

LOCAL GOVERNMENT AND TRANSPORT COMMITTEE

Tuesday 8 November 2005

Session 2

£5.00

© Parliamentary copyright. Scottish Parliamentary Corporate Body 2005.

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

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

CONTENTS

Tuesday 8 November 2005

Col.

ITEM IN PRIVATE.....	3025
COUNCIL TAX ABOLITION AND SERVICE TAX INTRODUCTION (SCOTLAND) BILL: STAGE 1	3026
PROPOSED LOCAL GOVERNMENT ELECTIONS (SCOTLAND) BILL.....	3075
FREIGHT TRANSPORT INQUIRY.....	3079

LOCAL GOVERNMENT AND TRANSPORT COMMITTEE 28th Meeting 2005, Session 2

CONVENER

*Bristow Muldoon (Livingston) (Lab)

DEPUTY CONVENER

*Bruce Crawford (Mid Scotland and Fife) (SNP)

COMMITTEE MEMBERS

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

*Mr David Davidson (North East Scotland) (Con)

*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

*Dr Sylvia Jackson (Stirling) (Lab)

*Paul Martin (Glasgow Springburn) (Lab)

*Michael McMahon (Hamilton North and Bellshill) (Lab)

*Tommy Sheridan (Glasgow) (SSP)

COMMITTEE SUBSTITUTES

Colin Fox (Lothians) (SSP)

Mr Bruce McFee (West of Scotland) (SNP)

John Farquhar Munro (Ross, Skye and Inverness West) (LD)

Dr Elaine Murray (Dumfries) (Lab)

Murray Tosh (West of Scotland) (Con)

*attended

THE FOLLOWING GAVE EVIDENCE:

Brenda Campbell (Convention of Scottish Local Authorities)

Councillor Maureen Child (Convention of Scottish Local Authorities)

Professor Christine Cooper (University of Strathclyde)

Professor Mike Danson (University of Paisley)

Claire Menzies Smith (Scottish Parliament Directorate of Clerking and Reporting)

Mr Brian Monteith (Mid Scotland and Fife)

Don Peebles (Chartered Institute of Public Finance and Accountancy)

Angela Scott (Chartered Institute of Public Finance and Accountancy)

Geoff Whittam (University of Paisley)

CLERK TO THE COMMITTEE

Martin Verity

SENIOR ASSISTANT CLERK

Alastair Macfie

ASSISTANT CLERK

Euan Donald

LOCATION

Committee Room 4

Scottish Parliament

Local Government and Transport Committee

Tuesday 8 November 2005

[THE CONVENER *opened the meeting at 14:01*]

Item in Private

The Convener (Bristow Muldoon): I call the meeting to order and welcome committee members. Before I welcome our first witnesses, let us deal with agenda item 1, which is to decide whether to consider an item in private. Agenda item 6 is to consider a witness's expenses claim. It is normal practice to consider such matters in private. Is it agreed that we will do that?

Members *indicated agreement.*

Council Tax Abolition and Service Tax Introduction (Scotland) Bill: Stage 1

14:02

The Convener: Agenda item 2 is further stage 1 consideration of the Council Tax Abolition and Service Tax Introduction (Scotland) Bill. There are three panels of witnesses today, the first of whom are from the Chartered Institute of Public Finance and Accountancy in Scotland. I welcome Angela Scott, who is the head of CIPFA in Scotland, and Don Peebles, who is CIPFA's policy technical manager. We look forward to hearing your evidence. We will adopt normal practice: I will give you an opportunity first to make introductory remarks, after which we will have questions and answers on your evidence and aspects of the bill.

Angela Scott (Chartered Institute of Public Finance and Accountancy): I will keep my remarks brief because I am sure that members are keen to ask questions. I have two points to make. Over the years, CIPFA has contributed to a large volume of reviews of local government finance, culminating in the recent research that we undertook on analysis of a local income tax for the English balance of funding review. The research does not claim to cover all the issues from a Scottish perspective, so I warn against extrapolating numbers from English statistics to draw conclusions about the application of a local income tax in Scotland. CIPFA has undertaken no work so far to produce an equivalent set of statistics for Scotland only.

My second point is an explanation of why the committee did not receive a written submission from us in response to the consultation. When one is faced with limited resources, it is inevitable that choices will have to be made about where to direct those resources. I decided that our priority would be to provide evidence to the independent inquiry into local government finance. In addition, we made a commitment to brief members of this committee and the Finance Committee on local government pension schemes in Scotland.

We are before the committee today because the independent inquiry faces diary challenges and our evidence-giving session has been postponed, which has released some time for us. Despite our delight at being here today, it is slightly disappointing that we who have an interest in local government finance find ourselves faced with the dilemma of responding to an independent inquiry or to a parliamentary review of a bill. As a result of those circumstances, the time that we had to prepare for today has been limited, so with the agreement of the committee, if any questions are

asked that we feel unable to answer adequately, we will follow them up with written answers.

The Convener: What are your views on the general principle of the bill, which is substitution of the council tax with a form of taxation based on income? You will be aware that two alternatives are being proposed by different political parties. One is the proposal in Tommy Sheridan's bill to introduce a tax that would be set nationally to raise money for local government services. The proposal from other political parties is for an income tax to be set locally by individual authorities. What is your view of those alternatives?

Angela Scott: CIPFA's position is that we support a reformed council tax, with local income tax as a supplement to it. There are a host of reasons for that. You would expect us, as finance professionals, to say that we see a lot of stability in the council tax in terms of the income base that it provides to local authorities. There is a raft of deprivation and poverty issues but, from a purely financial perspective, the council tax provides a stable base for financial planning and, more important, for service planning, which allows local authorities to budget and to develop the services that they exist to provide.

In due course, we can consider the reforms that we will propose. We would have a local income tax as a supplement to, rather than a total replacement for, council tax. The rationale is that although there are real strengths in a local income tax, such as buoyancy—which is one of the biggest factors—our gut feeling is that it would be too buoyant to introduce as the totality and it would make financial planning difficult. Our perhaps slightly conservative position is that we would prefer a bag of options including a reformed council tax, local income tax as a supplement to it and the return of non-domestic rates to local authority control. That is the position that we submitted to the independent inquiry.

The Convener: You favour a local income tax as a supplement to council tax. Am I correct in deducing that you would prefer the rate to be set by individual local authorities as opposed to its being set centrally?

Angela Scott: That is our position. Part of the rationale for that is that it would allow local autonomy in decision making. Our slight reservation about a national tax is that it would not provide local autonomy. I do not want this to become a training session, but if councils elect to budget for or spend more than they currently get in Government grant, they have the council tax as an option for raising additional income. That is why we would like local authorities to set their own rates; if they elected to budget for more than the Government's grant allocation to them, they would have the freedom to raise additional income.

Don Peebles (Chartered Institute of Public Finance and Accountancy): From the work that we have done, we have identified that there are two circumstances whereby we would replace council tax with an income tax: it would be either a direct replacement or a supplement. There are three models for a local income tax. First, there might be an assigned local and set rate, which would be administered and collected by the Inland Revenue. Assigned tax is the term that is generally used for such a system—it probably forms the characteristics of the proposals in the bill, which we will discuss. The tax could be set locally and collected by the Inland Revenue or it could be set locally and collected locally. There are two circumstances and three models.

The Convener: There are a number of supplementary questions that I could ask, but I do not want to hog the meeting. I will invite comments from colleagues and perhaps come back in later.

Bruce Crawford (Mid Scotland and Fife) (SNP): I would like a bit more detail about how a supplementary local income tax system could work alongside the council tax. Will you flesh that out a bit more for us?

Don Peebles: Certainly. There are a number of models, and a supplementary local income tax could be used to generate additional revenue. That is where buoyancy would come in.

Legislation that led to a local income tax as a supplement to a perhaps reformed and more progressive council tax would provide stability in the finance equation for local authority services, as Angela Scott said. Over and above that, local authorities would have the benefit of being able to generate additional income through the local income tax, which would provide buoyancy. In times of economic slow-down, when the tax yield from local income tax would reduce, much-needed stability for local authority finances would still be maintained by the council tax.

Bruce Crawford: That would mean having two different systems with two sets of administrative costs. I do not know whether you think that work on the supplementary tax would be done by Centre 1 at East Kilbride or by local authorities, but there would certainly be additional costs. Would not that cancel out any benefits of buoyancy and flexibility?

Don Peebles: Clearly, appropriate research would be needed to ensure that efficiency was maintained in any change to the system of taxation.

It is important to stress that that model is just one of a number of possible models, but it is perhaps the favoured model in terms of achieving additional income and tax yields for local authorities. However, we are not here today to advocate any particular form of local income tax.

Bruce Crawford: It is interesting that you talk about the principle of buoyancy and the impact on budgets of lack of stability. At the moment, something like 75 or 80 per cent of local authority finance comes from central Government, with the rest being made up from external finance and the council tax. If we consider overall spending, does the amount that comes from council tax really create all that big a buoyancy problem? I know that there are gearing effects with the council tax, but if there were a downturn in the economy that led to buoyancy problems, surely it would be for local authorities to make tax manoeuvres. On the other hand, if there were an improvement in the economy, local authorities would have an additional resource that could be banked and held in a stability account.

Angela Scott: There are always winners and losers; whatever system is advocated, some will gain and some will not. The details will have to be considered.

We probably came here today with more questions than answers. The idea of local income tax is at a very early stage of development. We are wrestling with questions; for example, if we have a local income tax, where will it sit within the public expenditure control framework of the devolved Administration? Members know how the system works at present. It is split in two: some expenditure falls within the departmental expenditure limits and some expenditure is more volatile and falls within annually managed expenditure. We have been wondering where a local income tax would sit. Would it sit within AME or within DEL?

As Mr Crawford suggests, in good times there is money to be gained and in poorer times there is not. We have to consider how we would manage such fluctuations from a financial perspective. There is management of fluctuation in the non-domestic rates pool because the Executive is allowed to draw down from what is, in effect, a loans pool. In order to get some stability in the system, we want to know how we would manage those flows. No one who works in public services wants fluctuation in delivery of services because of finance fluctuations.

