

# **LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**

Wednesday 16 September 2009

Session 3

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### LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

22<sup>nd</sup> 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 Anderson (City of Edinburgh Council)

Colin Borland (Federation of Small Businesses)

Garry Clark (Scottish Chambers of Commerce)

Derek Cunningham (East Dunbartonshire Council)

#### CLERK TO THE COMMITTEE

Susan Duffy

#### SENIOR ASSISTANT CLERK

David McLaren

#### ASSISTANT CLERK

Ian Cowan

#### LOCATION

Committee Room 6



# Scottish Parliament

## Local Government and Communities Committee

Wednesday 16 September 2009

[THE CONVENER opened the meeting at 10:01]

## Local Government Finance Inquiry

**The Convener (Duncan McNeil):** Good morning and welcome to the 22<sup>nd</sup> meeting in 2009 of the Local Government and Communities Committee. As usual at this time, I remind everyone to turn off their mobile phones and other devices. For agenda item 1, I welcome our first panel of witnesses: David Anderson, the director of city development at the City of Edinburgh Council; and Derek Cunningham, the director of development and infrastructure at East Dunbartonshire Council. In the interests of progressing in good time, we will move directly to questions.

**Alasdair Allan (Western Isles) (SNP):** In previous meetings, witnesses have referred to the squeeze that is being felt on sources of income for local authorities aside from the money that is received from the Government or through council tax. How are your local authorities affected?

**David Anderson (City of Edinburgh Council):** The City of Edinburgh Council has suffered a significant fall-off in capital receipts from land and property disposals. Land values in Edinburgh have fallen by around 60 per cent. We have targets for what we want to raise on an annual basis, and our progress towards those targets is suffering significantly. The major shortfall affects our ability to dispose of any capital receipts.

We also face other pressures. As the unemployment figure rises, the pressure on the council to provide additional services increases and there are more defaults on council tax and so on. Last year, we faced a 73 per cent increase in electricity cost—we had had a three-year hedge in place. That is an additional pressure that came out of fuel price inflation. Such things, combined with the expected reductions in public finance generally, will put huge pressure on service delivery.

**Derek Cunningham (East Dunbartonshire Council):** I echo Mr Anderson's words. It is particularly difficult to realise anticipated values from capital receipts. Land sales, planning gain and section 75 agreements are under significant

pressure and there are significant reductions in what we will be able to achieve. A number of developers are seeking to renegotiate section 75 agreements because they impact on their ability to build houses, in particular. All of that has a significant impact on our ability to fund infrastructure development and, in turn, create the connectivity and infrastructure that helps us to support and attract business to the area. Fee income across planning, building standards and areas such as those is reducing against a background of increasing demands for services, particularly around the difficulties in the community that have been caused by the recession.

**Alasdair Allan:** Times are tight, but can you see any different ways of doing things that might lead to new sources of income?

**David Anderson:** In Edinburgh, we are actively exploring the possibility of a tax increment finance pilot to develop the harbour at Leith docks, which would involve ring fencing net additional business rate take from a particular area of the Edinburgh waterfront. That model, which is commonly used in the United States, has generated interest in Westminster and Holyrood and, after the huge hit that land values have taken in the area, we are looking to kick-start the part of the waterfront that we think is the most capable of being developed at an early stage by funding a number of prioritised infrastructure assets around the harbour, such as the extension of Ocean Drive, the creation of a new esplanade outside Ocean Terminal, the construction of a new finger pier for visiting cruise liner terminals and the reberthing of the Britannia.

**Derek Cunningham:** At the moment, East Dunbartonshire Council has to fund a certain amount of cash flow support, which is a burden, but we are working with partner organisations, regeneration companies, the Kirkintilloch and Lennoxton initiatives and so on, on available regeneration options and how they might support the area. Other than that, we have not identified any areas where we might increase income streams.

**Alasdair Allan:** Mr Anderson, you said that the City of Edinburgh Council was prioritising its economic development programmes. Is there a rationale behind or logic to how these things are prioritised?

**David Anderson:** Yes. We have been progressing a strategy focused on four priority development zones in the city: west Edinburgh, which is based on the growth of the airport, the land adjacent to Gogarburn and the expansion of the Royal Highland showground; the Edinburgh bioquarter at Little France, which is being developed by Scottish Enterprise and Alexandra Real Estate and will also accommodate the relocated sick kids hospital; the waterfront as a

whole, which, with its 500 acres, is a 30-year programme and has areas such as Granton that are proving more of a challenge to develop in the current market environment; and the city centre itself, where we are focusing on the block-by-block redevelopment of Princes Street and the £850 million investment in the St James quarter. In the current climate, we are seeking to work on the projects that are the most oven ready, as it were, and to get activity moving in order to avoid the loss of jobs and capacity in the construction industry.

**The Convener:** When were those longer-term priorities set?

**David Anderson:** They are part of a partnership-based strategy and a vision for the city of Edinburgh that the council has been evolving with Scottish Enterprise and other partners since 2005. A refreshed regeneration strategy, which is being taken to the council's economic development committee next month, will effectively endorse and fine tune its direction.

**The Convener:** But those priorities were set before the recession. This inquiry is about how we cope with the new issues that might emerge from the recession. What work have you done in the interim on the short-term problems that businesses in your area are facing? Apart from the usual suspects such as the chamber of commerce, have you engaged with businesses on this issue over the past year?

**David Anderson:** We have responded very fulsomely to the recession, starting with a strategy paper that was developed last summer. Furthermore, to address specific challenges that have arisen from the downturn in general and the situation in the financial services industry in particular, we have set up an economic action resilience network involving the universities, the colleges, the chamber of commerce—or what you call the usual suspects—and others.

We have responded as things have evolved. When liquidity dried up, the construction and property development industries felt the initial impact. Now, with the restructuring of Lloyds-HBOS and the Royal Bank of Scotland, we are seeing a shakedown of the banking sector.

We have taken a number of additional actions. First, we have worked hard to promote under one banner—"Building a Stronger Economy"—and with a clear logo the resources that are available from all the agencies. I have some examples of that, which I would be happy to circulate. We are also working on a new business loan fund and we have run a number of seminars for companies on surviving the recession, focusing on cash flow management, reducing energy costs, and helping them to batten down the hatches to get through a difficult period.

Attendance at the business gateway is up by 60 per cent. A lot of people who are coming out of the financial and professional services are actively considering self-employment and business start-up as an option. I am happy to circulate some examples of what we have done through the resilience network.

**The Convener:** How have you shifted the financial resources that you have had available between priorities? Are all the bigger projects and so on priorities?

**David Anderson:** We have allocated an additional £300,000 for economic resilience activities; with partners, we have added a further £200,000 to that, so it is £0.5 million in additional spend.

One of the challenges is that we are constrained by the terms of the existing business gateway contract, which is predicated on start-ups. The demand that is now coming from business is much more about the survival of existing companies and help with things like getting bills paid on time, cash flow management and fuel efficiency. We are responding as best we can within quite tightly constrained resources to make every penny count, from our own spend and from that of other public agencies.

**The Convener:** Have you had to make any hard decisions, such as stopping what you believed were priorities in 2005 and redirecting that finance? You mentioned £0.5 million to deal with the collapse of the financial sector—that does not seem like much.

**David Anderson:** It is not. One of the challenges here is the constraints. My department has a budget of £83 million, £59 million of which is income dependent—it comes from car parking charges, building warrant fees and planning applications. The net budget, which is significantly less, covers planning, transport, economic development, corporate property and contingency planning. The council's economic development service has a budget of circa £5 million. That is not a huge amount of resource. For 17 years I was with Scottish Enterprise, which has a budget of £300 million in total, £10 million to £12 million of which is focused on business gateway and start-up support.

What councils have available for discretionary spend on economic development is limited. We are trying to use the planning service and spend in other departments to tackle the issue of economic resilience. We are trying to ensure that our corporate response—everything from the finance department paying bills as quickly as possible, through to the way in which we collaborate with the spend on the festivals and events in Edinburgh to keep our tourism economy as buoyant as

possible—is being co-ordinated to help Edinburgh to get through the recession.

We have also done a lot of tracking on how we are shaping up relative to other UK cities. In relative terms, Edinburgh is doing very well, partly because we have responded very quickly on those issues.

**The Convener:** I have not had any sense from you that hard decisions are being made and that you have stopped spending in one area and shifted the spend to a priority area. Can you give me an example of where that has happened? Are you still doing everything at a time when you have insufficient money to deal with the crisis?

**David Anderson:** We are responding to the demands that business places on us. Our commitment throughout the council to start to move more money into economic resilience and development requires hard decisions to be made about cuts elsewhere, in areas such as children and families' activities, and health and social care. There has been a marginal adjustment. Last year, a total of £1.3 million went into economic development, against a backcloth of quite a challenging budget settlement.

**The Convener:** Mr Cunningham?

10:15

**Derek Cunningham:** A number of areas within our council are undergoing a fundamental review of their organisation to prioritise the various demands on the council. That is quite an intensive process; we will see a different shape to the council. We are looking at the economic development section, too. One of the council's key priorities is the economic wellbeing of the area—it is up there as a very high priority. The organisation is going through a fundamental review, reconfiguration and reprioritisation, which, by necessity, means that if there are priorities in one area, there will be consequential reductions in other areas.

We have created an economic development working group, which comprises the usual suspects, along with colleges and so on, to try to address in a more responsive fashion the immediate issues that we face as a result of the economic downturn. In some ways, the group reflects the community planning partnerships, with which we work already, but it is able to respond in a more effective and immediate way.

The group's biggest impact is in assisting businesses and employees through redundancy by finding support for them. The focus of activity is on providing advice on training options, trying to seek new employment opportunities and providing information to assist business start-up.

We have also developed a credit crunch pack, which is about communicating with people and pointing them in the right direction for support.

We are working with our local partners on regeneration initiatives, such as in Kirkintilloch, where a lot of work has been done on infrastructure. Given the current economic climate, there needs to be a fundamental review of where that work goes in future. We will see what comes out of the fundamental review process.

**The Convener:** In communicating with people beyond the usual suspects, have you surveyed local businesses to try to evaluate what you are delivering to them and what their satisfaction rates are? Have they been involved in any way in shaping the new strategy that you are developing?

