Why is that being done only now?

Mary Pitcaithly: As my colleagues have said, there has been a lot of change. We have driven out a huge amount of efficiencies in each council over the past 10 years. We have not ignored the need to be efficient and we have kept council tax increases to a minimum. We have done all that at a time when the demand for services has grown exponentially. Since the advent of free personal care, the demand for personal care services has grown rapidly. There are demands from a rising population in some areas and demands from businesses, which are looking for more business-friendly local authorities. The demands on us are increasing all the time, but at the same time we have tried to be more efficient.

I gave an example earlier—as did one of my colleagues—of a shared service that we have been providing without necessarily badging it as such. We do benchmarking with each other and with other organisations—local authorities in England, other public sector bodies and the private sector—to ensure that we are competitive. We put services out to tender where that is appropriate, and in that situation we have to be competitive in order to keep those services in-house.

I acknowledge the support that the committee is giving local government—we really appreciate it—but it is important to recognise that a lot of very committed staff have driven a lot of good work. Whether at the front line, in the back office or within the management of organisations, there has been a lot of innovation and creativity. We are absolutely clear that more of that—more innovation, more creativity and stepping up the pace, as you say, convener—will help us through this particularly difficult time.

The Convener: The criticism has come from the lower end. There is creativity, but we heard views last week that there is poor management in local authorities rather than good management. The picture that we have had all morning and in previous evidence is that local authorities are pushing down the wages of low-paid women who deliver care services. The impact has been felt at the lower levels, not in the management or back-office functions of local authorities, which I understand will not solve the problem. However, the evidence that we have had is that the axe has fallen on low-paid women and the voluntary sector.

Mary Pitcaithly: We are all itching to answer that one, convener.

Alan Geddes: On whether we are moving quickly enough, the reality of the organisational structure within which we work is that there are 32 local authorities. There is no doubt that the fact that they are individual entities makes it more difficult to work across boundaries than it would be if there were fewer councils. That is a fact. However, that is the environment in which we have to work.

You can be assured that every local authority in the country has signed up to the diagnostic review process whereby, working in co-operation with the Improvement Service and others, we have all looked at a range of activities in which each and every council is involved—activities that are common to them. Every council in the country now has a plan to progress that activity that covers areas such as business support, procurement, asset management, mobile and flexible working, and the extent to which technology can help us in respect of those. We are also looking at customer engagement and how we work with the public at large.

We have all signed up to a whole range of activity that is going on behind the scenes within individual councils. The fruits of that work have yet to become clear, but for every council that work is very much part and parcel of its planning arrangements for delivering improved, cost-efficient and effective services. It will take time to implement that degree of change throughout our organisations, but you can be assured that all

councils are proactively looking at that sort of work.

12:30

David Dorward: Pace is an important issue. There is no doubt that the financial settlements that we face in the future will mean that the pace will increase. Initially, not all councils had an appetite for shared services, but I have no doubt that in two or three years' time we will see a different landscape and that there will be examples of shared services. My colleague Mr Geddes mentioned the pilot in the seven councils in the Highlands. I imagine that the other 25 councils are looking at that and thinking that if savings can be made while providing as good a service or better, they will have to introduce such schemes in the short to medium term.

Procurement is one area in which I believe a great deal of progress has been made in a relatively short period. Most authorities have now modernised their procurement facility. Like my colleague from Falkirk Council, we have a three-council procurement consortium that sits below Scotland Excel, and we have made great gains, financially and in service delivery, through the implementation of new procurement processes.

I do not think that anyone has answered your question about low pay. The single status process that many of us went through was painful but necessary. Now that it has been completed, I believe that each of the local authorities has in place a fair pay scale.

Mary Pitcaithly: I have something to add on the issue of driving down the wages of those who are lowest paid, particularly the lowest-paid women. We recently carried out an exercise on commissioning of home care services—one of my colleagues mentioned that their council has done the same. We did that in consultation with service users, staff, trade unions and potential providers. We were clear that our primary aim had to be to minimise disruption for service users—the old people in their homes who receive the care. Cost was an issue, but it was by no means the determining issue. Quality and continuity of care were every bit as important, if not more so.