14:15

Bruce Crawford: What you are really arguing is that, provided that mechanisms exist to deal with fluctuation and buoyancy, local income tax could be applied by local government in Scotland.

Angela Scott: Yes. Like all things, the devil is in the detail. We need to know more about the detail of how such a system would work and—with the greatest of respect—a two-page bill will not cover all of that.

Bruce Crawford: I am talking about principles at the moment, and not necessarily the Scottish service tax. I wanted to understand where you are coming from.

Mr David Davidson (North East Scotland) (Con): In your opening statement you talked about two things in particular—a reformed council tax and the local income tax as a supplementary tax. Will you define what you mean by a reformed council tax?

Angela Scott: We are calling for some fairly high-level issues to be addressed; for example, we advocate revaluation of the council tax. Fourteen years have elapsed since that tax was created, so it is overdue for revaluation. Like others, we advocate expansion of council tax bands and consideration of the number of bands and the relationship between them.

Mr Davidson: How frequently should there be revaluation?

Angela Scott: I am not sure. Non-domestic revaluation is carried out every five years, so that period seems to be sensible. The Institute of Revenues Rating and Valuation suggests that revaluations of domestic and commercial property should not be done at the same time, so we would need a cycle in which we did not ask for all revaluation to be done in the same year.

Mr Davidson: The English model seems to be heading towards seven years. Are you talking about that sort of period?

Angela Scott: Yes.

Mr Davidson: You talked about the bands. In relation to information the committee has received, are you considering different types of bands for above and below the average?

Angela Scott: Other people are more expert in the field than we are. We have considered the work of those experts and would advocate an extension so that there are more bands beyond band H. We also suggest subdividing the lower-end bands.

Don Peebles: We could add accountability—the extent to which local taxation is truly accountable—to the package of reforms. At the moment, the methodology that we use for accountability is the council tax leaflet that is sent out in advance with the bill, prior to the in-year spending. It is difficult to engage with the public at the best of times, but considering the extent to which the council tax forms part of an individual's or a household's disposable income, the public could be in receipt of additional and—dare I say it?—improved information. We are undertaking a project in which we are considering not only linking, modernising and improving the council tax leaflet with the spending proposals, but identifying

the historic expenditure of local authorities so that an individual council tax payer is in receipt of more rounded finance information than is presently available. That is a fairly simple but readily identifiable reform for any form of taxation, but it could be used specifically for the council tax.

Mr Davidson: You said that you are considering three different models of collecting tax. The risk with one of them is that there could be 32 different rates, with the revenue collected centrally. Can you give us any idea of the cost of collection—additional costs as opposed to the current cost—in each of the three models?

Don Peebles: On costs, I will extract figures from work that was done by CIPFA south of the border, but I add a note of caution in that the figures that I am about to quote are United Kingdom figures that were produced for a specific purpose. The figures do not focus specifically on Scotland, so I caution committee members against extracting too much from them for the Scottish perspective.

On the cost of administering a local income tax, the figures that we identified suggest that the move to such a system would be likely to involve a shift in the overall costs. The figures deal with the costs of administration rather than the efficiency of collection, which is potentially an entirely different thing. The change would have an impact on three groups of stakeholders: local authorities, the Inland Revenue—if we assume that the Inland Revenue will be the collection agency—and employers. For the status quo in the UK, we estimate current administration costs at approximately £570 million for local authorities, £2.28 billion for the Inland Revenue and approximately £800 million for employers. I can confidently confirm that those figures add up to a total of £3.65 billion in administration costs for the status quo. If the council tax was replaced with an assigned tax—a model that is, in essence, fairly close to the proposed Scottish service tax—we estimate that the total cost would be of the order of £3.15 billion. That breaks down to an estimated cost of £150 million on local authorities, £2.24 billion on the Inland Revenue and—this figure remains static—£800 million on employers.

Those are the broad estimates that CIPFA produced in a paper called “Reviewing the Case for a Local Income Tax”. That paper is in the public domain.

Mr Davidson: The final point on which I seek information is the revenue flows for a local income tax. Given that many people cannot register or clear up what their annual income is until the year after it is earned, what effect will that have on the fund-flows exercise?

Don Peebles: We have not undertaken research on the impact on the flow of funds, so I

cannot provide specific information on that. I can only direct the committee to consider how the behaviour of individuals could have a direct impact on funds flow. Consideration might need to be given to tax avoidance and tax evasion, which are the issues that could have the biggest potential impact on funds flow.

Paul Martin (Glasgow Springburn) (Lab): Some people advocate the Scottish service tax because it would be based on ability to pay. Why does CIPFA advocate a system of council tax and supplementary income tax? Is the purpose behind your suggestion ethical or social, or is it concerned only with revenue generation?

Angela Scott: Are you asking why we advocate retention of the council tax?

Paul Martin: No. Why do you advocate retention of the council tax and the introduction of a supplementary income tax?

Angela Scott: There are a number of reasons for that. Despite many reviews—I do not know how many there have been—we are still trying to come up with a solution to the problems of local government finance. I suppose that we all approach the issue from different perspectives, but as an institute we take very much a financial rather than a sociological perspective. There may be conservatism in our approach, but we believe that the council tax has provided a great deal of stability. Scottish councils are much further ahead than their English counterparts in being able to budget, service plan and financial plan on a three-year basis, which is a testament to the stability of the income that we receive.

Given that local government is constantly wrestling with the problem of its lacking money to fund the services that it provides—the committee will hear from us about the problem with local government pensions—we feel that we are duty bound to consider other options for generating income to support local government services. Among the available options, which range from a tartan tax to a fuel tax to a local income tax, the most credible option is the introduction of an income tax. Such a tax is likely to be the most practical way of supplementing our income base.

Our rationale for supporting retention of council tax is that it provides stability. Our rationale for supporting the supplementary income tax is that it would be a way of generating additional income to fund local authority services. However, our approach to the options is based not on a concern about deprivation—although, clearly, as individuals we are concerned about that—but on purely financial considerations.

Paul Martin: Do you accept that the current council tax system could serve the same purpose as both the systems that you propose?

Angela Scott: Yes, we do. A raft of reforms are possible, and we have gone to a certain level although—as I said in my opening remarks—our ability to research for this meeting has been limited. Some of the more detailed reforms that could be undertaken echo what the bill proposes. We could consider providing a baseline below which people would not pay council tax, such as the service tax suggests. The service tax suggests a £10,000 threshold below which people would not pay the tax. There is nothing to stop such a reform of the council tax. We could establish a ceiling—or a floor—below which someone would not pay council tax.

We could also reconsider the council tax benefit system. We are not experts in administration of the council tax system, but a number of reforms could be made to it. One of the biggest criticisms of the council tax benefit system is that ability to pay comes in at the end of the process when someone makes a claim. I am curious as to whether we could reform the system so that it would consider ability to pay when liability was being determined at the start. Connected to the benefit system is the fact that council tax bills charge not only for council tax, but for water and sewerage services for which there is no eligibility for benefit. As a devolved Administration, could the Scottish Executive consider extending benefit relief to water and sewerage?

Discretion is open to local authorities in respect of management of the council tax system. Perhaps we should encourage more local discretion in debt collection, negotiation and the giving of advice. All those things have a cost, however, and if we encourage councils to use more local discretion that will have an impact on the public pound, to which we would have to have due regard.

Paul Martin: Are you suggesting that that power to raise supplementary income tax would be available to each individual authority, or would there be a uniform approach throughout Scotland? Should a tartan tax be available to each local authority?

Don Peebles: That would depend on the policy decision that was made, the model that was selected and the policy intention behind the introduction of such a taxation system. To recap, there could be one of three models: an assigned taxation, which would generally be expected to be collected and administered by the Inland Revenue; a local model of taxation, which would be set and collected by the Inland Revenue; or a local taxation that would be set and collected locally. The choice would be a policy decision.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I am trying to understand the matter clearly. You support a twin tax—reformed council tax and a supplementary local income tax. Have I understood that correctly?

Angela Scott: Yes.

Fergus Ewing: However, you have not yet decided which of the three models should be chosen for the supplementary income tax—assigned, locally set and collected by the Inland Revenue, or locally set and collected by the local authority. Is that right?

Don Peebles: That is correct.

Fergus Ewing: Do you accept, in principle, that having two systems running in Scotland—no matter which of the three models the supplementary income tax was set according to—would incur extra collection charges, which would likely be significant?

Don Peebles: I refer you to the research that we have done for the review south of the border and to the figures that we identified there, although I do not propose to trade figures with the committee at this point. Fergus Ewing asks about putting a number of systems in place, but that is what we have at the moment. We have systems for council tax and non-domestic rates in terms of billing and collection and in relation to the national pool. We also have the council tax benefit system. Another system would not double the number of systems; it would, in essence, simply add to the numerous systems that are already in place. As a country, we have a wide basket of measures not only to tax, but to redistribute income.

Fergus Ewing: We do not have the benefit of the paper that you mention, because you have not supplied it to us, and nor do we have a paper from you today. I will restate the question, to which—with respect—we have not really got an answer. If, as you propose, we have two sets of taxes—council tax and supplementary income tax—will not collection charges be significantly higher than they would be if we had one tax? Although we have not seen any details of your proposal, is that not indisputably correct?

14:30

Don Peebles: With equal respect, the paper is in the public domain, although we did not provide it directly to the committee. I am happy to make it available, but I stress that it addresses the United Kingdom position and not specifically the position for Scotland. If we wanted to identify and assess the position in Scotland, we would need to do specific research on that.

Fergus Ewing: The answer to the question really must be yes, although you seem reluctant to say it. I am puzzled by how you can make a proposal when you do not know what the costs would be. You have admitted that you do not know what the costs would be because you have not done Scottish research. How can a body such as

yours make a recommendation before it knows what the facts are?