**Derek Cunningham:** We have not surveyed businesses individually, but they have representation on the working groups that we have established, so we are informed through that process. No formal survey has yet been carried out.

**Jim Tolson (Dunfermline West) (LD):** I want to follow up a point that Alasdair Allan touched on, about working with partners. I am particularly interested in your partnership working for development on a larger, regional, if not national, scale. I am thinking in particular about the restructured Scottish Enterprise and what impact it is having on any current or planned development to help you through the present crisis and in the longer term. What work are you planning in conjunction with your city region partners—the other local authorities in your region—to help development?

Also, given some comments in yesterday's press, I would be interested in Mr Anderson's views about development in relation to the plans for a new Forth crossing. Does he think that that will be a benefit or will it have an adverse impact on the City of Edinburgh Council?

**David Anderson:** As someone who spent 17 years in Scottish Enterprise, I know that the organisation has changed significantly. It no longer deals with local regeneration activity and volume skills development programmes, but has a focus on about 2,000 companies with high growth potential. It is a business development organisation more than a rounded economic development agency, as it was hitherto. It is focusing on a number of large-scale infrastructure projects in Edinburgh. The two significant ones in which it is involved are the west Edinburgh development around the airport and the bioquarter. It has relatively small resources in physical regeneration relative to the kind of organisation that it was a good number of years ago—it has a small central team. To be

euphemistic, the jury is out on whether the regional structure is delivering results yet. That model was predicated on key industries in a growth environment and we are now in a different scenario. I used to head up the local operation in Edinburgh and still have a good relationship with former colleagues on specific projects. There is a sense that SE's engagement in local partnerships has been impacted significantly because it is now a national industry that focuses on specific priorities in specific geographies throughout Scotland.

On the relationship with the city region partners in Edinburgh, if I am truthful, there is still a bit of a perception of Edinburgh-centrism on the part of some of the Lothian authorities. We now have a leaders forum that embraces Fife, the Borders and the Lothians that is beginning to address economic challenges. We have also just completed a regional economic framework that focuses on those areas where we feel that it makes sense to collaborate. Economic resilience is one of those, as is inward investment; using the Edinburgh brand to attract companies to the region is another. There is not huge collaboration on local economic development; the focus is much more on common causes in the region.

The committee might be aware that we collaborate with Glasgow on specific issues, particularly on connectivity and improving journey speeds between the cities. At the moment, we are working closely with Glasgow on the case for high-speed rail from London to Scotland to ensure that Scotland is included, that we pursue one solution and have one Scottish voice on a line that connects us north of Manchester.

As regards the Forth crossing, yesterday's article in *The Scotsman* reflects our position, which is that we believe that it would be prudent to await the technical reports in 2011 on the condition of the cables before committing to £2 billion of investment. If that commitment can be delayed for some time, it should be. We are not suggesting that the project should be halted in its tracks; it is clear that the process needs to continue so that in the worst-case scenario that we require a new bridge, we are able to have one. We are simply saying that there is an issue about the timing of that investment, particularly given the constraints that we face in the public sector.

We have some concerns about the response to the tender. Unless the issues around financing a new bridge are resolved, we wonder whether the private sector will take the project seriously: they will price in risk without doubt. One way or another, if we are serious about the necessity for a new bridge there must be agreement between Holyrood and Westminster that it can be funded and confidence that it will be funded.

**Derek Cunningham:** We continue to work with local partners and other local authorities. One example of that is recent work with colleagues in West Dunbartonshire and Argyll and Bute to seek European funding to support our business gateway and business development project. We are working with other partners on tourism-related activity and trying to start regional parks in our area. We are also part of the Clyde valley shared services partnership. We continue to work with other local authorities to see where we can all get benefits and efficiencies in the system.

It is clear that the national picture and the local economic development picture are two distinct strands, but we engage with Scottish Enterprise and will start to do more intense work with it in the near future. We try to identify where there are synergies and where its projects and strategies might support or assist ours and vice versa. That may just mean identifying the point at which there needs to be a handover arrangement for a successful company. We need to develop benefits from whatever partnership work we engage in and I am keen to do that.

**Jim Tolson:** There is certainly some collaboration and good work is being done by both local authorities. Given that Scottish Enterprise's focus has changed, it is understandable that not as much direct work is being done with it. All local authorities have more responsibility to take forward some of the smaller and medium-sized projects. From what you say, it sounds as though work in collaboration with regional partners, particularly city region partners, is going very slowly. The city regions have been in play for a few years, but, as Mr Anderson said, you are at the advanced stages of discussion, rather than effecting any real delivery. That is a bit of a disappointment.

Another disappointment is the City of Edinburgh Council's stance on a new Forth crossing, which will help regeneration not just in Edinburgh and the city region but many places up and down the east coast of Scotland. Delays in the project will cause major concern about inward investment throughout the area.

**David Anderson:** We are not opposed to a new Forth crossing; we are suggesting that we should have the evidence on which to base a judgment and a decision. We also have some reservations about the amount of infrastructure investment required on this side of the Forth to accommodate the traffic congestion that will come—additional park-and-ride provision and other infrastructure that is not prioritised in the strategic transport projects review, as far as we can see. We have signalled those reservations to Transport Scotland. We recognise that the loss of the existing Forth crossing would have a huge



economic impact, and we are acutely aware of the dangers posed by that.

On city region collaboration, it is fair to say that in areas such as shared services across the councils, progress has been slower than anyone would have wished. The reality of the scenario that we are likely to face post Thursday will accelerate the pace of change by necessity.

Nevertheless, we are taking on some pretty ambitious projects within the city of Edinburgh. Look at the proposed £850 million investment by Henderson Global Investors in the St James quarter; the long-term development potential of the bioquarter, with 6,500 new jobs and £87 million of new investment; and the west Edinburgh development. Those are huge projects that will have an impact throughout the city region. There are a number of other projects, such as the Fife energy park, on which SE has been leading. Under the existing institutional infrastructure, the city regions comprise separate local authorities. At a time when we are all facing significant challenges, it gets tougher to collaborate, because the issues to which you are being required to respond are staring you in the face every day. In my case, a little transport project in the centre of Edinburgh is taking up quite a lot of time. The projects are pretty significant economic generators in their own right.

**Jim Tolson:** Just a final question, convener.

**The Convener:** I hope that you are not going back to the Forth road bridge, because other members are waiting to ask questions.

**Jim Tolson:** It is just to make a point that will be interesting to all members, as well as to Mr Anderson. We know from yesterday's Transport, Infrastructure and Climate Change Committee meeting that the Cabinet Secretary for Finance and Sustainable Growth gave assurances on public transport options, particularly for park-and-choose facilities for Rosyth and Halbeath, which would help to mitigate some of Mr Anderson's concerns.

**The Convener:** I do not think that that was a question.

**Mary Mulligan (Linlithgow) (Lab):** Good morning, gentlemen. In answer to questions from my colleague Alasdair Allan, you implied that both your local authorities—and, no doubt, others—have seen a reduction in income compared with what you would have expected, as a result of issues around the recession. Will you put that in perspective for us? “A reduction” does not mean a lot. What does it mean in financial terms and as a percentage of your budget?

**David Anderson:** As a percentage of my discretionary budget, it is more than 10 per cent.

Planning fee income for the first quarter this year was 28 per cent down on the equivalent last year. Likewise, building warrant fees were down. Car parking fees in Edinburgh are suffering, partly because of the recession and partly because we have lost some spaces as a consequence of the tram works. In my budget, the reduction means that there is a £2.6 million pressure in the current year.

10:30

**Derek Cunningham:** The reduction in capital receipts is significant—we are looking at about £30 million over the year, which has a significant impact on an authority of our size. The land receipts from our public-private partnership schools programme are significant, and the reduction in them is probably of the order of 10 per cent. I do not have detailed figures for our planning fee or building standards incomes, but those reductions, along with increased demands in the areas of housing and council tax benefit claims, will put pressure on numerous areas. This is not a reduction in income, but housing and council tax benefit claims inquiries have increased by 50 per cent and claims by 5 per cent. Those figures are significant in a small authority.

**Mary Mulligan:** Perhaps you will provide us with the detailed figures at a later stage so that we can get a feel for the situation.

Given the effect of that drop in income, what kind of things will not happen as a result?

**David Anderson:** We are looking at service prioritisation and to future alternative service delivery models as a way forward. In the immediate term, we have instituted a vacancy freeze so we are not hiring any new staff—that is a bit of a blunt instrument. Undoubtedly, we will need to look at moves towards selective voluntary severance in areas where income is falling short, such as in building warrants and the planning department. However, we need to be prudent because, if we cut capacity too much and then there is a pick-up, we might regret our decisions.

If we move down the redundancy route, another significant factor is the cost in one year of redundancy payments. That approach would therefore not get us out of a hole in the current year, although it might help us to trim our cloth in future years. The same is true of any pension stream costs, which are a significant factor in local authorities. I am still carrying pension stream costs in my budget from someone who left the department almost 10 years ago. I had no experience of that in my previous role, so there are some challenges in that.

**Derek Cunningham:** Our situation is similar to what Mr Anderson described: we have a vacancy

freeze, and you will probably find that most authorities have one too. As I said earlier, the authority is going through a major reconfiguration, which is an intensive process. We are looking at prioritisation, and the decision on what will fall out of the equation has not yet been made. In the current year, there are certainly issues in property maintenance budgets, which are proving difficult.

The vacancy freeze and reconfiguration of the authority will have an impact on the number of people we employ. We have to downsize; we cannot sustain the organisation as it is. Mr Anderson's point about redundancy costs was well made. We are at a point where the cost of downsizing makes it almost impossible to downsize because of the financial pressures involved. As other authorities would agree, we need some mechanism whereby we can capitalise redundancy costs over time. Taking the hit in any one year makes downsizing the organisation a difficult exercise.

**Mary Mulligan:** The problems that would come from reductions in the number of jobs cause the committee great concern, and it is a question to which we might return. You said that, although your activity has fallen in certain areas, it has increased in others, such as offering support to on-going businesses, if not start-ups. I press you to tell us exactly the demands on you from business and the difficulties that bring them to you for support.