We have had extremely positive feedback from all the people whom we consulted—the employees, the trade unions, the providers and, most important, the service users and their families and carers. They said that what we have done has helped us to show that we are delivering best value in those extremely expensive home care services, and that we are not doing so just by cutting the wages of the lowest-paid staff and trying to drive more productivity out of that group

of staff. That is not a sustainable solution and it is not what we have tried to do.

As we examine such services, councils across the country are being driven by the demands of budgets and best-value requirements, but we are trying hard to be acutely aware of what engaging in a commissioning or procurement exercise means to service users. We deliver services to people, largely, so we must be as interested in quality as we are in cost.

The Convener: It would be interesting to see some of the comparative studies that have been done because there is a prevailing view in the third sector, in particular, that it cannot provide that continuity and cannot sustain those jobs.

Alasdair Allan: I appreciate what has been said about the danger of making too close a comparison between Scottish Water and local government, but one of the lessons that emerged from last week's discussion and from what other witnesses said earlier in the meeting concerns the regulatory framework. In the future, can efficiencies in local government be achieved solely through the single outcome agreements or does the regulatory framework under which local government operates have to be brought into consideration as well?

Mary Pitcaithly: Best value 2 will be critical. The approach to efficiency that will underpin some of the work in best value 2 will be important for you and for me in being able to assess whether our local authorities are efficient local authorities. We are very happy to sign up to all of that.

The other issue around regulation is when it gets in the way of innovation or of delivery of services. For a number of years, we have had great concern about whether the extent of scrutiny and audit, and the burden that they impose, is proportionate. Whether this country can afford to sustain the present level of audit and scrutiny is a key question as we approach the difficult financial times ahead. A few years ago, Professor Crerar calculated the cost of that process to be £92 million, which is a lot of money to spend on auditing and inspecting authorities. An appropriate and proportionate amount of audit and scrutiny is essential, helpful and desirable—it is about getting the balance right. Audit should not be driving efficiency; efficiency should come from within the organisations and from communities, which can identify what is important for local people and consider whether the local authority is delivering that at an affordable cost.

Alex Jannetta: We constantly examine every area of activity. We consider procurement, workforce planning, asset management and so on, and we try to reduce bureaucracy. My colleague mentioned best-value reviews—there is a total

package. Local government must keep striving to improve and to be more efficient. We all want to provide the best possible services to our communities at the lowest possible cost.

The Convener: At crisis point, that happens. The crisis becomes the driver. Alasdair Allan and witnesses suggested at last week's meeting that regulation can be a driver, too. I appreciate that in local authorities there might be good managers who have tried to promote the agenda. In the private sector, waiting until there is a crisis and the redundancy notice has been put up is not considered to be good management; people plan for a crisis and for a day in the future when investment does not come in as it used to. We have not found out just in the past few weeks that that day will come; we knew that things had to come to an end.

Given the constraints on local authorities that the witnesses talked about in relation to elected representatives, can managers cut the labour force? Is it sustainable to have salary increases and job guarantees as well as a council tax freeze? Everybody says, "Oh, well, maybe", but where is the honesty and integrity about the crisis that we are facing? Who is honest enough to say, "We cannot have council tax freezes, there are no job guarantees and we cannae guarantee anybody 2.5 per cent"?

Mary Pitcaithly: The Society of Local Authority Chief Executives and Senior Managers and directors of finance have commissioned work from the Centre for Public Policy for Regions to ascertain the size of the problem and to identify options. That is an important and timely piece of work. We do not yet know what our share of the Barnett consequential reductions from the most recent budget will be, but we know that it might run to £100 million across local government. Until we know that, it is difficult to know the exact size of the problem, but we are well aware that there is a problem and that difficult times are ahead. I do not think that a year ago any of us could have predicted exactly how the situation would look at this stage. I am not saying that the recession took anyone by surprise, but the speed with which it impacted on everything took people by surprise.