Angela Scott: With respect, like all organisations, we can give our views. We are not a legislative body. I thought that we were here to scrutinise the bill, but we seem to be under challenge for our views. The day that accountants rule the world will be a sad day, which, with the greatest of respect, is why we have policy makers. I am not saying that we have all the answers and I am happy to be challenged on our views. In our opening remarks, we did not necessarily advocate one measure; we simply tried to consider the issues and throw in our views. I am sorry if our answers are evasive. We would be the first to say that we have a lot more work to do, but we will undertake that work.

Fergus Ewing: Obviously, we want to hear what your views are. I just pointed out that you have formulated a view, but you do not seem to know the collection costs for the system that you recommend. However, let us move on, because we are not going to get any further with that matter.

The council tax has bandings that are ascribed letters, which denote property valuations that fall within a floor and ceiling value. I presume that you are aware that different banding ranges exist in Scotland and in England and Wales.

Angela Scott: Yes.

Fergus Ewing: I look forward to reading your submission to the independent inquiry when it comes. In producing that submission, will you consider the differential impact that the bandings have?

Angela Scott: Heriot-Watt University was commissioned to undertake an analysis of the relationships between the bands in the Scottish context for the Local Government Committee's review of local government finance in, I think, 2000. There is probably a need to consider the matter again today.

Fergus Ewing: I am thinking not just of differing bandings, on which we need evidence, but of the differing impact of the bandings north and south of the border. To put the matter simply, a house in Scotland that is worth £50,000 falls into band C, but if it were located in England, it would fall into band A. That means that the tax, pound for pound, is significantly higher north of the border on a house that is of identical value. Equally, a house in Scotland that is worth £60,000 is in band E, but in England, it would be in band C. That means that there is, broadly speaking, a supplement of a fifth to a third. If we argue for a United Kingdom—which I have noticed some people do—surely the sine qua non should be broad fairness in tax policy, even at the local level, north and south of

the border. Should that principle be considered in the high-level policy submission that you will make?

Angela Scott: I will do my best to answer the question without being too bland. CIPFA is a UK organisation, but we have an office in Scotland, part of the rationale for which is to respond to the Scottish agenda. That is why we are here today and responding to various proposals. We look to respond to the agendas as they evolve in each of the territories—we also have colleagues in Wales and Ireland. There is a clear line between where an accountant's role ends and a taxation expert's role kicks in. I would not claim that we consider the development of taxation policy across the UK.

The Convener: Fergus Ewing was moving towards debating issues that are not related to the bill, so I encourage members to stick as much as possible to issues that are related to the bill.

Tommy Sheridan (Glasgow) (SSP): Good afternoon. I do not want to hang, draw and quarter you on this point, Angela, but, with respect, you said that a two-page bill would not deal with the local government taxation problems that exist, but we are discussing a five-page bill, with a seven-page financial memorandum and a 29-page policy memorandum. Given what I hope you have read and the arguments that lie behind the proposal that we are here to scrutinise today, would you question the financial assumptions and revenue generation equations that have been developed for the bill?

Angela Scott: I stand corrected on the number of pages. In the limited time that we had to consider the detail of the policy, we tried to ask questions that were not covered in the policy memorandum. We have probably spent more time on trying to work out where the bill would fit within the whole framework and what controls the Treasury would be likely to exercise on it, as well as on the relationship with the tax-varying powers, than we have on combing through the numbers that you put in the financial memorandum.

Tommy Sheridan: You would accept that CIPFA received the initial consultation on the bill last June.

Angela Scott: Yes, I would, and at that time I was just about to go off on maternity leave. We have a professional staff of two, so we were not able to resource the consultation at that time.

Tommy Sheridan: Notwithstanding your personal circumstances, you would accept that all along the line, for the past 18 months, CIPFA Scotland has been kept in touch with the bill's proposal.

Angela Scott: Yes.

Tommy Sheridan: Who did you seek answers to your questions from?

Angela Scott: A number of people: civil servants within the Scottish Executive and some colleagues down south.

Tommy Sheridan: Obviously, the reason why I ask that is that we have had extensive deliberations on the bill over a number of years—never mind months—and we think that we have answered most of the questions, particularly given that we were required to get confirmation of the bill's legislative competence from the Presiding Officer for the bill to be signed off and introduced. The lawyers spent a lot of time deliberating before they agreed that the bill was legally watertight.

On what Don Peebles said, the assumptions that were made about collection costs drew heavily on CIPFA's contribution to the local government finance review in England, which is now in the public domain. Do you think that there is a major problem in drawing on those figures, given that we do not have any other figures available? Do you accept that CIPFA's work for John Prescott's office was quite detailed? Do you further accept that, if we assume that the bill is passed, no council tax will be collected, the Scottish Executive will set the level of rates and local authorities will contract with the Inland Revenue to collect the tax on their behalf? Do you accept that we are talking about making savings on collection costs compared with the money that 32 local authorities spend to collect council tax?

Don Peebles: First, I would not use the word "problem", but I stress again to the committee the need for caution in using the figures that I gave in a Scottish context, because they were done for a specific UK purpose.

Secondly, the bill does not mention the role of the Inland Revenue. On reading the bill, one could be forgiven for thinking that the Inland Revenue would have no role at all to play in the proposed system. The bill would place a clear duty on local authorities to impose and collect the tax. Although it would give local authorities a subsidiary power to enter into arrangements with other bodies, we question whether local authorities would have the legal competence to enter into individual arrangements with the Inland Revenue. We are also not sure whether the Parliament would have the legal competence to enter into an arrangement with the Inland Revenue or whether the Inland Revenue would have the power to enter into specific agreements with local authorities. Those are some of the questions that we have been asking.

Furthermore, the bill appears to give individual local authorities the discretion to opt out of the arrangements that are proposed in the policy

memorandum and to impose and collect the tax themselves. Such an arrangement was not foreseen in the work that we did in England. A host of issues would have to be addressed and costed in a separate exercise.

Tommy Sheridan: I am extremely frustrated because I thought that I asked you quite a detailed question involving figures about income generation. Frankly, I would have thought that that was where CIPFA would come into its own. You deferred answering my question and went on to answer legal questions that have nothing to do with you. CIPFA is not here to scrutinise the bill from a legal point of view; there are other organisations that will do that. The bill's legal competency has not been questioned.

I return to my question. The assumptions that have been made are clearly delineated in the policy memorandum and the financial memorandum. In light of the information that you have and CIPFA's role in scrutinising other public finance arrangements, how robust do you believe that the revenue generation figures are?

Angela Scott: You are not going to get a definite answer from us. A number of issues are involved. One of the many questions that we are wrestling with is what would happen to the collection of water and sewerage charges. Although there could be a saving on the council tax collection side, we do not know how the collection costs that are associated with water and sewerage charges would be affected. In Scotland, the water and sewerage charges are collected as part of the council tax bill. The cost of collecting those charges will remain. As we understand the situation, the requirement on local authorities to collect water and sewerage charges stems from the Local Government etc (Scotland) Act 1994 and the bill does not propose to abolish that requirement. Such collection will still have a cost. Although there would be savings, I would be surprised if you could find a finance professional in the land who would commit to agreeing that they would be of the order that you claim. We must be mindful that there would continue to be costs associated with collecting water and sewerage charges.

Tommy Sheridan: I was not looking for a yes or a no; I wanted an answer that commented on the acceptability of the figures in the light of the assumptions that have been made. It would have sufficed if you had said, for example, that it appeared that although the figures were broadly acceptable, they had to be treated with caution.

It might be helpful if I quote from CIPFA's submission to the balance of funding review, which is entitled "Reviewing the Case for a Local Income Tax". On page 39, paragraph 6.34 states that a local income tax

"would be a simpler and more realistic proposition if based on a universal structure of unitary authorities like that serving Wales and Scotland."

Your organisation's submission to the balance of funding review suggested that the introduction of a local income tax would be more realistic and simpler in a country such as Scotland. Why do you not represent that view on the Scottish service tax?

Don Peebles: We would welcome the opportunity to scrutinise the proposal for a Scottish service tax but, as Angela Scott has mentioned, it seems to be CIPFA's position that is under scrutiny. We would welcome the opportunity to go through the bill in detail and to raise some of the issues that we have identified. We came to assist the committee; I did not think that it was CIPFA's position that would be held to account.

Tommy Sheridan: I am sorry, Don, but I am asking you to scrutinise the Scottish service tax proposal. I have referred you to CIPFA's position on the balance of funding review, which was given in a detailed submission. I am arguing that that submission gives strong support for the service tax proposal. You said that you thought that you were here to scrutinise that proposal. That is what I am asking you to do, but I am asking you to do so fairly rather than from an adopted position. CIPFA UK's position is clear: it is more realistic and simpler to apply local income tax in a country with unitary authorities, such as Scotland.

14:45

Don Peebles: The document to which you refer is significant and to take one sentence from it, albeit a factual reference, is dangerous. The only way to acknowledge the overall position is to consider the document in full, and I ask the committee to do that. We submitted the document to the independent local taxation review with a host of papers from CIPFA in Scotland and CIPFA UK.

The Convener: I have not read the quote, but from what Tommy Sheridan read out, it seems that the point that was being made was that it would be more realistic to introduce a local income tax where there is a unitary system of local government than where there is the more complex system of local government that applies in England and Wales. However, the sentence does not necessarily advocate local income tax against council tax; it just makes it clear that such a tax would be easier to introduce where there is a single system of local government, as there is in Scotland. Is that your interpretation?

Don Peebles: That is a reasonable summary.

Tommy Sheridan: My follow-up point—and final point as others might want to ask questions—is

that the proposed service tax envisages that the rates would be set at a Scottish level and applied throughout the 32 unitary local authorities. From a finance point of view, do you accept that that would be a cheaper and less complex option than 32 local authorities setting 32 different rates of local income tax?

Don Peebles: If all that one wanted was the cheapest system possible, there might be merits in what you describe. However, the proposed system would have to be subjected to additional, independent research, especially given the potential complications should the Inland Revenue not be involved with all 32 local authorities. I am not straying into legal points where CIPFA does not have a view, but I stress that there would be a financial impact if the Inland Revenue were responsible for, let us say, only half of the 32 local authorities and 16 local authorities were responsible for their own systems. That might mean a reduction in the available economies of scale.