**David Anderson:** In Edinburgh, we have seen a 60 per cent increase in take-up of business-gateway-related seminars for people who are contemplating starting up a business. That is managed through a contract, but there are challenges in supporting people at that stage of the pipeline, those who are newly started and those who have been in business for some years and are struggling to stay afloat. There is a general pressure from the small and medium-sized enterprise sector. We are trying to manage that by working with Edinburgh Chamber of Commerce, which is very active in this sphere, and other organisations.

There are clearly pressures on the council in other areas, such as revenues and benefits, welfare and homelessness, while the range of social functions that a local authority fulfils is coming under increasing pressure as unemployment rises. Although in Edinburgh the unemployment rate is only up to 3.2 per cent, youth unemployment has gone up dramatically. The bulk of the increase in unemployment has come from the 18 to 24-year-old group, which presents its own challenges.

It is difficult to hold the line, given that, as a planning assumption, we anticipate something of the order of £30 million coming off our budget in

Edinburgh next year. At the moment, we are working on the basis of having a 4 per cent cut in services across the board, going through a prioritisation exercise, taking 10 per cent out of support, admin and management costs, and downsizing. However, the reality is that, if we do not take out headcount—whether by natural turnover or selective voluntary severance—the 4 per cent cut in services could become an 8 per cent cut. We have a finite budget so, if we do not let some jobs go and aim for increased staff productivity, the consequence is that we have to cut deeper into services or take some services out altogether. We are in a really challenging situation.

**Derek Cunningham:** You will find that I echo a lot of those sentiments because all local authorities face similar difficulties.

There are demands as a result of the current economic climate, such as business rate relief. Whenever there are difficult times, local businesses' first line of attack is to go to the council to see how it can help, whether through providing financial support or investing in civic realm areas. On creditors' payments, we are trying to ensure that our payments to suppliers are made more quickly than need be, to help the cash flow of companies that we know are in difficulty. However, that presents cash flow issues for us and, given the situation with interest rates, our interest on cash deposits is down. All those things have an impact on the council's finances.

Social care demands are not insignificant—they are growing and will be subject to significant continual growth over the next period. When you look at the demographics of East Dunbartonshire, you see that we face an ageing and declining population, which puts significant demands on our services.

Section 75 agreements with developers were mentioned earlier. We have been fortunate in recent years in that there has been a high demand for housing development in our area. We have seen significant gain through section 75 agreements, but that has just stopped. Not only has it ground to a halt, but developers have come back seeking to renegotiate the agreements that are in place, sometimes involving considerable amounts of money, to allow them to get back building houses. There is a conflict in that because, although we are keen to see the house-building industry recover, there can be a significant impact on us if the section 75 agreements are renegotiated.

**Mary Mulligan:** On the section 75 agreements, are you discussing with developers delayed contributions, so that contributions are phased rather than all paid up front?

**Derek Cunningham:** Yes. That is one way in which we try to strike the balance—by looking at the phasing in the agreements to see whether we can link payments to the number of houses built rather than timescales and so on. Developers are making those sorts of approaches, but there are also demands not to make payments for certain things. The issues work their way across, and we will always try to strike the right balance that supports the development of the area but protects our interests in relation to funding through the agreements.

**The Convener:** Is it realistic to expect individual local authorities outwith Edinburgh and Glasgow to provide that development function? We have just heard about the challenges that local authorities face, even in Edinburgh, where the council concludes:

“The current system for supporting business growth does not reach the majority of SMEs.”

With the constraints that local authorities face—the downsizing of services—will that situation improve, even for Glasgow and Edinburgh? In light of the evidence that Mr Cunningham has given, do we need to ensure that, as well as sharing services regionally, we deliver economic development and support regionally rather than through local authorities with all the pressures that they face?

**Derek Cunningham:** Whatever size the organisation is, it will face those pressures. There also needs to be a local perspective to economic support and development. East Dunbartonshire Council has been successful with a number of regeneration initiatives over recent years, particularly Kirkintilloch's initiative. The partnership working between the health board and the council to set up such organisations has resulted in many significant benefits to the area. A lot can be done at a local level, and there will always be a local perspective to economic development.

The vast majority of businesses in our area are SMEs, so there is a significant local aspect to business support. One issue for us is our proximity to Glasgow and the draw from that city. There needs to be a local perspective to ensure that the interests of East Dunbartonshire businesses are understood.

**The Convener:** I will ask you a blunt question: I presume that you expect a local perspective in shared services or more efficient procurement methods through working with others, so why would there not be a local perspective in a more regionally based economic development function?

**Derek Cunningham:** That is one of the conflicts in shared services that we will have to face. We will have to find a way of overcoming that challenge. We must balance the local agenda and

local input against the wider aspect that is inevitable in a shared approach.

We need close scrutiny of the areas in which shared services might be effective and might operate, such as procurement—you touched on that—through the national procurement strategy. There are different bands—the national and regional procurement initiatives—but, ultimately, there must be a local aspect to procurement, which the strategy recognises. It also involves engaging with local businesses and exploring how we support them through our procurement strategy.

In shared services, there will always be a conflict between the local aspect and the wider one. That needs to be teased out in how we move the agenda forward.

**David Anderson:** It is important to draw a distinction between economic development and business support, which is part of an economic development approach. In economic development, local authorities can play a significant role in attracting investment. At the moment, with sites at the lowest price that they have been for a long time, the City of Edinburgh Council is working with a lot of house builders on opportunities for affordable housing in Edinburgh. We are also examining new funding models and working with a number of different agencies on new ways of funding infrastructure.

The challenge on business support is that there are about 200,000 companies throughout Scotland. A national agency deals with 2,000 of them, which are considered to be high-potential growth companies, while the 198,000 other organisations are left to the business gateway service.

10:45

I think that we get exceptionally good leverage from our networks for a £1.6 million contract across Edinburgh and Lothians, but that is the scale of the contract and resource that are available to support 20,000-plus companies across our region. Our ability to provide anything other than web-based assistance and one-to-many seminars is limited. The real issue for business is the one-to-one consulting support that it requires to unlock its growth potential. That is underresourced, regardless of the structure that is used.

We already have a regional model for business gateway. The contract is held by West Lothian Council and we in Edinburgh monitor it. Edinburgh Chamber of Commerce and several private sector organisations that deliver services to business are involved in the process. We are already

collaborating on business gateway at the level of Edinburgh and Lothians.

**Patricia Ferguson (Glasgow Maryhill) (Lab):** Do you think that local authorities have sufficient resources at present to provide either the services that they are contracted to provide or those that they might want to provide?

**David Anderson:** It is difficult for an organisation with a budget of £1 billion to say that it does not have sufficient resources. The issue is where priorities lie across the range of the council's statutory obligations. There is no doubt that elected members will always perceive statutory issues such as child protection and care for the elderly as priorities; I see that in political discussion. Economic development has been a bit of a Cinderella function in local authorities outside the major cities. When SE had a strong local presence through the local enterprise company network, a small number of people in each authority could always work with it to make things happen. To some extent, that arrangement has been undermined by the changes that have been made to the enterprise network.

We are being as enterprising as we can. Recently we took on four university graduates as interns, to beef up our resource. By working with and through Edinburgh Chamber of Commerce, the social enterprise sector and the capital skills partnership and by tapping into European funds, we can get a great deal of leverage from a small amount of council staff resource. However, it is questionable whether there is enough money for economic development in the system as a whole at this time and whether that money is targeted in the right ways.

**Derek Cunningham:** You asked whether we are funded to provide what we want to provide. The simple answer to that question is no. That will always be the answer, but it must be set against the widespread demands on councils and the range of services that they provide. There are significant demands and pressures in relation to infrastructure such as our road network and school estate. Social work pressures are also significant and growing. Those are high-profile areas that cannot readily be set aside to enable us to do other work.

I repeat that economic development is a key issue for East Dunbartonshire Council; I am sure that it will be a key driver in our current process of review and prioritisation for the future. If we take effective steps to promote economic development in the area, that will support the other activities that the council wants to undertake. We heard economic development described as a Cinderella service, but it is a high-profile area for East Dunbartonshire Council. However, there are strenuous demands on the authority, and we have

not been provided with the resources that would enable us to do what we want to do.

**Patricia Ferguson:** I imagine that at the moment there is increased pressure from business for support, advice and help. Are we in danger of losing companies just because there is a gap somewhere in the overall business development and support system?

**David Anderson:** I think that that is inevitable. There will be companies that are unaware of services or unable to access them because there is a finite supply of support. Such companies might be able to stay in business if they have the right advice at the right time but otherwise will fail.

**Patricia Ferguson:** I presume that the situation in Mr Cunningham's area is similar, albeit on a smaller scale.

**Derek Cunningham:** There are issues of scale and particular local issues, but in general we face the same situation.

**Patricia Ferguson:** Can we predict where such businesses lie in the scheme of things? Are we talking about a particular sector or particular size of organisation?

**David Anderson:** Let me give you a couple of examples of what we are doing. Retail businesses in marginal locations are struggling, and we have been active in supporting businesses in Leith Walk, where the tram infrastructure has presented challenges, and in the west end, to help them to consider how to position their areas as alternative locations. We have been working collectively with businesses and traders associations, and we have provided a lot of support to encourage businesses to consider what vision we can develop for those parts of the city, to give people an attractive alternative day out.

Work is being done by Essential Edinburgh, the business improvement district company, and retailers welcome that support. We have also set up an executive skills bank, which gives experienced managers from the financial and professional services industry opportunities to mentor businesses that perhaps lack financial acumen. About 200 people will support SMEs in that way. Such activity can help businesses to get their act together during the recession, so that they can live to fight another day when the economy recovers.

**Derek Cunningham:** Our biggest risk areas are probably manufacturing and retail. The biggest sectors in East Dunbartonshire are construction, retail and real estate, but local retail and manufacturing businesses are probably under the most pressure. The construction industry is under significant pressure throughout the country, too. Those are the main areas of concern.