We have been making efficiency savings for a large number of years; we have not just sat back and put up the council tax by however much every year. Local authorities have been able to keep council tax increases to a minimum throughout Scotland because we have been making efficiencies. However, I agree with my colleague that the pace of change will increase.

The Convener: With respect, the idea of shared services did not come up last week or last year. For how many years has the good idea been around that, instead of having 32 departments that

collect the rates or council tax, a single centre—a call centre that runs all the telephone business or whatever—could do that? How long have such ideas been around?

Mary Pitcaithly: They have—

The Convener: I am asking whether local government is incapable of driving forward that agenda because of the conflict between the elected representatives, who are trying to look after the community and protect them from job cuts, and managers, who recognise that such things need to take place. Do managers in local government need the driver of a crisis or regulation, or some other assistance, if they are to deal with the issues on an on-going basis?

Mary Pitcaithly: We do not need crises. I have agreed that the current situation will accelerate the pace of change, but we have not been sitting back and doing nothing while waiting for it to happen. There are many examples besides Scotland Excel. Scottish local government has also put in place a single recruitment portal, which has been popular with councils and has saved us a lot of money. It has not been so popular with local newspapers, which have been absolutely opposed to it.

There are always challenges. When we make a saving, it is generally at the expense of local jobs or through cuts in services, except where we can genuinely show that we are being more efficient. That is what we have been putting our effort into.

As Alan Geddes said, shared services often require a lot of investment up front. With four other councils, Falkirk Council considered a potential shared-services project for back-office functions. It was said that in some functions that were examined—HR and finance, for example—we did not have enough people and could not possibly run good services with such a low number of staff. Actually, we run very good services and do not think we need more staff in those areas, but according to the industry norm, we did not have enough. There was no saving to be made from sharing services for those functions, but there could well have been job losses. That was not a persuasive argument to take to elected members, as I am sure you appreciate.

We are absolutely committed to considering where we can work together. For us, it is about better integration of public services not only in local government but across the public sector. That is really important. In many areas, we could work better with our health service, but it is driven into a silo approach to payroll or accounting systems. There are real benefits to be gained from being able to consider shared services across the public sector, perhaps geographically rather than

always in sectoral silos. We could consider a range of services.

David Dorward: My authority—Dundee City Council—has had a council tax freeze for the past three years. That was achieved partly through shared services; there is no question about that. We are not good at blowing our trumpet on such situations. Shared services are simply something that we get into and deal with, although they are reflected in the fact that we have had council tax freezes for the past three years.

The Centre for Public Policy for Regions report spells out that the period that we are going to enter is almost unprecedented in public sector finances. There is not the shadow of a doubt that it will be a driver for shared services, but shared services will not be the entire salvation. We will have to review all the services that we provide and may have to stop providing some because we cannot afford them, to be frank.

Alex Jannetta: I have some examples of shared services. You said that shared services should have been introduced years ago, convener. For many years, we have had a variety of shared services in social work, health—joint mental health services or community health partnerships, for example—criminal justice, winter maintenance for roads, payroll and pensions for fire and police services. We have also mentioned procurement. There is a long list of services that local authorities have shared for a good number of years.

We have talked about the pace of change. If there is a business case to be made for a shared service, we tell the politicians that they should consider it and, if they are persuaded, we go with it. However, as Mary Pitcaithly mentioned, in a particular area that we considered, there was no justification for a shared service. If there is a case to be made, the politicians have to decide.

The Convener: Do not misjudge me because of my grumpy attitude. The Chartered Institute of Public Finance and Accountancy, not Duncan McNeil, is saying that the pace needs to increase. Others are dubious about whether you can achieve shared services without the drivers. We are testing evidence that we have received—we have not dreamed it up on our own. It is important that we hear the other side of the argument and get your views on the record so that when we consider our report, we can come to balanced judgments.

John Wilson: As the convener indicated, we had a round-table discussion last week with academics and others. Professor Richard Kerley said that managers feel that it is difficult to deal with underperforming staff within the existing procedures and structures in local government. I am giving you an opportunity to comment on

Professor Kerley's statement, because I got the impression that he was receiving feedback from managers in local government to say that they would like to get rid of inefficient and underperforming staff, but that they cannot, and that it is easier to do so in an arms-length company or some other organisation over which the council does not have direct control.