Tommy Sheridan: Do you accept that the previous point is covered in the financial memorandum?

The Convener: Let the witness answer, Tommy.

Don Peebles: It would have to be costed as far as possible against a background in which all possible circumstances could not be foreseen, which is an issue for the committee to consider in due course.

Tommy Sheridan: But you accept that that particular point is covered in the financial memorandum.

The Convener: Tommy, I do not want you to hector the witnesses. Andrew Arbuckle has a question.

Mr Andrew Arbuckle (Mid Scotland and Fife) (LD): Does CIPFA have a view on the proposal that debt arrears should be written off after a certain period?

Angela Scott: We are nervous about that, as you might expect. The problem comes down to the message that writing off debt would send and goes back to an earlier question about fiscal flight. Would writing off debt when we introduce a new tax send a signal that there is potential for future debt to be written off? Obviously, writing off debt also has a financial implication, and the memorandum puts some numbers to that. If that cost were contained within the devolved budget, it would create a pressure on the budget, assuming that no costs would be borne by the local authority.

The Convener: That brings us to the end of questions for the first group of witnesses. I thank

Angela Scott and Don Peebles from CIPFA in Scotland.

I welcome our second panel, from the Convention of Scottish Local Authorities: Councillor Maureen Child is a member of the finance executive group; Brenda Campbell is a corporate adviser; and Vicki Lewis and Sarah Fortune are policy managers. I understand that the panel members have waived their right to make introductory remarks.

I thank the panel members for the paper that they have submitted to the committee, which sets out COSLA's views on local government finance, the bill and the council tax. I will allow members to ask questions on the submission.

I will open up the discussion by asking—to provide clarity for committee members—whether COSLA's position is a majority position or a unanimous position. What degree of disagreement on the issue is there among the different political groupings in COSLA?

Councillor Maureen Child (Convention of Scottish Local Authorities): It is a majority position. A small minority are in favour of a local income tax.

The Convener: Is the submission based on the views that were submitted to the local government finance review committee?

Councillor Child: That is right.

Bruce Crawford: I thank the witnesses for coming to give evidence to us. I value your submission, which gives a broad view of the various different methods of collection and goes into detail on each of them.

Forgive me for referring back to what we heard earlier, but some of COSLA's evidence seems to contradict what CIPFA said. Perhaps that is not the case and I am reading the evidence wrongly, but I think that Don Peebles and Angela Scott suggested that there might be problems with buoyancy in a local income tax system—I assume that that would include the Scottish service tax—while paragraph 5.18 of COSLA's submission states:

"However the yield from local income tax would be buoyant with few variations in the rate of local income tax charged necessary."

Forgive me, but I am a simple politician and one group is telling me that there would be buoyancy problems while another group, which represents local authorities, is telling me that there would not be. There appears to be a conflict, which must be dealt with.

Councillor Child: I am also a simple politician, so I will defer to Brenda Campbell on the issue. However, I think that the buoyancy of the council

tax is clear. As local politicians who set a budget, we always look to a margin of £3 million to £5 million. That buoyancy is hugely important to us and council tax gives us that, whereas other methods are not as buoyant.

Bruce Crawford: But your paper states that local income tax would still be buoyant.

Councillor Child: We value the degree of buoyancy in council tax.

I ask Brenda Campbell to comment on the difference between CIPFA and ourselves.

Brenda Campbell (Convention of Scottish Local Authorities): I cannot comment specifically on paragraph 5.18, but there are clearly differences between COSLA and CIPFA. Our paper is a political document that has been cleared through our political forum; it is not prepared on the same basis as that on which a CIPFA document is prepared. The submissions must both be treated from that perspective.

Bruce Crawford: I appreciate that and I understand why the organisations might hold different views. COSLA also expresses a different view from CIPFA in paragraph 5.12 of its submission, under the heading "Administratively Efficient/Cost of Collection". The evidence from CIPFA suggested that the impact would be slightly different from that presented in the COSLA submission, which states that the initial set-up costs, which everyone accepts there will be with any new system,

"would be counterbalanced by significant reductions in the Valuation Office Agency and local authority Assessors and collection staff and associated overheads."

I realise that you do not want always to reflect on what CIPFA said, but are you in a position to provide any numbers? What might the cost savings be in those areas?

Brenda Campbell: No, we are not. Much of the information that we provided in our submission follows up on our position in 2001, when the Local Government Committee reviewed local government finance. In preparing evidence for the Burt committee review of local government finance, we followed up on a number of the critiques and took them forward. We prepared our evidence for the committee today in that light. We did not go through the Council Tax Abolition and Service Tax Introduction (Scotland) Bill in detail, because COSLA strongly believes that the council tax system should be used, albeit with refinements. That is what we focused our attention on, so I am not in a position to open all this up again today.

The Convener: I accept what you say about the detail of the Council Tax Abolition and Service Tax Introduction (Scotland) Bill. One consequence of

introducing a local service tax would be that local authority staff who are currently involved in council tax collection would no longer be required. Could COSLA quantify how many staff perform that function in local authorities, if not today then in writing afterwards? What impact would there be on local authorities if those staff were redeployed or made redundant?

Brenda Campbell: I am not sure that I could examine all local authorities definitively, but I commit to doing a piece of work on that, which I will submit later.

Michael McMahon (Hamilton North and Bellshill) (Lab): I have a question for clarification. In your submission you use band D as the benchmark against which you compare and contrast. Mr Sheridan's policy memorandum for the bill also uses council tax band D. Why is band D the best comparator? Can you confirm that around 65 per cent of people do not live in a band D house?

Brenda Campbell: Yes, I can. About 64 per cent of people are in bands A to C. Band D is used because it was defined as the average when council tax bandings were set up, which is why we still use it as a benchmark. However, in all the recommendations that we have made to improve council tax, we recognise that band D is no longer the average. I always visualise it as a graph. Under the ideal system the hill on the graph should be at band D, but it has moved in the wrong direction, and it needs to be rebalanced.

Michael McMahon: The issue that sticks in my mind is that the policy aim of the bill is to address unfairness for those who are on lower incomes, but comparing the savings made and the costs incurred across band D does not address the majority of people on lower incomes. The comparison is unfair.

Brenda Campbell: Under the current system, band D is not the average—64 per cent of people are below it. The issues facing people who are on lower incomes with regard to taxation and their ability to pay can be addressed through the council tax system by adding additional bands at the bottom and top to balance it out.

Michael McMahon: Mr Sheridan's policy memorandum assumes that assessment is based on an individual's income. Am I correct in thinking that if someone was living alone they would still be able to receive a discount of 25 per cent? Are you aware that the Scottish Parliament information centre information that was used to produce the statistics in Mr Sheridan's memorandum does not take account of that 25 per cent discount?

Councillor Child: No, I was not aware of that.

15:00

Mr Davidson: I appreciate the written submission that you sent us. Thanks very much. In your comments on a local income tax—I assume that you are dealing with the bill—what comes across is a lot of issues about collection, cash flow and predictability. I will start off with a simple question. Local government is funded, in the main, by progressive taxation. Is that agreed?

Councillor Child: It is funded, in the main, through the aggregate external finance grant.

Mr Davidson: But the money comes from the general tax pot, which is progressive.

Councillor Child: It comes from general tax and business tax.

Mr Davidson: Does COSLA have a view about increasing that percentage of the collection? You do not seem to come across with anything that says, "Well, there's the status quo. That's what the chancellor has. That's what comes to Scotland. That's what we negotiate with the Scottish Executive." Does local government need more money? If so, what is the fairest way of collecting that?

Councillor Child: Are you suggesting a change in the arrangements whereby national Government would grant to local authorities an even greater share? I thought that one of the issues was that local government does not raise more than 20 to 25 per cent of its current income and that that situation should change.

Mr Davidson: No, I am asking for your view. I think that the situation should change and that there should be more local accountability.

Councillor Child: Yes, absolutely.

Mr Davidson: I am just trying to tease out a view.

Councillor Child: Sorry, I misunderstood the question. Yes, I believe that there should be more local accountability. COSLA's view is that, ultimately, local authorities should again be in control of the business rate. If we were to introduce an extra tax—a local income tax over and above the council tax that we have already—that would be a good way forward. The principle of collecting and being responsible and accountable for what we collect and how we spend it is a COSLA principle.

Mr Davidson: If you wanted to keep the council tax, which is the majority view in COSLA, how would you amend it beyond what is suggested in the general comments in your written submission? You talk about banding. Are you considering any other ways of relieving pensioner poverty or the new working poor, and so on? Have you any

views about how to deal with that situation, which seems to be—

The Convener: I do not want us to go too far into the council tax review. We are here primarily to scrutinise the bill.

Mr Davidson: But I turned the question back towards the bill, convener.

The Convener: If you did, I did not notice it.

Councillor Child: If you are asking whether we are in favour of CIPFA's suggestion that the benefit system should be reformed to address issues such as pensioner poverty, the answer is yes. We are very much in favour of some simplification of the system to make it better at catching people on benefits and supporting them in paying what they are due to pay.

Mr Davidson: However, COSLA is quite happy to leave that to national Government.

Councillor Child: Yes. There are obviously things that local government can do, such as provide advice and support for pensioners and target services such as garden aid and the kinds of things that we do for people through our mainstream services. We would still be able to do those things; however, in financial terms it is then down to the UK Government.

Tommy Sheridan: Thank you for coming along today. The main policy thrust of the bill is to tackle poverty. What is COSLA's position on the bill as a means of doing that?

Councillor Child: Our position is that the best system of raising local government finance is council tax. It gives us stability to provide the services to the people whom we represent and to address poverty in the way that services do in local circumstances. Council tax provides us with the best means of continuing to provide services.

Tommy Sheridan: The question was about tackling a problem that has not changed for the best part of a decade. The figures show that, in terms of levels of poverty and inequality in Scotland, we are not making progress. This bill claims to be able to make progress in relation to that difficult problem because it will raise the disposable income of the families and individuals with the lowest incomes, but maintain the buoyancy of local authorities' finances. I am asking whether you think that that is a reasonable policy objective.