**David McLetchie (Edinburgh Pentlands)**  
**(Con):** Mr Anderson, the City of Edinburgh Council's paper to the committee states:

"the Council has ... put in place an 'Alternative Service Delivery Models' project charged with re-assessing the relative balance between being a provider and enabler of services."

Is the project considering alternative service delivery in relation to refuse collection in the city?

**David Anderson:** It will do, as part of consideration of five groups of services. Environmental services in the round are included in the proposals for alternative service delivery, along with property, facilities management and a range of other services.

Subject to the council approving the approach that officers recommend, the intention is to move into a competitive dialogue process in the new year. That will not necessarily commit us to engaging with the private sector; it is about acknowledging that there are opportunities to improve efficiency, which range from retaining some services in-house and working on new business models and efficiency plans, through joint ventures with the private sector and limited liability partnerships, to private sector provision. We must consider the issue simply because of the scale of the financial challenges that are currently before us.

**David McLetchie:** Therefore it is possible that refuse collection services will be contracted out by the council and that people will get their bins collected efficiently again and not be subject to the sort of action that we have had to experience during the past couple of months. Is that right?

**David Anderson:** We are looking very carefully at how to improve efficiency across all our services to achieve value for money and to ensure that our service to customers is as good as it possibly can be.

**David McLetchie:** But, for the record, refuse collection is one service that is being considered in that context. Is that right?

**David Anderson:** The report that is going to council includes a range of environmental services, including refuse collection.

**David McLetchie:** Thank you.

I would like to fill in some local detail on the bigger picture in relation to employment levels. Trade union representatives spoke to the committee on a previous occasion about employment in local government as a whole, and they gave a figure of, I think, 6,700 fewer jobs in councils compared with two years ago. Can you give us some indication of employment levels in your two councils—either now or projected, if you have projections—compared with the situation two

years ago? We would like to get some feel for how your councils fit into the global estimate that we have been given.

**David Anderson:** There has been a modest overall fall, although I cannot give the figures off the top of my head. We have about 17,000 full-time equivalents in Edinburgh, and about 20,000 people in total. We can certainly arrange for that information to be provided, so that you can directly compare two years ago with now.

**Derek Cunningham:** I do not have such figures to hand. Our workforce is of the order of 4,500—that is our establishment level—but we are carrying a significant number of vacancies, so while our establishment is at a certain level, the number of people in post is a bit less. Like my colleague, I can get more detailed information for the committee.

**David McLetchie:** That would be helpful for us in getting a handle on the situation. My colleague Mr Wilson raised the issue at a previous evidence session and asked whether the change in the total number of jobs is a result of real reductions in the head count or is due to people who previously provided services being employed by arm's-length companies as a result of an undertaking transfer, in which case the cost to the public sector is the same; it is just that the notional employer is different. It would be useful if you gave us evidence from your councils about the extent to which the decrease in the number of jobs is a real fall, as opposed to a transferred fall. What do you estimate the net reduction in employment to be in your two local authority areas, across the whole of the private and public sectors?

**David Anderson:** The unemployment rate in Edinburgh has gone up to 3.2 per cent. This time last year, it was about 1.6 per cent. That compares with a 5.7 per cent average for comparator cities and 4.1 per cent for Scotland as a whole. As I indicated earlier, the biggest part of the increase in the figure is in youth unemployment. My colleague sitting behind me in the public gallery might know the exact figure for the increase compared with last year. If he does, I ask him to pass me a note.

**Derek Cunningham:** I do not have figures for that, but I do have our current employment rate: it is 77 per cent, which is 1 per cent above the national average. Unemployment has not been a significant issue in East Dunbartonshire historically. Generally, the picture is fairly stable. There is a significant element of fairly high earners in our area, and when there is an impact on redundancy, that sector probably feels it the most. I can get more detailed information.

**David McLetchie:** Thank you.

A point was raised about the difficulties of reducing head count because of the expense of

redundancy costs. It was suggested, I think by Mr Cunningham, that we should consider a mechanism to capitalise redundancy costs in order to facilitate that. Councils and the Government are already discussing a scheme to capitalise the cost of back pay under equal pay settlements, which might involve quite a significant figure. What is the priority in that respect? Does one issue need to be addressed before the other? If there is not enough in the pot to do both, what should we recommend that the Government do?

11:00

**Derek Cunningham:** You are right to say that that issue is being considered in terms of the single status and job evaluation payments. We would be looking for something similar to deal with redundancy payments, as we would like to be able to fund them over a period of time to achieve the spend-to-save impact. We need to make the redundancy payments in order to achieve the longer-term savings, but to take that spend-to-save approach, we have to have the money to spend in the first place, which is our difficulty. We need a way of phasing redundancy payments over a period of time, because the initial hit is difficult to deal with.

**David McLetchie:** If you spend to save in that way, do you not need to have a commitment to maintain that lower level of employment and generate more efficient service provision from the reduced workforce? If you do not have that, all that will happen is that the head count will rise over the next few years, leaving you with the cost of those salaries as well as the cost of servicing the borrowing that produced the reduction.

**David Anderson:** There are two linked but separate issues to consider. The longer that we leave unresolved the pay modernisation proposals that deal with equitable treatment across genders, the greater the potential equal pay claims liability. In seeking to resolve that issue through pay modernisation, we are looking for significant productivity gains, not least in refuse collection in Edinburgh.

You suggest that merely cutting the head count would require the remaining staff to become more productive, which would be a different way of achieving the aim. However, I think that we need to do both things: we need to modernise and make more productive and more efficient our arrangements for remunerating council staff, and we need fewer council staff, because our budget will force us into making some tough choices.

**John Wilson (Central Scotland) (SNP):** I have read through the rather detailed submission from Edinburgh's city development department, which sets out the council's view of the current problems

and its proposals for dealing with them, and I have picked out three issues in relation to the role of Scottish Enterprise. There are interesting comments about the account management status of certain top companies, which the submission says are well serviced in terms of their own resources and are able to see themselves through this difficult time. From a later paragraph that refers to the growth action plan, I pick up a failure by the business gateway at a national level to pass on information to Edinburgh—and possibly other local authorities—on the number of applications that are made to it. The final point that I note concerns the Scottish Enterprise growth criteria.

In all three of those areas, there seem to be issues with information being filtered by Scottish Enterprise nationally. Also, there appears to be a disconnection between what Edinburgh would like in terms of economic development and the growth of companies and businesses that are given support and what actually happens. Clearly, Edinburgh and other local authorities feel that they have to fill the void that has been created because Scottish Enterprise is targeting dynamic, successful and well-resourced companies at the expense of developing and expanding small to medium-sized enterprises.

**David Anderson:** Perhaps I am uniquely placed to respond, given that I worked for Scottish Enterprise until 18 months ago. SE has three categories for high-growth companies. First, account-managed companies are companies that are deemed to be capable of achieving £800,000 growth in turnover over a three-year period of intensive business development support. Typically, those companies have a personal adviser in Scottish Enterprise whose case load might comprise a portfolio of 12 to 16 companies. Secondly, there are client-managed companies, whose growth potential might not be quite as high, but they are future high-growth companies for which the target is £400,000 growth in turnover over a three-year period. Thirdly, there is the growth pipeline, which comprises companies that are capable of becoming high-growth companies in future.

SE's policy is also focused on a number of priority industries in which it is believed that Scotland will have a competitive advantage in the future—renewable energy, food and drink, and so on. However, SE will work with companies outside the priority sectors if it believes that they have real potential for growth.

The challenge is that the 2,000 or so companies that SE is dealing with represent the apex of all the companies in Scotland. We believe that there are companies that have potential for growth that could be fed by the business gateway pipeline, but

at the moment there is a bottleneck, because more companies have potential for growth than SE can currently accommodate.

To be frank, I am not familiar with the details of the growth action plan communication glitch, but it can be resolved. I will discuss that with colleagues and look at what we need to do to escalate the issue and ensure that it is resolved.

**Derek Cunningham:** To give you some perspective through facts and figures, East Dunbartonshire has 2,560 registered companies, more than 90 per cent of which have fewer than 50 employees. That is how significant small businesses are in East Dunbartonshire. There are also 35 Scottish Enterprise account-managed companies. That gives a sense of the scale of things, certainly in East Dunbartonshire.

**John Wilson:** I have a final question for Mr Cunningham and Mr Anderson. On a couple of occasions, Mr Anderson has commented on the level of youth unemployment in Edinburgh. No doubt youth unemployment is a worry for a number of local authorities in Scotland. How are Edinburgh and East Dunbartonshire fixed to tackle rising youth unemployment in the current climate?

**David Anderson:** Edinburgh's position is challenging. Historically, a lot of Edinburgh school pupils who did even reasonably well in their highers tended to leave school after their fifth year to move into jobs in, for example, financial services. Last year, for the first time, Edinburgh experienced what Glasgow and the west and other parts of central Scotland have experienced for several years: a significant number of young people were faced with no prospect of immediate employment and a lot of competition. Jobs in Edinburgh are now being taken by people who are leaving industries such as financial services. Recently, I talked to a colleague from our education department who said that even classroom assistants—who at one time were lone parents living in Granton—are up against former Royal Bank of Scotland managers for jobs. The labour market is therefore becoming a lot more competitive and groups are being squeezed out of it.

We are working to address that through the more choices, more chances programme by doing the kind of things that have proved quite successful in other authorities. We are helping with interventions earlier in the school system so that young people entering the labour market are better prepared and more aware of how competitive their skills and qualifications are in what is a much tighter and more difficult labour market. The current levels of youth unemployment are, to some extent, a new phenomenon for Edinburgh, as they have not been seen since the late 1980s or early 1990s, but if we are to address

the issue, we will need the resources to do so. Through the UK Government's future jobs programme, we have identified about 70 places for young people, but that is fairly small beer relative to the scale of the problem.

**Derek Cunningham:** From our perspective, we need to go back to joint working. That is happening at the moment, particularly between our community development section and the local colleges, which are now jointly located at the Southbank Road campus in Kirkintilloch. The ability to provide immediate handover has proved quite successful. When people come in to see one partner, they can be immediately handed over to the other quite naturally. The synergies from joint location have been quite successful. The colleges, the community development section, Jobcentre Plus and the economic development section are working closely together to manage the situation as effectively as possible. We have also applied to the future jobs fund for support funding. The issue is challenging but, by working on that basis, we hope to have an impact.