12:45

Alan Geddes: It is obviously inappropriate to talk about individual cases in a situation such as this, but—just as an observation—I recall occasions from my career when individuals, for whatever reason, were felt not to be performing as well as the organisation might have hoped.

There are procedures in place that, by and large, follow the statutory arrangements with which we are all required to comply. There is perhaps an obligation on any employer to ensure, in the first instance, that individuals have been properly trained and given the opportunity to access skills and resources that enable them to undertake the activity for which they are responsible. However, one can only go so far down that road before being required to escalate the situation beyond that stage. I can think of a number of circumstances in which that action has been taken and we have lost people as a consequence.

Mary Pitcaithly: Local government tries to be a good employer in every sense, through having a fair wage structure and good terms and conditions that are affordable and which allow us to deliver effective services. We do not shy away from dealing with underperformance, but we try to address it, first by retraining and ensuring that we are not asking someone to do an impossible job.

However, every day people leave local government because they are not performing at the level that we require. It is perhaps not done as brutally as we understand to be the case in the private sector, but I say that only anecdotally, because I do not know. We hear comments such as, "If he or she worked in the private sector, they wouldn't last five minutes", but, by and large, our employees on the front line and in the back office are doing a very good job and delivering services that communities value.

John Wilson: As a follow-up question, you have referred, as chief executives and deputy chief executives, to how officers are dealing with the financial situation that we are facing. How are your elected members dealing with the financial crisis? One thing that arose from last week's round-table discussion is that we realise and understand that there is dual leadership in local government. The senior officers are working through the issues, but the directly elected members must also be part of

that process. How are elected members engaging in that situation?

David Dorward: With regard to the recession—if that is what you mean—our elected members' focus at this point in time is on ensuring that the council provides support to individuals and families and to businesses in their community. In the current wave of the recession, in which businesses are struggling, elected members are very keen that we provide support for local businesses in order to try to ensure that they continue and that unemployment levels are kept to a minimum. They are trying to get unemployed individuals in the community back into work, and we are trying to provide welfare and benefits support to our local citizens.

I believe that when the economy recovers and growth returns, unemployment will continue to rise, which will be at the very time when our grant settlements will be very poor compared with what we have received historically. That will be a very difficult period not only for elected members but for officers throughout local government and the public sector, who will have to make some very difficult decisions. We have not yet reached that point, but elected members are fully engaged in ensuring that, in the services that are provided by the council itself and in partnership, through the local community planning partnerships—which include the health service and so on—the current wave of the recession is managed as effectively as possible. That said, I believe that there will be another wave of the recession that will be much more difficult for everyone involved.

Alan Geddes: In echoing those comments, I point out that a politically-led recession action plan has been developed by Highland Council. It focuses on provision of different kinds of support to our businesses and communities and has been well received by business and by voluntary organisations.

On the budget process, we have presented to our political leadership and the opposition group in the council our thoughts on what the position will be over the next three years, and the council has decided that it wants a three-year projection of the potential impact of the situation. Based on our projections, the council has identified a need for reductions in expenditure of 5 per cent, 6 per cent and 6 per cent in the next three years, and work is being carried out in all services on the impact of such reductions. We think that the projected reductions are higher than the reductions that the council will actually have to make, but the idea is to let our politicians understand what those target reductions might actually look like and feel like for service delivery, and to allow them to exercise their political discretion over the various choices and options. The information has been rolled out

to staff and trade unions and the council is proactively looking at how we might engage effectively with the public to help them to understand exactly what is coming down the line. The council is totally aware of what the financial outlook is starting to look and feel like for the foreseeable future and it wants to take a proactive leadership role in order to make a real difference.

Mary Pitcaithly: Like all councils, Falkirk Council is focusing very much on priorities, and the hard prioritisation exercise in which we will all be engaged over the next few months will allow us to bring things into sharper focus either next month or, I hope, soon thereafter, when we know what the settlement will be.