Councillor Child: That is a reasonable policy objective, but I am not sure that the policy in the bill will achieve that objective.

Tommy Sheridan: Why?

Councillor Child: Because we feel that, in terms of the services that councils provide,

stability of income is crucial. There are other ways of addressing the problem that you raise, such as through council tax banding. We can better deal with problems relating to people's income by ensuring that people at the lower end do not have to pay council tax and are supported through the benefits system in ways that will alleviate poverty.

Tommy Sheridan: If you could get guarantees as to the buoyancy of revenue across Scotland, would you be prepared to support the proposal?

Councillor Child: I suspect that COSLA would be more minded to support the proposal in that circumstance, but our current position is that, having considered the issue of local income tax—to which the Scottish service tax is similar—we do not believe that it meets the principles of accountability, fairness and technical feasibility that we set out at the beginning of this process. Those things are important to us and are not met by the local income tax or the service tax.

Tommy Sheridan: Are you aware that the Scottish Executive's submission to the committee compares the service tax implementation with council tax implementation in 2001-02 and admits that the service tax would generate £313 million more than is currently generated by the council tax? That is the position even after completely discounting council tax benefits, which means that the generation surplus would be even greater if we got to keep council tax benefit.

Do you think that a new tax that tackled poverty and generated £313 million more for local authorities to spend would be a positive measure?

Councillor Child: On the face of it, that sounds like a positive measure. However, COSLA would have to be assured that all the principles that we set out at the beginning—fairness, accountability and so on—would be met by the tax. One of our major concerns about the local income tax and the service tax relates to accountability. To us, there is a great deal to be said for the system of council tax, which allows people to see clearly who is raising the tax and who is benefiting from it. That is another major principle for us.

Tommy Sheridan: Like other members, I thank you for taking the time to prepare your submission for us. Table 2 in your submission does not have a tick beside "Ability to Pay" in the council tax line. Do you accept that the council tax is unfair because it disproportionately taxes low income individuals more than high income individuals? I believe that council tax bills take up around 5 per cent of the income of people on lower incomes but only around 2 per cent of the income of the highest earners. If you accept that, would you also accept that it would be fairer to base a tax that pays for essential local government jobs and services on income? If that tax generated extra

income over and above what would be generated by the council tax, do you accept that retraining and redeployment of staff should not present major difficulties to local authorities?

Councillor Child: You mentioned the question mark against "Ability to Pay". Once you look at the benefits system and do the revaluation that we are advocating, and once you increase the council tax bandings both at the bottom and at the top, ability to pay becomes a tick in our box rather than a question mark. That is something that you would look at down the line. As to the other issues, we are basing the evidence in our submission on our feeling that the council tax currently ticks all the boxes for us, including ability to pay. With the benefits system, the banding and the revaluation, it can be done. The ticks in the other boxes are also crucial.

Paul Martin: I have been an elected member for the past 12 years. Over that period, there have been representations from COSLA and there have been some turbulent times. Do you believe that the SST proposal would increase that turbulence because of uncertainty about allocations?

Councillor Child: Definitely, yes. Any major change to local government financing that changes the whole area will increase turbulence. If you are adding taxes, that is fine. If you are changing the whole territory, that would put an unnecessary burden on local authorities and would involve a huge system of change—similar to the reorganisation of local government.

Paul Martin: From COSLA's point of view, there is a need to create as much certainty as can be injected into the system over a period of time, and a need to link local government finance to economic stability, rather than to central allocations.

Councillor Child: Absolutely. We are now on a three-year budget programme, for both capital and revenue, and that degree of certainty injected into the planning system in the medium term is of great importance to local authorities and to service users.

Paul Martin: From a policy point of view, is there any evidence that people would move their wealth to investments in property, rather than income generation, and that it would be more difficult to collect the Scottish service tax? For example, we know that there are difficulties with those who have wealth being company directors, because it is difficult to identify that wealth through the current Inland Revenue system.

Brenda Campbell: Councillor Child can comment on that, but we have no evidence to support that point of view.

Fergus Ewing: Following on from that, I want to ask about ability to pay in relation to both local

income tax and council tax. As I understand it, the bill before us would introduce a maximum tax on income of 20 per cent, but that would be on top of general public taxation, which has a top rate of 40 per cent, and on top of national insurance contributions, which are just under 10 per cent. So we are really looking at a top rate of tax of about 70 per cent, before water and sewerage rates, VAT, excise duty and other indirect taxation. Does COSLA have a view on whether a top rate of 70 per cent, exclusive of water and sewerage rates and other taxes, is fair and supportable? Is that something that COSLA is advocating or something that you think might be damaging, especially if it were to apply in Scotland but not in England?

Councillor Child: COSLA has not taken a view on that, but I take your point.

Fergus Ewing: Do you have a view that you can offer?

Councillor Child: Personally, no. I do not want to comment on that.

Fergus Ewing: I just ask because it seems a basic and important part of Mr Sheridan's bill, so I hoped that you would be able to offer us a view on it.

Councillor Child: As I said, we have not considered the bill in detail.

15:15

Fergus Ewing: I see. Obviously one of the criteria that we will apply to Mr Sheridan's bill is whether there are other, better alternatives—you have advocated the council tax. I have a couple of questions about the ability to pay principle and your analysis of it as it applies to the council tax. You state in your paper:

"The discount scheme is particularly advantageous to single residents"—

because they get a 25 per cent reduction. Do you accept that there is a counter-argument that if a single person pays 75 per cent of the bill—let us say £750 as opposed to the £1,000 that a couple pay—they pay proportionately more than each of the people comprising the couple? You could classify the tax and judge it as particularly disadvantageous to a single person, could you not?

Councillor Child: Put that way, you could.

Fergus Ewing: One of your headline conclusions is:

"For the majority of households, property values, particularly derived from capital values, are a reasonable reflection of ability to pay."

In fairness, you go on to say that those on the lowest incomes might find that that is not the case

and that the council tax is unfair and not related to the ability to pay. Do you accept that that is particularly the case for senior citizens and others on fixed incomes?

Councillor Child: Yes.

Fergus Ewing: Do you accept—perhaps this is my main point—that that unfairness becomes more acute as the council tax tends to rise above inflation? The higher the council tax is, the more unfair it becomes for those on the state pension and those on a low, fixed income who are not entitled to receive the council tax benefit.

Councillor Child: Our full understanding is that that is the case. When local authority elected members set council tax they keep that in mind. All councils aspire to keeping council tax rises down to nearer the rate of inflation.

The Convener: Again, we are drifting a bit too close to interrogating the council tax as opposed to the bill. I encourage Fergus Ewing to concentrate mainly on the bill.

Fergus Ewing: I did point out that the committee might conclude that the council tax is fairer, for example, or that the evidence that we have had from witnesses today persuades us that Mr Sheridan's bill is not worthy of support. I felt that my questions were relevant in that sense. I have only one more question on that.

The Convener: I appreciate that the issues are related, but I do not want us to go too far down the road of interrogating just the council tax and not the bill.

Fergus Ewing: Indeed. Another factor that COSLA mentioned is benefits, which are an important facet in considering Mr Sheridan's bill and local taxation generally. What puzzled me slightly is that, as with the CIPFA witnesses earlier, you seemed to say that the "Ability to Pay" box would be ticked for the council tax if certain things happened, but you have not spelled out in your paper what those things are. I do not know how you reached that conclusion, when you do not know what your proposals are.

Councillor Child: There is a recognition that the benefits system could be scrutinised and amended to make it fairer and more transparent and that better support could be provided to people on low incomes. That could still be provided with the council tax. Although we have not considered that, there should not be a difficulty with it in principle.

Brenda Campbell: Because the system is retained by the UK Government, there were difficulties about how we could influence the changes. When we gave evidence to the local government finance review committee we focused on the elderly and the changes that we could make to the benefit system that would be

advantageous to them. We have started discussions on that and we certainly hope that the review committee will build on them in any recommendations that it makes. There will certainly be strong dialogue between us on that.

Fergus Ewing: So it is work in progress, but you have not reached the stage where you have a specific proposal to offer.

Brenda Campbell: Yes, I would like to think that it is a work in progress, in that there will be changes in the longer term.

Fergus Ewing: Finally, when you give us your further thoughts on local taxation, will you consider the different positions in Scotland and England and the fact that, pound for pound, we pay higher council tax bills than people south of the border pay for similar properties?

Brenda Campbell: Yes.

Mr Arbuckle: There is currently around £500 million in unpaid council tax arrears. Has COSLA carried out any research into why that money is outstanding? You have given council tax a sort of tick in the "Ability to Pay" box, but it is obvious that there is a sector of our community that is not paying. Have you looked into who is not paying? It would be instructive for us to know that in considering any new or different kind of tax.

Councillor Child: Local authorities have done quite a lot of work to increase their levels of collection. The level of in-year collection has risen above 90 to 91 per cent, on average. However, certain things prevent our increasing the level of collection, one of which is the attachment of the water rate, for which there is no benefit eligibility. The situation is different in England, where the water rate is not collected alongside the council tax. We have put several measures in place in local authorities to increase the level of collection, and it is improving year on year.

Mr Arbuckle: As a local authority councillor, I am aware that the position is improving; however, there is still a large sum of money in arrears. I do not know whether the link to the water rate is apocryphal.

The Convener: Andrew, you seem to be drifting back towards interrogation of the council tax. If you are asking questions about that, I ask you to relate them back to something specifically to do with the bill.

Mr Arbuckle: Okay. My question was about the support that COSLA is giving to the council tax and another tax. I am trying to winkle out a weakness that I see in the council tax; however, I will leave it there. I am quite happy.

Dr Sylvia Jackson (Stirling) (Lab): I was going to ask about paragraph 5.7 of COSLA's

submission, on the benefit system; however, your answer to Fergus Ewing's question suggests that there is work in progress on benefits. Can you elaborate a little on paragraph 5.17? I am a simple politician. You state:

"However, direct taxation is far more disagreeable to the electorate than indirect forms of taxation such as property taxes and the council tax."

Can you tell me what that means?