**The Convener:** There are no other questions from committee members, so I extend our thanks to the witnesses for their attendance this morning. City of Edinburgh Council's written submission will also be useful to the committee in its inquiry.

We will pause at this point while we change witnesses.

11:12

*Meeting suspended.*

11:14

*On resuming—*

**The Convener:** I welcome our second panel of witnesses: Colin Borland is public affairs manager in Scotland for the Federation of Small Businesses and Garry Clark is head of policy and public affairs for the Scottish Chambers of Commerce. Welcome, gentlemen. In the interests of time, we will move directly to questions.

**Bob Doris (Glasgow) (SNP):** Good morning, gentlemen. Both the Scottish and UK Governments have recently stressed what they are doing to help businesses to sustain themselves during the current economic times. In our inquiry, we are specifically interested in finding out what measures local authorities have put in place to support businesses during the recession. Some information on that would be appreciated.

**Colin Borland (Federation of Small Businesses):** The first thing to acknowledge is that we are in a completely different situation to the one that existed prior to 2007. That is a big

challenge for organisations such as ours, which must now engage with 32 local authorities rather than, as before, directly with the Scottish Executive, as was. As a result, we face a challenge in ensuring that our people on the ground are educated about the change, and that we as an organisation understand exactly what is happening. As a national organisation, we have contacted all 32 local authorities to ask for an outline of how they operate and details of how they discharge their new economic development responsibilities, particularly in gearing up to support smaller businesses through—after what has been a tough year—what we reckon will be another tough year or so.

The responses to that were mixed. As has perhaps been apparent from previous evidence this morning, the cities have had a more acute interest in such issues over the years. It occurs to me that I could submit those responses as additional evidence. I would be more than happy to ensure that our office lets the clerk see those responses so that the committee can pick over them to see whether any patterns emerge. One thing we noticed is that councils provide different levels of additional services in addition to the minimum business gateway contracts. For example, some provide extra ranges of help and advice and more one-to-one support, which is less available under the business gateway contracts. Our members notice that and miss having such support.

**Garry Clark (Scottish Chambers of Commerce):** Scottish Chambers of Commerce certainly values the role that local government has played in working with businesses over the years. To a greater or lesser extent, all chambers of commerce across the country engage closely with their local council in promoting services to business. For example, Edinburgh Chamber of Commerce and West Lothian Chamber of Commerce are very much involved in delivering the business gateway on behalf of their local authorities. More informal arrangements also exist in other parts of the country. We very much work together with the local authorities to improve the lot of business.

As Colin Borland mentioned, the increase in local authority responsibility for local economic development in the past year or so has come in difficult economic circumstances, the scale of which could not have been predicted when moves were first made to transfer those additional powers and responsibilities. Local authorities have taken hold of the reins at a challenging time both for them and for the economy more generally. From that point of view, we are happy to have worked with local authorities over that time.

As has been mentioned, the situation varies quite considerably across the country. In the cities—I am thinking in particular of Glasgow and Edinburgh—local authorities have provided some positive initiatives that have been, and should be, of great benefit to business. For example, Glasgow City Council has moved to minimise rates bills for new start-ups that move into empty premises. However, the picture across the country is mixed, and we hope that it will evolve over the years into a much more stable picture. We believe that the Scottish Government's overarching purpose of promoting sustainable economic growth in Scotland should be as much local authorities' number 1 priority as the Scottish Government's.

**Bob Doris:** Do you feel that local authorities were ready for the challenge of taking on the business gateway responsibilities? We heard from the representatives of local authorities on the previous panel that on one level the best that the business gateway does for the smallest businesses is hold the occasional seminar, have a chat with them about best practice and give them some handy tips for taking their businesses forward. Mr Borland mentioned the need for more in-depth, face-to-face mentoring sessions with small businesses. To what extent do business gateways do that and to what extent do they provide only networking experiences once or twice a year?

**Colin Borland:** Local authorities are probably better placed to tell you how ready they were to take on the responsibilities and deliver the service. They may be doing perfectly what we are asking them to do, but I wonder whether we are asking them to do the right thing. As Garry Clark pointed out, when the change was effected we were in completely different economic circumstances and it was right to focus on start-ups, because historically Scotland has a low level of business start-ups. Now that the focus is on business survival, the model has to change. Perhaps in another root-and-branch reform of business support services we would have to consider the content of business gateway contracts, how they have been delivered and what is in them. We may have to consider whether there is too great a focus on start-ups and not enough on one-to-one support.

As the previous panel highlighted, there is certainly a perceived gap between the Rolls Royce service that Scottish Enterprise's account-managed companies get and the support that the other businesses get. There are 250,000 businesses in Scotland and 2,000 of them are looked after by Scottish Enterprise. What about the other 248,000? What will they get? Those smaller community-based businesses will be the



key employers and the key job creators as we move back into recovery.

**Garry Clark:** Bob Doris has raised a couple of interesting issues. We view business gateway services as being of value to business but, as has been said, they need to be supplemented. Whether or not the business gateway will always be the best organisation to supplement those services is another matter entirely. There are organisations throughout the country—chambers of commerce being among them—that can and do supply a number of services to businesses, including mentoring and one-to-one contact. We must consider what the best model is and where the business gateway fits into the existing infrastructure. We must also consider whether we need to invest more money in the business gateway in replicating services that are already being delivered elsewhere, or invest to extend the reach of services that are already being delivered to business.

As has been mentioned, the other question is whether the Scottish Enterprise model was agile enough to react to the rapidly changing economic climate not only in Scotland and the United Kingdom, but around the globe. Scottish Enterprise had a fixed view in respect of sectors and a fixed view of growth prospects, but all of a sudden growth is not the number 1 issue for many businesses—survival is. We must look at how responsive, reactive and agile our economic development strategy is in order to ensure that it can react to the changing needs of business.

**Bob Doris:** I am curious to know whether that means that local authorities should be acting and reacting quicker because core responsibilities have been placed on them that they did not previously have. I see from briefings that one of the business gateway responsibilities is to participate in the growth pipeline—to examine medium-sized businesses which could at some point be account managed by Scottish Enterprise at a high level. Should the business gateway's focus be not on the growth pipeline, but on sustaining smaller businesses that are below the radar and may be falling by the wayside? Is that an example of the refocusing that is required?

I will tack a second question on to the end of that one. Before business gateways decide at local level what they want to do, do they consult the Scottish Chambers of Commerce and the Federation of Small Businesses? Are you partners in drawing up that plan? I guess that the Federation of Small Businesses and the Scottish Chambers of Commerce are experts on what their members want and need and on the kind of support that would sustain them through the current times.

**Garry Clark:** We engage, to a greater or lesser extent, in various aspects of the business gateway. For example, in Edinburgh and the Lothians we are partners in delivery of the business gateway through the Edinburgh and West Lothian chambers. We are also engaged in assessing the business gateway's success or otherwise at national level. One difficulty is the fact that we do not always have to hand all the information that we need to make judgments about the success of the business gateway since it has passed into the hands of local authorities. We would all like more information to be published on the number of contacts they have had and the number of successes.

In terms of the focus of the business gateway, we see all businesses as being part of a growth pipeline. They might be businesses that are looking to take themselves to the next level, or they might be new businesses that are starting up and which may want to go only so far—they may be capable only of going so far—or they might want to grow themselves into the larger businesses that Scottish Enterprise is account managing at national level. From the point of view of the country and the economy, it is imperative that we give as much support as we can to as many new businesses as possible. That support should be appropriate for the growth needs of the individual business.

We now need many more businesses in Scotland and more entrepreneurship than we have needed up to now. We believe that, as we grow the Scottish economy, the private sector will be the driver of that growth. We therefore need a larger private sector in Scotland—it needs to expand. In order for that to happen, we must support smaller businesses.

**Colin Borland:** If the question is whether we think more of the business gateway's effort should be focused on one-to-one support for existing businesses, the answer is yes. I would separate out business support services from the wider economic development services, which include everything from transport to education to local infrastructure planning and all the rest of it.

We are not a formal partner in the business gateway—we lobby and exert what influence we have informally. However, there are contracts in place that state what is going to be delivered. If there is disagreement—if we would like the business gateway to do X but it says that that is not in the contract—there is only a limited amount that we can do. That is why, since the turn of the year, we have been asking for a renegotiation of the business gateway contracts.

**Bob Doris:** I have a final question. I started my questions by asking what local authorities could do better or more of. You said that they are doing

okay, but I got few specific examples of what they could do additionally. You praised Glasgow City Council for being flexible in negotiating business rates for empty properties, but you said little else about what you would like local authorities to do. There is a focus on that in our inquiry, so this is your opportunity to put on the record what you would like local authorities to do better to support your businesses.

**Colin Borland:** Local authorities could pay their suppliers—particularly smaller local suppliers—on time, with the invoices undisputed. They could consider efficiencies in the planning service and their bureaucracy. For example, if I want set up a café in Glasgow, how many visits do I have to make to Glasgow City Council to get my licences, permits and all the rest of it? Local authorities could also think about service sharing to deliver efficiencies, and they could consult businesses when they are going to undertake local road works. Those sorts of things could be done. They are not earth shattering, but they would make a real difference to our members.

**Garry Clark:** We know from speaking to businesses up and down the country that it is less a case of local authorities coming up with brand new schemes to assist them than it is a case of their doing what they do in a way that is responsive to, and which recognises, the needs of businesses. Businesses interface with local authorities on planning, on building standards, on health and safety, on trading standards and so on. Those interfaces must be as easy to negotiate, as straightforward and as inexpensive as possible for business. That is all that business would ask of local authorities, apart from ensuring that they carry out the contracts through the likes of the business gateway efficiently and effectively in order to meet the needs of business. It is about councils doing what they do and examining the interface between councils and business to ensure that it is as smooth and seamless as possible.

11:30

**Colin Borland:** Of course—if I may mention the dreaded P word—it is also about procurement, and the need to apply a best-economic-value test to procurement rather than a test that involves consideration of simply how many pounds and pence are being saved.

**The Convener:** Those suggestions are not necessarily linked to the recession. They should have been happening, and should continue to happen, anyway.