Like my colleagues, I think that the local priorities include supporting businesses, especially local family businesses that are finding it very difficult to survive in the current climate; supporting fragile communities; ensuring that vulnerable people have the services that they need; ensuring that the education system is as good as it can be; and ensuring that services for older people keep pace with demand. Child protection is also a priority. Indeed, the list of priority services is hugely long, but at the moment the priority is to ensure that our community comes through the recession stronger and better placed for what lies ahead.

Before I came here, I was talking to our business panel, which represents 600 local businesses that have come together to help us to understand their issues and to work with us to address their needs. Healthy communities require healthy local businesses and on the back of the my future is in Falkirk programme, we and the panel are undertaking good work on economic regeneration. The panel has made it very clear that we must not let the recession drive down ambitions and aspirations, and that we must maintain momentum. That is really important for the business panel, as it is for young people, who want us to continue to provide the current level of support to communities and individuals, in particular to young people who find it difficult to get into employment when they come out of school or university. Those are all priorities at the moment. Day-to-day service delivery has to continue, too. The challenge for members over the next few months will be to balance all those competing demands.

The Convener: All those things cannot, of course, be top priorities, as you are no doubt finding out. Have you discussed the sustainability of your options with people in the groups that you have mentioned—on the sounding boards or whatever we call them nowadays—in the light of the council tax freeze? Can you meet all the

priorities on that big long list? Can a council tax freeze be sustained?

Mary Pitcaithly: Individual local authorities and the Government will have to take decisions on that over the next few months. Those are hard questions.

The Convener: That was a politician's answer. We are looking for difficult decisions. Can a council tax freeze be sustained? Can job protection be guaranteed? We have heard some discussion about that this morning. Are salary increases possible in this environment? Before you get to your priorities, you have to discount any flexibility around the council tax and take into account ring-fenced funding for education, health or whatever. You are not facing a 5 per cent cut for those vulnerable communities, but a 40 per cent real-terms cut. Nobody has convinced me this morning about the scale of services that can be offered. Trotting out a big list of priorities is effectively making a wish list—they cannot all be priorities.

Mary Pitcaithly: I am not sure which of the things on that list would be regarded as being not important in the community, but if we protect education and health, as has been spoken about, the CPPR predicts that other services will have to bear cuts of 40 per cent. That suggests that a lot of services that are perhaps discretionary, but which are important to quality of life and which make a difference to communities—libraries, sports facilities and community education—would have to bear incredibly difficult cuts.

We have been keen to stress that, before politicians make decisions about whether any part of public services can be protected, be it health, education, police or whatever, the impact on the rest of public services—the things that actually provide the quality of life that we all enjoy in our communities—must be taken into account. I do not disagree with the convener's point, but the list included child protection, for example. It is hard to argue in any situation that—

The Convener: Social work budgets will be cut if the 2.5 per cent pay rise is awarded, if jobs are protected or if you decide that you cannot sack people in Angus, in rural communities or whatever. That means that services such as child protection and care in the community will suffer disproportionate cuts. When it comes to priorities, there is a difference between what people would like and the decisions that must be faced. Is the council tax freeze sustainable in this difficult period? You used the word "unprecedented" to describe the financial crisis.

David Dorward: Yes, I did. We do not yet know our settlement but, through the CPPR report, we have good data on what the settlement is likely to

be in the future. It will be up to the Scottish Government to determine whether or not the freeze continues. Can local authorities manage? Possibly they can, in the short term, but I think that the word "austere" has been used looking ahead to the 2013-14 financial settlement. It is difficult to see a council tax freeze in 2013-14.

The Convener: Thank you very much for your attendance and evidence. We appreciate it.

We move now to agenda item 2. I ask members to agree to delegate arrangements for the payment of any witness expenses arising from the local government finance inquiry to myself, the convener of the committee.

Members *indicated agreement.*

The Convener: Agenda item 3 will be taken in private.

12:59

Meeting continued in private until 13:22.

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