Councillor Child: To my mind, that means that council tax has the advantage or the disadvantage, depending on how one looks at it, of being up front and transparent. Someone gets a bill every month, and what they are due to pay to the council is stated very clearly. That transparency, however, leads to resistance from some people, who ask, "How much do I pay to the council? What do I get for that council tax?" The advantage is that it provides a degree of accountability at the local level, as people can see what they are paying for the good service that is provided for the common good. However, it is a double-edged sword, and there is resistance from some people. They may not notice how much income tax, VAT or national insurance they pay, but they sure know how much council tax they pay and they are challenging us about what they get for what they pay. I hope that that teases out a little of what is behind that sentence.

Dr Jackson: I am thinking about what constituents have said to me. Because of the rise in the level of council tax, as you say, they want to know what services they are getting for that money. I cannot say that I have been challenged in the same way about income tax, although perhaps I would not be, as I am an MSP, not an MP. I am not sure that I agree totally with what you say, but perhaps that is just my perception.

Councillor Child: I have seen a statistic that council tax constitutes only 4 per cent of the average household's total costs. Despite that, the council tax is subject to much greater scrutiny than any other tax. I was surprised when I heard that statistic, because, although there may be variation in the figures, it gives the lie to the suggestion that the council tax is a huge burden on households, especially if one compares and contrasts with mortgage payments and energy bills.

The Convener: Bruce Crawford and Tommy Sheridan have brief supplementary questions, but I ask them to keep them brief.

Bruce Crawford: Whether the council tax is easy to understand depends on where one is standing. It is certainly not easy to explain to people the gearing effects on council tax of a reduction in AEF—the money that comes from Government. I am not sure that using the wide term "easily understood" deals with the matter satisfactorily.

Many unpredictable things happen to local authorities. For example, less money than is expected may come from the direct labour organisation, the income from leisure facilities may not be as high as was wanted or unexpected weather can cause destabilisation in the budget because the authority has to deal with emergency situations. When the unpredictable happens, how do you deal with it?

Councillor Child: We look at other income streams or underspends in other areas. Today, our council examined our six-month monitoring, which projected an overspend. People often think that that will translate into a council tax increase, but that is not inevitable. Given that we are a large, complex organisation, we can seek underspends in some areas. At this time of year, we always look at overspends, but we do not consider where underspends can be found. If we are in difficulty in one area, we can increase income from other areas.

Bruce Crawford: Local government's contingency fund is usually about 2 or 3 per cent of the total budget, if the finance director gets his way—that is the usual recommended level.

Councillor Child: Yes.

Bruce Crawford: So if you have mechanisms for dealing with turbulence and instability, why would that be any different under a local income tax system?

Councillor Child: Because of the scale of the turbulence and instability. We can deal with the degree of instability in the natural course of local government, but we do not need extra instability and turbulence.

Bruce Crawford: We have had general economic growth for a long time—I am sure that my Labour colleagues will tell me how long it has been.

Michael McMahon: As long as we have been in power.

Paul Martin: Since 1997.

Bruce Crawford: Since 1997, we have had increases in the economic power in the country. Under the proposed system, you would have had extra resources that you did not expect. Why could you not park such money in a stability fund to deal with any future problems?

Brenda Campbell: There is no need for councils to set up stability funds under the current local government finance system.

Bruce Crawford: I am talking about Tommy Sheridan's suggested Scottish service tax and how we can deal with the stability issue.

Brenda Campbell: At the moment, we have three-year settlements with the Scottish Executive, which create stability and predictability over that period. Some of the matters for which we use reserves are one-off issues. The view that COSLA has reached on the proposals relates to longer-term predictability. A professional accounting body would not recommend setting up reserves specifically to deal with predictability issues in relation to the yield from a taxation system, particularly a local one. That would not be a recommendation for future accounting purposes. In the short term, local government would not necessarily have sufficient funds to do that.

Bruce Crawford: The funds would not need to come only from local government; they could come from central Government, too.

The Convener: I do not want to prolong the discussion of the issue.

Bruce Crawford: I understand that, but I am just saying that mechanisms could be introduced to deal with instability.

The Convener: Tommy Sheridan can have a brief final question.

15:30

Tommy Sheridan: I am clear that the proposed Scottish service tax is related to ability to pay and that, as it would redistribute income from those who have lots to those who have little, it would be an anti-poverty measure. You say that your proposals will make the council tax more related to ability to pay; one of those proposals is revaluation and another is to increase the number of council tax bands. How many winners and losers would there be under your revaluation proposal and how many new bands would you create?

Councillor Child: We have not yet gone into any detail as to how many winners and losers there would be because that would depend heavily on the way that the revaluation went and on the number of bands. At the minute, we recommend an increase in the number of bands from eight to 12, which would enable us to put a couple of new bands at the lower end and a couple at the higher end. We think that more than 12 bands might be a little bit unwieldy, so we recommend 12.

Tommy Sheridan: Do you accept that, in the revaluation in Wales, there were significantly more losers than winners and that the increase in property prices that we have had over the past decade means that your proposals for revaluation could result in financial hardship for an awful lot of people?

Councillor Child: We would have to examine the lower end of the banding to minimise the risk of hardship.

Tommy Sheridan: My final point is on collection. I am clear that the proposed Scottish service tax is robust in that it is related to ability to pay and in that contracting with the Inland Revenue would allow it to be collected regularly and allow even more money to be collected than is currently collected under the council tax. Is it the case that non-collection of council tax has increased by £26 million in the past year? The figures that I have indicate that non-collection rose from £95.8 million to £121.8 million in the previous financial year.

Councillor Child: I am not party to those figures. There was some turbulence within the Edinburgh system at a certain time because we were migrating to new systems, but I am not aware of any increase in non-collection apart from that cause.

The Convener: I am sure, Tommy, that you will be able to put that question to the minister when we have him before the committee.

Tommy Sheridan: Do you want me to give the reference for circulation to committee members?

The Convener: You can give it to the clerks; you do not need to give it on the record.

That brings us to the end of questions for the COSLA panel of witnesses. I thank Maureen Child for her evidence. I also thank Brenda Campbell, Vicki Lewis and Sarah Fortune. I will allow a two-minute suspension before we take the third panel of witnesses.

15:33

Meeting suspended.

15:38

On resuming—

The Convener: I welcome our third panel of witnesses. We have three academics: Professor Christine Cooper from the University of Strathclyde and Professor Mike Danson and Professor Geoff Whittam from the University of Paisley. Thank you very much for your written submission. I understand that each of you wishes to make a brief comment before we move to a question-and-answer session.

Professor Christine Cooper (University of Strathclyde): Thank you for inviting us today and for giving us the opportunity to provide written evidence. Like others who have given evidence today, we feel that some questions require more thought and perhaps a written answer. We would be happy to do that if it would be helpful to the committee. Each of us has a quick point to make. My point—which I think is very clear from our written evidence—is that the major strength of the

bill is the way in which it would tackle poverty in Scotland. We feel that tackling poverty is one of the most pressing priorities for the Scottish Executive.

Professor Mike Danson (University of Paisley): The World Bank and the World Economic Forum stress that poverty is a major drag on economic growth and development. Therefore, anything that we can do to address poverty is good for the Scottish economy overall. Income inequality in Scotland and the United Kingdom has not changed since the mid-1980s. It is fixed and difficult to move. Normally, we would expect the tax system to address that.

I want to respond to what we heard earlier. The UK tax system is regressive overall. It takes more from the poor as a proportion of their income—gross disposable or post-tax income—than it takes from the rich. That is Treasury information from the July edition of “Economic Trends”, but the results of Treasury analysis have been the same every year over the past few years.

Why is the tax system regressive? Because of indirect taxes. Such taxes do not come under the power of Scotland. However, there is one direct tax under Scotland's control that is regressive and exacerbates the overall regressive nature of taxation. That one tax is the council tax. Even after deductions and benefits are taken into account, the poor pay almost 5 per cent of their income in council tax. The richest fifth in the UK pay less than 2 per cent—1.7 per cent. If we want to have a direct effect on poverty in Scotland, we should address the one tax that it is open to us to address—the council tax. We cannot touch the benefit system, because that power is reserved. Council tax is not reserved. It adds massively to the regressive nature of the UK tax system. We can therefore address income inequality directly.

We have heard a lot about economic buoyancy. Incomes in Scotland have not fallen for at least a generation. Buoyancy can be put to one side; buoyancy in incomes is not a problem.

Geoff Whittam (University of Paisley): Before I start, convener, I would be grateful if you would do me a favour. Would you contact people at the University of Paisley and tell them that you have promoted me? I would appreciate that, because unfortunately I am just plain Mr Geoff Whittam.

I want to say a few words about accountability. A point that is made against the bill is that it would make local authorities unaccountable. In our submission, we make it clear that we are proposing a return of non-domestic rates to local authority control. We suggest that that move would build in some accountability. We also suggest that what people judge councils on is service delivery. Whether people are getting their bins emptied or

the dog mess cleaned up, that is what they are concerned about and that is what councils are held accountable for. The Scottish Parliament does not raise its own taxation, but its legitimacy is not questioned. Therefore, on those three counts, we suggest that the accountability arguments against the bill fall.

The Convener: Thanks to all three of you for your evidence. I apologise, Mr Whittam, if we overpromoted you. However, I am sure that if your employers at the University of Paisley know the esteem in which you are held by the Parliament, they will take action in due course.

Geoff Whittam: Thank you very much.

The Convener: In your submission, you estimate that around 75 per cent of the Scottish population would be better off under the proposed Scottish service tax as opposed to the current council tax. Do those figures take account of council tax discounts and benefits? If not, what would be the impact of taking account of discounts and benefits?

Professor Cooper: I think that two of us would like to answer that. The first point is that it is very difficult to tell the exact percentage of people who would be better off under the Scottish service tax. However, the vast majority of people in Scotland would be better off.

There is a tendency to slide into little arguments over whether the figure would be 70 or 78 or 68 or 72 per cent. It is very difficult to be exact. It is difficult to know how many single people are in each council tax band—or married people, or people claiming benefits, or pensioners. Getting that level of detail would be difficult. That is why we have given an approximate figure. It is our best estimate. The actual figure could be lower or higher.