**Garry Clark:** Absolutely. It is all about best practice.

**The Convener:** It is interesting to see what your submission and others say about whether services

that are provided by local government to business should be put on a statutory basis, which would impact on issues around ring fencing and flexibility. The suggestions are all very well, but the business community has decided its priority, has it not? It wants to reduce business rates. How much does that cost us?

**Colin Borland:** Scottish Government figures estimate that the cost this year will be around £93 million. That will be the cost—it excludes any other economic developments that might occur as a result.

**The Convener:** So, that was your priority.

**Colin Borland:** Yes.

**The Convener:** Faced with a choice between the business rates being cut or having all those other nice things, the business community decided—regardless of the fact that the measure would spread the benefit thinly, is not targeted and would help those businesses that are already in good circumstances—that it would go for the business rates cut.

What would you rather do with that £90 million? Would you target the businesses that are in crisis or spread the benefit thinly?

**Colin Borland:** I want to pick up on your suggestion that it is an untargeted, blunderbuss sort of approach. The current reform of the business rates, which gives smaller businesses a reduction in their rates or, in some cases, completely removes them, is linked to the rateable value of the business. That means that it provides a disproportionate benefit for businesses in harder-pressed areas in which there is less economic activity, such as Greenock, to pick an example at random.

Are we talking about an absolute choice between economic development support services and getting some sort of justice and fairness in the business rates system? We argue that that is probably a false choice. I know that public finances are not looking particularly rosy—I believe that the figure from the Government shows that we are looking at a £550 million reduction, and that another figure suggests that there will be a reduction of about £370 million. The Scottish Government's budget is around £33 billion, which means that the reduction is about 1 per cent or 1.5 per cent, depending on which set of figures are used. If you gave those sums to a business that has cut 15 per cent or 20 per cent out of its budget, it would be pretty happy.

You have to ask whether there is so little fat elsewhere in the public sector that we have to come down to the choice between either reimposing a disproportionate and unfair burden on the smaller businesses, which will be key to

producing jobs, or cutting all sorts of vital services. However, if we accept that, and move to a hypothetical situation in which there is no fat to be trimmed and we must choose between keeping either the business support services, as they are currently constituted, and keeping some sort of balance in the business rates system, we would come down on the side of keeping the balance in the business rates system partly because, as I said earlier, the business support services are currently not really delivering what our members want.

**The Convener:** This morning, I heard that business support is the Cinderella service. It is not this committee that will be making the hard political choices but the people who are faced with those reduced budgets. The likelihood is that the services that are provided to business will be at the lower end of the hard political choices that they make.

**Garry Clark:** There are a couple of interesting issues there. First, on the small business bonus scheme, we surveyed our members just after the scheme was implemented in order to identify the businesses that were benefiting from it and to find out what they were going to do with the savings that they had made. We found that every one of those companies was investing that money back into the business. When the scheme was introduced, many businesses were facing increasing pressure as a result of rising utility costs and so on. Very quickly, those pressures were followed by other pressures, particularly around access to finance, because many businesses had to take out overdrafts just to keep their cash flow going. The small business bonus scheme delivers enough for many hard-pressed businesses to keep the cash flow going, pay staff and win new contracts, so it is making a real difference to businesses throughout the country.

**The Convener:** Give me an example of a typical, average-sized business and how much it would gain out of the small business bonus scheme, as it is described—it is not a fairness scheme but a bonus scheme. Is it hundreds of pounds?

**Garry Clark:** It can be up to about £3,000 or £4,000.

**The Convener:** Yes—but that is the top end. What is the average for the small businesses that you represent, Mr Borland?

**Colin Borland:** This year, the bonus is between £117 and £3,113.

**The Convener:** Mr Clark has just said that it is the difference between survival and going out of business. Could £117 make that difference?

**Colin Borland:** It is certainly a contribution when people are on the margins.

**The Convener:** I do not doubt that it is a contribution, but I have just heard from Mr Clark of the Scottish Chambers of Commerce that £117 is the difference between survival and going out of business.

**Garry Clark:** If the amount is £3,000, it is the difference between sacking someone and not sacking them.

**The Convener:** Is £117 the difference?

**Garry Clark:** No—£3,000 is.

**The Convener:** Okay.

**Garry Clark:** The second part of the argument is that it should not be a choice between investing in the small business bonus scheme and making procedures more effective for business in other ways. The Planning (Scotland) Act 2006 said that making procedures more effective would be a zero-cost option. According to that act, we should be able to improve the lot of businesses in planning without a cost to the exchequer.

**The Convener:** Local government set its business plans and strategies in 2005. I accept that, from the business point of view, the debate about the fairer rating system was about putting right an historical wrong. For that reason it is correct but, given the current situation, could the £90 million, £100 million and £160 million over whatever period it is be better used? I presume that you negotiated with the Government a significant share of funding to go to business but, if we had been in the middle of the financial crisis at that point, would the debate have been different and would it have changed the nature of the negotiations?

**Colin Borland:** That involves a presumption that we still have that £93 million. There is a cost to getting rid of the scheme, even if companies are not sacking people and not using the bonus to expand their businesses. That comes with the caveat that last year was an exceptional year, so a lot of the money went to help cash flow, which was particularly difficult because of the credit crunch. However, the scheme was designed to help businesses to expand, grow and continue to invest. Some managed to do that, which created work and economic activity. If we consider not only the impact of that on the jobless figures but the extra economic activity, we see that it is not as if getting rid of the scheme would save us £93 million at a stroke that was then in our back pockets to be invested in whatever we wanted.

**Jim Tolson:** Gentlemen, I will ask about procurement. Mr Borland referred to it a short time ago as the dreaded P word, so I am sure that you will have an interesting answer or two for us.

In all spheres in which local government works, it must provide value for money to the taxpayers: that is one of the reasons for it trying to move towards bulk buying. However, there is genuine concern in the committee and elsewhere that that has had a detrimental impact on small businesses, which you gentlemen represent. Will you outline that impact and what can be done to mitigate it, given the pressures that local government finances are under?

**Colin Borland:** You have summed up the situation well. There was a problem, in that the Scottish public sector spends £8 billion a year buying goods and services, but shoddy, bad and worse practices had grown up; we had no idea how much was being spent and who was spending it. The reforms under McClelland have been positive in that they have professionalised the service and brought some transparency into it. That and certain other things, such as the single point of inquiry, we endorse absolutely.

The issue becomes difficult when buying authorities consolidate large contracts into big blocks that only large multinational companies can realistically bid for. There are some cases in which that is absolutely appropriate, such as the contract to supply gas and electricity to the national health service—it would be ridiculous to have various health boards and hospitals entering into their own contracts—but small local firms could deliver service contracts such as catering contracts, which also deliver economic benefits to the economy.

We have to ask questions about best value. I am thinking about not a middle man who is importing a product and selling it on, but someone who is running a small business and employing people from a community in a way that gives them a stake in that community. We need to think about what value is placed on that in the procurement process.

**Garry Clark:** I agree with a lot of that. Post-McClelland, we are in a far better place in terms of procurement. Government and the public sector certainly understand a lot more of the issues around where business is coming from in that regard.

We have to balance the cost-saving aspect of procurement with what Colin Borland has described as the best-value aspects. In that way, we can ensure that, where possible and appropriate, we can continue to include as many small and medium-sized local businesses as possible.

There are many challenges in this area. Over the years, there has been a lot of discussion about consortia of small businesses. We are not quite in a position in which we can put that idea effectively

into practice. Many new small businesses are looking to engage in the procurement process, but they fall short when they make a bid because they still have a lot of learning to do in meeting the criteria for various public sector procurement contracts. There must be a process of education to ensure that we maximise the engagement of small businesses in the procurement agenda.

There is also an issue around how we measure small businesses with regard to the procurement agenda. Over the years, we have had many targets around the engagement of small and medium-sized businesses in procurement and the overall value of the contracts that they win. However, if we continue to define a small business as having fewer than 50 employees and a medium-sized business as having fewer than 250 employees, we are in effect saying that every business in Scotland, with the exception of a couple of thousand, are small and medium-sized businesses. That really does not get us anywhere.

We need to break down the definitions further, so that we can define microbusinesses and businesses of various scales within the zero to 50-employee range and the 50 to 250-employee range—the Scottish Parliament and the Government can assist in that process. That would give us a clearer picture of the position of small and medium-sized businesses in the market and enable us to see which ones are continuing to lose out and to work out how we can go about assisting them either through the Government or through organisations such as the Scottish Chambers of Commerce and the Federation of Small Businesses.

**Jim Tolson:** That response raises a good issue about the depth of what is going on in the background, rather than just the blanket numbers around the size of businesses. I wish you well in your attempts to take forward the work with local and central Government.

**The Convener:** Earlier, I asked about using the expertise of your organisations or your members to develop the shared agenda around more efficient procurement. Is there any evidence that that is happening?

**Colin Borland:** We are both members of the public procurement advisory group.

**The Convener:** Can you feed in at that point?

**Colin Borland:** It has not delivered as much as we would like as quickly as we would like. It is a difficult process. The pressures to centralise and consolidate contracts are still great, and I do not think that we have won that argument yet.

11:45

**Alasdair Allan:** I want to pick up on the earlier point about procurement, although I am thinking more about capital projects and building projects. Small businesses and chambers of commerce have said to me that many local authorities find that the way in which the national advertising portal works prohibits small local businesses from getting building and architecture contracts. Have you picked up on that?

**Garry Clark:** The creation of the single portal was welcome but it has had its issues. There were questions about whether certain local authorities would participate in the scheme, and about the success of the scheme more generally.

We are heading in the right direction. A few years ago, Scottish Chambers of Commerce was involved in the delivery of the European information centre on behalf of Scottish Enterprise. In essence, that was a procurement portal for public services in the European Union. Three or four years ago, ironically, it was sometimes easier to access a contract in Poland than in Paisley, although I think that things have improved since then.

However, the single access portal still has a few issues around engagement. Down south, the CompeteFor portal is far more flexible and is extending its reach way beyond the Olympics games and public sector procurement into linking up businesses more generally with contracts in the public and private sectors. Chambers of commerce throughout the UK are following that model, and a lot can be learned from various other online procurement services.

**Colin Borland:** I echo what Garry Clark said. The single online portal is infinitely better than what preceded it. It has a couple of issues, and we would like to see it looking at what some of the sites down south, such as CompeteFor and Supply2.gov.uk, are doing, how they are being proactive, and how they engage with very small businesses using the range of communication technology rather than relying on someone in the office sitting at a computer trawling or waiting for e-mail alerts.

**Alasdair Allan:** It has been reported to me that there is a perception that the threshold for capital projects is quite low, in that virtually every building project that a local authority or public sector agency might have must go through the portal unless it is below a very low limit of around £200,000 or £300,000. Has that been raised with you?

**Colin Borland:** The only issue that has been raised with us about thresholds has been not for capital projects but for other contracts, and the question has been whether the threshold should

be £30,000 or £40,000 or whatever. In general, we would like as much as possible to be advertised on the online portals. Concerns have been raised about how the procurement process works in general, but specific issues about the infrastructure of the site and what is put on it have not been raised.

**Alasdair Allan:** Is there a bit of an issue for smaller local authorities or agencies that work in rural areas regarding the money and activity that they put into economic development? They might feel that that does not necessarily result in visible economic activity in local firms unless specific effort is made to ensure not that procurement is biased towards local firms, but that their need to get a cut of the cake is taken into account.

**Colin Borland:** I am not sure, although I take your point about rural areas. There is a big selling job to be done by buying authorities to promote what they are doing and to explain the procurement process and remind people that it is a response to the rather cosy relationships that had grown up over the years between certain suppliers and public sector customers.

I am not sure that the issue is specifically to do with procurement infrastructure; it is perhaps more a selling job for local authorities, which requires authorities themselves to buy into the reasons for the approach. If you ask local authority procurement professionals what their overriding priority is, they will tell you that it is to save money. What incentive is there for them to promote economic growth in their area, if doing so brings no demonstrable benefit in pounds and pence?

**Patricia Ferguson:** Given what you said about business gateway and support for businesses around the country, is there an argument for that function being reserved to the larger cities rather than to all local authorities?

**Garry Clark:** We need much more information about how delivery is taking place throughout Scotland. I hear anecdotally—I will not tell the stories in public forum—about how business gateway is operating in certain parts of the country, but there is no universal picture. We need much more clarity about how business gateway is operating.

A consortium of organisations, which includes the local chambers of commerce, is operating a service in the Lothians. It is conceivable that the service could be shared between local authorities and delivered in that way.

**Colin Borland:** Garry Clark made a good point. It is early days. I would be nervous about another wholesale shake-up of enterprise services, given that we are only about two years down the road since the most recent one.

The most important first step is to consider the business gateway contracts. That does not need to involve spending money; we can make the approach cost neutral by doing fewer of the things that are currently needed less, such as start-ups or seminars, and refocusing support. We should let such an approach bed down so that we can see whether it is working before we go through the upheaval and incur the costs of another reorganisation of support services.

**Patricia Ferguson:** The CBI said in its submission that a local authority business growth incentives scheme would be beneficial. I am not familiar with the scheme, which operates south of the border. The Federation of Small Businesses seems to support such an idea. Have you discussed the matter? How would such a scheme operate?

**Colin Borland:** We have had no discussions on the detail of such a scheme, but we have said that such initiatives must be investigated. As you said, the CBI has talked about such schemes, as have other business organisations.

The idea is to incentivise local authorities to grow businesses in their area. Under the local authority business growth incentives scheme—LABGI is a new acronym for us to learn—south of the border, councils can keep a percentage of any increase in rateable value at revaluation, under a complicated formula. In theory, the scheme incentivises councils to promote economic activity, because rateable values in the area will go up and their take will increase. The counter-argument is that there might not be a revaluation for 10 years, so councils have an awfully long time to wait—perhaps the duration of three political Administrations—so where is the incentive?

The counter to that would be that the scheme encourages long-term thinking—it is not about injecting tax, maximising the figures to make them look good and getting benefit in the short term. The scheme is operating south of the border and the Scottish Government should consider it seriously, if we are not to have an informed debate about it.

**Garry Clark:** We would support a debate on the issue. In the past, we have expressed support for a mechanism to incentivise local authorities to assist with delivery of economic growth in their areas. That is vitally important, especially as we move forward. Because budgets for the business gateway are not ring fenced, in years to come they will come under tremendous pressure, as will every other aspect of local authority spending. Businesses do not translate into votes as easily as services such as education or having the bins emptied. However, it is equally, if not more, important for authorities to maintain solid levels of investment in local businesses and the local

economy to help the local economy to thrive and to create more new jobs, in order to bring new people into their areas and to encourage the growth of those areas and of Scotland as a whole.

If local authorities are to be incentivised, there must be a mechanism that enables them to benefit from the increasing economic growth in their areas. The LABGI scheme is worthy of consideration. There are a number of ways of measuring growth in a local authority area—for example, through rateable value levels or through business rate take—but we must be able to do that. It would be daft not to have a mechanism to enable local authorities to benefit from the investment that they make in order to make their areas more attractive to business.

**Patricia Ferguson:** Has the scheme been around long enough south of the border for us to be able to see whether it has created an incentive for local authorities, or do we need to wait until the next revaluation for that?

**Garry Clark:** I am trying to remember how long the scheme has been in operation. It must have been in place for about 10 years—perhaps less.

**Colin Borland:** I am not sure. We have said that we need to find out how the scheme is working and whether it has been presented as something that it is not.

**The Convener:** I offer my apologies to the witnesses. As I indicated previously to the committee, I need to leave at this point for an engagement back in my constituency. Alasdair Allan will conclude proceedings.

**Mary Mulligan:** Good morning—just—to you both. This morning and on other occasions we have heard that local authorities' budgets are under pressure and that their incomes have dropped. If that is the situation, what support and future development would your members prioritise?

**Colin Borland:** I will separate out the issues of business support and economic development. The crucial point is that we should be ready to take advantage of the economic upturn once it is with us. That means having good local support infrastructures in place to help business to take advantage of those opportunities that arise. We must ensure that planning departments are able to respond to routine, non-domestic applications, in particular, and that there is a decent road infrastructure. Those are our priorities in the longer term. If we are in the business of making tough choices and must choose between business support services as currently constituted and support for infrastructure, planning and efficient licensing, we will come down in favour of infrastructure.

12:00

**Garry Clark:** As I mentioned previously, it is difficult to establish priorities in the interface between business and the local authorities because so many local authority services, such as environmental, planning and transportation services, are a priority to business. Education is also important; it is vital that businesses are able to access a skilled pool of workers and, in Scotland, local authorities are the principal providers of that, certainly up to the age of 18. All of those issues are extremely important for business.

If we were to pick two sectors of local authority responsibility on which businesses regularly correspond with us and bend our ears, they would usually be skills and education, and local transportation—the state of the roads and so on. As Colin Borland has said, infrastructure is important. We need to prepare and to ensure that Scotland has the competitive edge that it needs in the UK and internationally.

**Mary Mulligan:** It is interesting that you should both emphasise the importance of infrastructure, roads and education and so on, but how does that fit with your answers earlier to the convener about the small business bonus scheme? As a result of that scheme, a business in a community perhaps saves less than £200 a year whereas, for £91 million, we could have had improvements in roads or education.

**Colin Borland:** My answer was about the choice that we would make between the services that local authorities deliver if we had to choose between them, rather than about the wider investment choices for the Scottish Government. For the reasons that we outlined earlier, we would dispute that if you got rid of the small business bonus, you would magically have an extra £93 million in your hand. There would be an economic consequence to doing that. If we are talking about an overall reduction in the Scottish budget of 1 and a bit per cent, we would also dispute that it would have to come down to a choice between supporting small businesses and shutting a couple of hospitals. I do not accept that. However, even if I accepted your hypothesis that there is a straight choice between the two, allowing us to retain more of the money that we create would be the preferable option. Having said that, I emphasise that I do not believe that that is a true choice. To present the choice that faces us and faces local authorities in those terms is not helpful or realistic.

**Mary Mulligan:** I am assuming that you agree with that, Mr Clark.

**Garry Clark:** Yes. In addition, we are getting into the territory of the pressures that local government will face, not just in the coming year

but probably in many years to come. Those pressures will be felt equally by the Scottish Government, the UK Government and every public sector organisation in the country. As I outlined earlier, the small business bonus scheme has meant a great deal to many of our members. The proceeds of that—the benefits that small businesses have had from it—have not been stuck in a back pocket but have been reinvested for the survival and prosperity of those companies and for the benefit of those companies and their workforces.

We are also into the territory of the spending constraints that all local authorities will face over many years, and how local authorities will deal with that. One of the priorities for business is that local authorities, and the public sector more generally, should become more productive and adept at doing as much—if not more—with what might be fewer resources.

**Mary Mulligan:** In relation to reduced income or resources, is it sustainable to have an on-going council tax freeze?

**Garry Clark:** To look at the matter from a United Kingdom level, it looks as if the UK will have tough spending and revenue choices over the next 10 years, probably. The same applies to local authorities.

**David McLetchie:** Good morning, gentlemen. I want to ask about the submission from the Federation of Small Businesses. My questions are on general issues, so I am sure that Mr Clark can answer them, too. The FSB's submission states:

"Councils charge for the licensing and enforcement of a range of services, from car parking to licensing window cleaners, and while many charges are supposed to operate on a cost-recovery basis, this may not always be the case."

The concern is that charges are made to generate surpluses for councils to use elsewhere. I am interested in that. Is the arithmetic on that—how the sums for cost recovery are done—transparent? Has Audit Scotland ever considered the matter, for example? Does Audit Scotland not certify whether charges are fairly set and whether they are full cost recovery charges as opposed to out-of-order charges through which councils make a profit? Has the matter ever been properly investigated?