15:45

The Convener: I just want to clarify that. Within that range, do you attempt to estimate the proportion of people in receipt of council tax benefit?

Professor Danson: Only in terms of the overall impact on the Scottish economy. That follows the conventions of the Institute for Fiscal Studies and other commentators on tax and benefit changes—they tend to view them partially.

The Convener: Do you accept that those in receipt of full council tax benefit would be in a neutral position in relation to the Scottish service tax system? They would perhaps pay no Scottish service tax in the future, but they currently pay no council tax because they get full council tax benefit.

Professor Danson: As individuals, yes. Moreover, they would not have to go through means testing, which we know to be a major reason why a lot of pensioners and others do not claim the benefit.

The Convener: The next point that I want to address is one that I am sure you will have noticed in the evidence and in the committee's questions about the impact of the introduction of the Scottish service tax on the mobility of labour. I can assure you that I am not interested about where celebrities might choose to live on the basis of any change in the taxation system; I am more concerned about the impact that the new taxation system might have on relatively well-paid professionals in the public services. I have used the example of doctors on a number of occasions. Would you accept that there might be a propensity for well-paid public servants to transfer to other parts of the United Kingdom? If they stayed in Scotland, the marginal tax rate applying to them would be 20 per cent higher than it would be if they chose to work in Manchester or Newcastle.

Professor Cooper: We have thought about that quite a lot. There will of course be individuals who decide to do that. We looked at a lot of research, but found little evidence about what real people actually do in such situations. Perhaps the University of Strathclyde pays me too much, but I would be badly hit under the new taxation system. However, I would definitely stay in Scotland. The things that keep me here are my conditions of work at Strathclyde, my family, my interests and my friends. All those things are likely to keep me here in Scotland.

Some people might decide to move somewhere else for purely financial reasons, but I think that doctors or consultants, for example, would take all kinds of things into consideration, such as their conditions of work, the state of the health service in Scotland, the equipment that they have at their disposal, the social problems that they have to tackle and so on. Lots of things will impact on people's decisions about what country to live in, aside from their income.

The Convener: I accept that income will not be the sole determinant of where somebody chooses to work. I used the example of doctors because Scotland already loses a significant proportion of the doctors whom we train to other parts of the UK. A significant proportion of the doctors who choose to stay in Scotland were born in other parts of the UK. Returning to wherever they hail from might not be as big a move for them as a move to elsewhere in the UK might be for other people.

Professor Bell from the University of Stirling has given us some evidence suggesting that, as you have also said, it would be difficult to estimate the

exact impact of the new tax. He indicated that, in order to retain the number of doctors that we need in the national health service in Scotland, it would be likely that we would have to pay them a higher top rate in order to compensate them for the higher level of taxation that they would pay. Do you accept that that is likely to be the case? If so, would it be prudent to try to quantify that factor before making such a radical change in the taxation system?

Professor Danson: Work was done on the issue in previous decades. More recently, work has been carried out by Kay and King, by Chuck Brown of the University of Stirling—he was David Bell's boss—and by Fiegehen and Reddaway. Kay and King stated that there was

“more anecdote than evidence of serious effect”.

Major studies, both national and international, have shown that net wage is not a major driver of mobility. We might ask why Mexicans cross the border into the United States in such large numbers or why people move from Slovakia to Germany, given that, in those two cases, the tax rate is so much higher in the destination countries—and the salaries might be commensurate. There is plenty of anecdotal evidence. The rigorous evidence appears to show that there may be a neutral effect or, as Christine Cooper has argued, many other drivers that dictate why people move or do not move. Recent evidence in the health service suggests decreasing discrimination against women doctors might be a better way to fill vacancies for consultants in Scotland.

The Convener: With respect, you mention people moving from Mexico into the United States, which has an economy in which they may be able to earn far more money. However, in the UK, we are talking about a change in taxation within a unitary state, where the barriers to movement would be relatively low. Do you have any examples from unitary states of differences in marginal taxation rate of the size that is proposed in the bill?

Professor Danson: The Isle of Man might be a good example: people are leaving the UK to go to the Isle of Man, from where they can commute easily to Liverpool, Belfast and so forth on early morning flights. In the US, where I was a couple of weeks ago, there is evidence of a huge range of taxation systems, including sales tax and land tax. However, there is not huge mobility for those reasons between states. Work by Richard Florida and others suggests that many other aspects of the local economy and local society drive people to move between areas and to settle in one area rather than another—that decision depends surprisingly little on the net wage.

Fergus Ewing: I think that you call it “fiscal flight” in your paper. There have been academic studies—I have tried to understand them and I must admit to having struggled with some of the jargon. Is it reasonable to make the point that, in relation to the bill, we are talking about not just a couple of pence extra, but 20 per cent extra? You may have heard me questioning earlier witnesses about that. The rate for high earners would be nearly 70 per cent: 40 per cent, which is the current top rate of income tax; nearly 10 per cent in national insurance contributions; plus Tommy Sheridan’s 20 per cent. That is before water rates, sewerage charges, VAT, excise duty and so on are paid. Would it be fair to say that what Tommy Sheridan proposes is not a couple of pence or a tartan tax, but a huge, double tithe?

If Scotland gathered the reputation—even in the UK—of being high-tax territory, there could be serious consequences. No matter what surveys in the Isle of Man, the US, Mexico and Vietnam—you mention Watergate in your paper as well—may say, we are facing the possibility of an obvious and foreseeable danger that people such as key and well-paid public servants, including consultants in our hospitals, would say, “I’m not prepared to pay that much more.” Is that not a real and fact-based concern?

Geoff Whittam: The introduction to economics lecturer’s sixth lesson would tell you that labour is relatively immobile. We are suggesting that people, especially professionals, take many factors into consideration when they are deciding where to locate and which employment to try to secure. Examples of that are cultural factors, such as membership of local clubs, support of Celtic or Rangers—or, in Edinburgh, Hearts or Hibs—and where the kids are at school. Many factors lead to immobility of labour. It is rather disingenuous to argue that we should tailor a tax system around two or three groups of key workers at the expense of the rest of the population and the economy. That does not lead us to consider the total economic picture for Scotland.

Fergus Ewing: I am not an expert in economics, although I note that many of the economists’ forecasts are wrong, but in my constituency there is a vastly growing population of people from England who come to take up well-paid posts as consultants—and very welcome they are, too. They have been mobile and they have come to Scotland. I seriously doubt whether they would have come to Scotland if they had faced an extra 20 per cent tax. We will just have to agree to disagree on that.

I seek the witnesses’ views not on fiscal departures but on fiscal arrivals. I talk, of course, about Ireland, which created from nothing a financial sector and a pharmaceutical industry,

with Johnson & Johnson, Schering-Plough and others employing thousands of people. One device that Ireland used was a tax amnesty to attract people. That measure worked. Do you accept that there was an incoming fiscal flight and that that is at odds with the general tenor of your arguments?

Professor Danson: There are a number of academic and other studies of the Celtic tiger and the reasons why Ireland has apparently been able to grow in a sustainable way for the past 15 or 20 years. Corporation tax has been mentioned on many occasions, particularly by certain commentators. However, the vast increase in human capital in Ireland and the fact that many of the diaspora have been attracted back have been claimed to be at least as important, if not more important. You will find a number of academic and other studies—particularly in relation to software and pharmaceuticals—that question the sustainability of the Irish economic revival, particularly with regard to inequality. In our paper, we reference the work of Sweeney and others on that issue.

Fergus Ewing: I heard your answer, but it did not directly relate to the question that was posed. The reports on Ireland to which you refer are nearly a decade out of date. You may or may not wish to offer a view on my point, which was that the Irish example shows that personal tax and corporation tax incentives, such as tax amnesties or lower rates for a specific period provided that the person stayed for a particular period—I think that in Ireland it was five years—worked. Perhaps those measures attracted people who had an emotional attachment through the diaspora or perhaps there were other factors, but the incentives worked. Fiscal flight is a fact and Ireland proves it, does it not?

Professor Danson: No. Two things happened: the Irish had certain tax changes and benefits and there was a massive influx of people into Ireland. Whether those two things are related and what the causality is are other questions. I have interviewed consultants in Ireland, some of whom have come across to Scotland. Why did the professor of public health at the University of Glasgow come across when he faced much higher tax here? He went to Ireland in the first place for reasons other than income, as did many others. As we have said before, income net of tax is not the only driver—

Fergus Ewing: I am not suggesting that it is the only one—

Professor Danson: Do you want an answer to the question? You asked us to state whether we accept that the lower tax rate drove Ireland’s economic revival, because it brought people into the country. No—jobs did. If expansion in jobs was as simple as cutting taxes, Slovakia and Mexico

would be the booming parts of Europe and North America respectively. The issue is far more complex.

Fergus Ewing: We will just have to agree to have different viewpoints.

The Convener: A couple of members want to come in on that point, but, before I bring them in, I have one final question. Your submission uses the 1997 Fraser of Allander institute report on the tax-varying powers of the Scottish Parliament to justify your argument. Do you accept that that report, on the power to vary basic rate income tax by 3p in the pound, is not entirely applicable to a system that would vary income tax by between 4.5 per cent and 20 per cent? The applicability of the report is weak.

Professor Danson: We used it to demonstrate the overall impact on the economy of an increase in taxation in Scotland as a whole; we were not looking at individual elements and the distribution of the impact in Scotland.

The Convener: But presumably the Fraser of Allander report examined the tax-varying powers of the Scottish Parliament and their impact if applied.

Professor Danson: It examined the impact on Scotland of increasing taxation and expenditure at the same time.

16:00

Geoff Whittam: We are basically demonstrating the simple point that economic growth can result from changes in the tax system. The marginal propensity to consume argument says that such change could generate growth in the Scottish economy. We are trying to illustrate that point in order to forestall arguments that an increase in overall tax take would necessarily harm the economy.

The Convener: The point that I am trying to address is that we cannot just take a straightforward, linear correlation from a 3 per cent variation in basic rate income tax and say that the same conditions would apply to variations in income tax of between 4.5 per cent and 20 per cent—we would need a study on those figures, too.