**Colin Borland:** You are right that the matter is extremely complicated. I think that Audit Scotland has said that, at some point between now and the end of the calendar year, it will investigate the charging regime following the introduction of the new licensing legislation to see whether it constitutes a cost recovery regime or a form of revenue raising. That is interesting. There will be a robust debate about whether a charging regime raises revenue, what else the department

concerned is doing and how much it charges for administrative fees and central costs, for example. I accept that the calculations are not simple and that the numbers are not easy to arrive at. That is why we have to get professionals involved. However, you are right. We are talking about a long-standing issue.

I think that there was a review of the Civic Government (Scotland) Act 1982 in 2004. One recommendation that was made was that the standardisation of charges should be considered, because they varied wildly from local authority to local authority. Some of the issues have been superseded by the Licensing (Scotland) Act 2005, but other issues would still merit detailed investigation.

**Garry Clark:** We certainly support what has been said. I am trying to think of the area of licensing—I think that it was liquor licensing—in which the charge that was levied to cover the costs involved was, as several local authorities admitted, set far too high in the first year and then had to be adjusted in the second year to take account of the overcharging. Of course, it would have to go up again in the third year to be back to a normal level. That means that there would be three widely varying bills in three years. From a business point of view, we do not want unpredictable charging; we would much prefer consistent charging. The matter needs to be investigated to ensure that there are broadly comparable situations throughout Scotland.

**David McLetchie:** For the record, provided that the arithmetic is correct and transparent, do your organisations accept on behalf of your members that charges for such services and functions—licensing, regulation and so on—should be made on a full cost recovery basis?

**Colin Borland:** A cost-neutral approach should be taken. We accept that there are costs in administering and conducting such business, so it is not fair to ask for it to be subsidised when there are many other calls on the public purse. We have said on the record that that is the case with respect to alcohol licensing in particular.

However, we are concerned about the proportionality of charges. Licensing charges, which are based on rateable values, are topical. At the very top of the band, the most expensive is about £2,000, I believe, for a premises licence, and at the bottom, it is about two fifths of that. I do not know what a large Tesco Extra takes in or makes in profit in a week, but I imagine that it is slightly more than two-and-a-half times what the corner shop at the end of my road takes in. We understand that such things have to be self-financing, but we would like the costs to be a bit more proportionate than they are at the moment.

**Garry Clark:** We certainly support the idea that, in fairness, licensing should be self-financing. If that can be clearly demonstrated and is accepted by everyone, we are comfortable with it.

**David McLetchie:** I want to move into the area of procurement as it applies to what the City of Edinburgh Council described as “Alternative Service Delivery Models”. To what extent are your organisations engaged in discussions with their individual councils or the Government about creating such new models for the delivery of services? Do you actively encourage councils and the Government to do so on behalf of your members?

**Garry Clark:** As I said earlier, all our local chambers are in pretty close contact with their local authorities. I do not know for certain whether the City of Edinburgh Council, for example, is actively engaged in that particular issue, but Edinburgh Chamber of Commerce works very closely with the council, and we certainly encourage it to do so on behalf of its members. We also encourage it to make sure that its members and all businesses across Scotland benefit as much as possible from any new opportunities that emerge from local authorities.

**Colin Borland:** Our membership is traditionally made up of the users and consumers of services rather than potential providers of them, so we might have a slightly different take on the question. We do not have any position one way or the other on who actually provides the service, as long as it is done efficiently and accountably, and it gives us what we need.

**The Deputy Convener (Alasdair Allan):** Before we conclude this session, I must tell the committee that Bob Doris has given his apologies because he has had to go to another engagement. I thank Mr Borland and Mr Clark very much for their evidence, which has been very helpful indeed.



## National Planning Framework

12:12

**The Deputy Convener:** Item 2 is the Government's response to the committee's report on the national planning framework. We have a series of Government responses to committee reports before us today, so the committee has an opportunity to comment on them and on the suggested courses of action that are given with the first three of the responses.

**David McLetchie:** On national planning framework 2, we should formulate a timetable for regular review meetings with the Government—whether six-monthly or annually—once the action plan is published and then monitor and discuss with ministers the implementation and the stages of aspects of the programme and how it fits in with NPF 2. I would like to think that this committee and its responsible successor committees would regard it as an important part of their work to see how the NPF is put into effect and to monitor its progress as set out in the action programme. I would like us to establish with the Government that that becomes an integral part of the institutional framework surrounding national planning frameworks.

**The Deputy Convener:** That probably brings us to the second point under paragraph 25 of the paper, which asks whether the committee is

“content with the level of detail contained in the Action Programme in relation to the timetabling of national developments”.

Does David McLetchie's comment help with that point?

**Susan Duffy (Clerk):** Yes.

## Child Poverty

12:15

**The Deputy Convener:** Item 3 is child poverty in Scotland. I invite members' comments on the response from the Scottish Government and on the suggested courses of action at paragraph 20 of the clerk's paper.

**Mary Mulligan:** I was disappointed with the Government's response, under paragraph 7, that only 14 single outcome agreements currently include an income and poverty proxy indicator aimed at reducing child poverty. Given that we have 32 local authorities, I found that disappointing. I would be keen for us to monitor progress on that.

In general, in relation to the conclusions in paragraph 20, I think that we should just monitor the progress that is being made. The suggested six-month review period is fine.

**The Deputy Convener:** Are members content with that?

**Members** *indicated agreement.*

## Home Care Services for the Elderly

12:17

**The Deputy Convener:** Item 4 is home care services for the elderly. Comments are welcome on the clerk's paper. Paragraphs 7 and 8 contain suggestions for further work on the issue.

**Mary Mulligan:** I accept that a working group has been established to oversee what is happening in the area and to ensure that the present guidance is as robust as it should be. However, my concern about the Scottish Government's response is twofold. First, there is a suggestion that the Scottish Government will wait until the reference group has met and deliberated before it says anything further on e-procurement. Given the evidence that we received and the views that the committee held, I believe that we should be telling local authorities that such procurement is not appropriate and should not happen. I think that we should not delay that.

Secondly—this has been referred to several times this morning—the pressures on local authority resources mean that a number of local authorities are currently considering retendering care services not because retendering is due or because it is good for the service, but purely to save money. In our evidence sessions, we felt strongly that saving money should be balanced by the quality and continuity of care and all the other aspects that we took on board. I am concerned that the further guidance to local authorities will not go out until they have deliberated on their budgets. We should make our view clear to local authorities at this stage.

**The Deputy Convener:** Would it be helpful to address that in a follow-up letter to the Government?

**Mary Mulligan:** Yes.

**The Deputy Convener:** Is the committee content with that?

**John Wilson:** I am disappointed with section 4.2 of the Cabinet Secretary for Finance and Sustainable Growth's response to the committee. He writes:

"There are no plans for the PSR Bill to provide powers which would enable the new body, SCSWIS, to take enforcement action against local authorities."

As I said during the evidence session, it is remiss of the bill that, whereas the care commission can currently take action against the provider of the service, no consequential action can be taken against the local authority that contracts out the service. If we are to deal with the

issue correctly, the bill should include provision to allow the successor body to the care commission to take action against the local authority that is ultimately providing the service. The local authority that contracts out the service has a duty of care to the individuals who receive that service. Therefore, it should be possible to take action against the local authority if it fails to ensure the delivery of that service.

Given that hole in the current procedures, I ask that the committee write to the cabinet secretary to ask him to reconsider whether it is appropriate to strengthen the bill to provide the successor body with the powers to take enforcement action against local authorities that fail to ensure the proper and adequate delivery of services to those who receive care provision within their area.

**The Deputy Convener:** Is the committee content with those suggestions?

**Members indicated agreement.**

**The Deputy Convener:** Is the committee content otherwise with the Government's response?

**Members indicated agreement.**

## Equal Pay

12:21

**The Deputy Convener:** Item 5 is consideration of the Government's response to our report on equal pay in local government. No courses of action have been suggested. Do members have any comments on the Government's response?

**David McLetchie:** The Government's response is positive in the sense that it gives us some more information about its capitalisation scheme to enable councils to settle historical equal pay back-pay claims, for which there are substantial liabilities. We need to find some way of settling those claims because the money is due to the employees concerned as a matter of law. There is no discretion on that, so the problem must be tackled. The way in which the capitalisation proposal has developed since we launched our inquiry is very instructive and is a positive outcome that should be welcomed.

On the other hand, although the Government is to be commended for dealing with the historical equal pay back-pay claims, I am very disappointed with the Government's rather laissez-faire attitude vis-à-vis its suggestion that the Convention of Scottish Local Authorities—a body in which I rarely have any great confidence in progressing anything—will deal with current equal pay and single status claims. The recent strikes by City of Edinburgh Council's refuse collection workers go to the heart of the issues of equal pay and pay protection that the committee discussed during its inquiry. Those issues lie at the heart of the dispute that the people of this city witnessed. Although it is fair to say that the council took a robust approach in trying to hold the line so as not to engender still further problems by reaching a settlement that would trigger thousands of other claims, I am not convinced that councils generally have a grip on the problem. Therefore, I feel that the Government must take more of a role, given that the significant on-going cost pressures from the issue will impact significantly on employment levels and on the other council services that we have discussed today.

Plus marks on one side and "could do better" on the other is my view.

**The Deputy Convener:** Those points are now on the record. Do other members have any comments?

**Mary Mulligan:** Like David McLetchie, I retain the frustration that I had during our evidence sessions that there is no carrot and no stick to ensure that councils make progress on settling the equal pay claims. I fear that if we returned to the issue in five years, we would be in exactly the

same position. I had hoped—perhaps I expect too much—that the Government's response might have indicated some way of putting in place some encouragement to speed up action on the issue, but that is not happening. I share David McLetchie's doubts about whether COSLA will be able to bring its member councils together to make that progress.

Although no recommendations have been made on our approach to the Government's response, I think that we should keep under review what progress is being made by local authorities and continue to look for ways to encourage all local authorities to make progress on the issue.

**The Deputy Convener:** Perhaps the committee can keep an eye on the issue.

## **Decision on Taking Business in Private**

12:25

**The Deputy Convener:** Item 6 is to agree whether to take consideration of our approach to the Control of Dogs (Scotland) Bill in private at our next meeting. Is that agreed?

**Members** *indicated agreement.*

**The Deputy Convener:** In that case, we move into private session to consider item 7.

12:25

*Meeting continued in private until 12:47.*

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