Professor Danson: As Geoff Whittam said, the point is that, if the Government raised tax in Scotland and spent that tax in Scotland, that would have an expansionary effect on the economy.

The Convener: At what point would that cease to be the case?

Professor Danson: The Fraser of Allander institute study was based on the tartan tax of 3 per cent; as a raising of, or change in, the basic rate of

tax would have a bigger take, the institute considered the issue again. That involved comparing the overall impact on a balanced budget and economic expansion of raising tax and spending the revenue with what would happen to the economy if the tax was left in the hands of the population.

The Convener: Yes, but just to confirm—

Geoff Whittam: When the central argument in our paper was put to the person in the Fraser of Allander institute who was responsible for writing the report, they raised no objections to it.

The Convener: But that report was based on the tax-varying powers available to the Scottish Parliament and not on unlimited tax-varying powers.

Geoff Whittam: We are getting into a circular argument here. The point that we were trying to demonstrate is that raising taxation spending would create, because of simple Keynesian multiplier effects, an expansion in the Scottish economy and would therefore not be detrimental to the economy.

The Convener: So that would carry on exponentially with any tax figure at all.

Geoff Whittam: No, because we would come up against supply constraints in the economy that could lead to inflationary conditions. Those could then lead to changes in the investment decisions of private individuals, which could, at some point in the future—but we are nowhere near that, because supply is available in the Scottish economy.

The Convener: The point that I am making is that the Fraser of Allander institute report did not analyse the sort of variations in income tax that are proposed in the bill.

Professor Danson: No. The institute looked at the effect of an aggregate net tax take of £390 million on the economy. Leaving aside the issue of how that money is raised, the report said that, if the Government took that out of the economy and spent it, the economy would expand. The figure of £390 million is more than we suggest a Scottish service tax would take in any one year.

Paul Martin: One of the figures that the panel cites in its submission is a joint salary of £31,000 per annum. Would people on such a salary be living in poverty? The point that I am trying to make is that those behind the SST proposal suggest that the main principle of the tax is to tackle poverty. Your example suggests that someone on £31,000 a year would be living in poverty and therefore would benefit from the SST. Are those the people that the proposal seeks to target?

Geoff Whittam: We are not claiming that those people live in poverty.

Paul Martin: Yes, but they would benefit from your proposals. You say that the bill seeks to tackle social exclusion and to deal with people who are living in poverty, but I have highlighted examples of people living in a large property in an affluent area, with quite substantial savings in the bank, who, because the proposal is not means tested, would benefit from the bill.

Geoff Whittam: So do we throw the bill out because too many people would benefit from it?

Paul Martin: I appreciate that you have a particular point of view on the bill. You say in your submission that the ethos of the bill is to tackle social exclusion and to help those in poverty. However, do you accept that someone in Edinburgh, for example, who earns £31,000 a year but lives in a £750,000 property will benefit from the introduction of the Scottish service tax?

Geoff Whittam: I do not disagree with you, but I do not see the problem with that.

Paul Martin: In your paper, you say that the average benefit under the service tax will be approximately £50 a month. I agree with your point that, although that does not seem like much, it is a great deal to people on low incomes. However, could those resources not be targeted directly at the socially excluded areas that need them instead of at the tax system?

Professor Danson: As I said in my introduction, the UK Treasury reckons that the average poor person spends 5 per cent of his or her income on the council tax. That is despite all the targeting and good measures that local authorities, the Scottish Executive and others have taken with regard to the benefits system and so on. The proposal would give poor people an immediate 5 per cent increase in their income. They would be able to spend that money in the local economy, raise their standard of living and pull themselves up.

Paul Martin: Do you accept that, in order to tackle social exclusion and to deal with poverty, we could be more creative about targeting those resources instead of simply targeting them at individuals?

Professor Danson: I am sorry—I missed what you said. Were you asking whether there were other ways of targeting resources?

Paul Martin: Yes.

Professor Danson: Of course there are, and the Executive has been putting many of them into practice. However, as I have said, in the UK one direct, regressive tax—the council tax—impacts very heavily on the very poorest people in society.

The proposal is a way of putting more money directly into their pockets without means testing or taking away their dignity.

Paul Martin: But there might be more creative ways of doing that without incurring the costs associated with the proposal.

Professor Danson: Cost is another matter, but I do not think that there is anything more creative than giving more money to the poorest people.

Paul Martin: Although your submission mentions children, the proposals do not take aspects such as family profile into account. Are there any more creative ways of delivering that £50 a month increase in income directly to children, instead of to the taxpayer?

Geoff Whittam: That raises the whole question of how we tackle poverty. As Mike Danson said in his introduction, indices of poverty in Scotland have shifted hardly at all in the past decade. When measures that might have achieved good things have been tested, either they have not been taken up or they have not had a robust impact on reversing poverty in Scotland. We are simply suggesting that one imaginative way of addressing the situation is to look at the tax system, which hits the poor hardest. If we want to help the poor, we could reform the tax system so that it benefits them directly.

The Convener: Mike Danson said that the bill was about putting money into the pockets of the very poorest people. However—and this relates to the questions that I was asking earlier—surely the very poorest will not benefit from the introduction of the service tax on day one because, if they are in receipt of full council tax benefit and do not pay any council tax, they will be in exactly the same situation. They will have no more money in their pockets than they did before the introduction of the proposals. I expect that you might well have criticisms of having a means-tested system for council tax benefit but, if someone is taking advantage of that benefit, they will not be better off under the new system.

Professor Danson: That is true, if that person were claiming the full benefit. However, as I said, many people who are entitled to claim do not do so, for whatever reason. They are stigmatised and, therefore, the argument about means testing is apposite.

The Convener: However, if they are claiming council tax benefit, they would not be any better off under the new system.

Professor Danson: Aye.

Michael McMahon: On the question of accountability, Mr Whittam, you stated at the outset that although the Scottish Parliament does not raise its own taxes, there is no question of the

accountability of this place being in question. For a period of time thereafter, we discussed how much importance should be placed on the ability of the Scottish Parliament to raise tax by 1 per cent, 2 per cent or 3 per cent. Your statement at the outset was not factually correct, was it?

Geoff Whittam: Yes, it was. Where does the Scottish Parliament get its money from?

Michael McMahon: We have the power, as a legislature, to raise—

Geoff Whittam: But you choose not to use it.

Michael McMahon: That is right. That is the democratic process. What the bill chooses—

Geoff Whittam: Hold on, we were talking about accountability. The argument is that if we remove the ability of councils to raise money locally, they somehow become unaccountable. My point is that we could say the same thing about the Scottish Parliament. The Scottish Parliament is not raising money—

Michael McMahon: By choice.

Geoff Whittam: But we do not say that the fact that the Scottish Parliament is not raising money means that it is unaccountable.

Michael McMahon: But the Scottish Parliament can choose whether to raise or lower income tax by 1 per cent, 2 per cent or 3 per cent. The bill seeks to take away from local government the power to raise its own taxation. Is that correct?

Geoff Whittam: Yes, of course.

Michael McMahon: Therefore, the assertion that you made at the outset is not actually correct.

Geoff Whittam: No, I totally disagree with you.

Michael McMahon: Okay, we will agree to disagree.

On the arguments about how much each person would save or otherwise under the bill, you have helpfully given us some examples of the potential savings that each person could make. Earlier this afternoon, Mr Sheridan said that the bill seeks to take from those with lots to give to those with little. As a member of the Labour Party and a socialist, I would not disagree with that in principle. However, the problem comes at the lower end of the scale.

You have given us an example of a bus driver on £17,350. Under the SST, he would pay £331 and would save around £10 a week. That sounds appealing at that level and, in principle, I would be keen to move towards such a situation. The difficulty for me is that the bill does not take account of the household; it deals only with the individual. If that bus driver lives with another adult and, perhaps, children in a band B house, it is quite possible that, right next door to that person—

also in a band B house—lives a family with two income earners who each earn £9,900. They would have a combined income of around £19,800, which would be £2,000 more than the bus driver's household, but they would pay nothing.

At the level of ordinary people, living side by side in communities, we could end up with a bus driver paying £331 for the local authority's important services while his next-door neighbours, who have a combined income that is greater than his, pay nothing. That does not address the issue of fairness in the system, does it?

Professor Danson: The UK income tax system is exactly the same as that.

Michael McMahon: That does not answer my question.

Professor Danson: Would you like to answer mine? Do you not think that we should look at the issue in the round and—

Michael McMahon: Excuse me, Mr Danson, I have asked a question and you have not answered it. Earlier, you talked about answering questions fairly. Could you answer my question? Is my assumption correct or not?

The Convener: Let him answer the question, Michael.

Professor Cooper: Can I answer it? You are absolutely right, Mr McMahon. You have pointed to one of the flaws in the bill. As far as I can tell, the bill was designed to address poverty which, as you say, it will do in a lot of cases. Any bill that is drawn up will have some anomalies and you have pointed to one of them. If you accepted the substance, the thrust and the desire behind the bill, it would be possible, if you wanted to, to make minor amendments to address those issues.

16:15

Michael McMahon: Could we not make minor amendments—or major amendments—to the council tax?

Professor Cooper: The bill deals with something that is within the powers of the Scottish Executive in Scotland.

Michael McMahon: With all due respect, it is within the powers of the Scottish Executive to change the council tax.

Professor Danson: The council tax, as we said, is regressive. Whatever changes you make to it, it will still be regressive.

Mr Davidson: Coming back to the line in your paper about propensity to spend, I see that you talk about the less well-off having a bit more money to spend, whether it is £10 a week or £50 a

month. Have you done any calculations on the impact on higher-income people, who would have less money to spend and who would put less into the service economy, which is what you seem to be advocating?

Geoff Whittam: No.

Mr Davidson: You have no figures for that, so there is no comparison of the total outcomes for the Scottish economy—

Geoff Whittam: You are talking about a very small number of people. We have not looked at the impact of changing spending patterns of the well-off.

Mr Davidson: There are 1,000 people working on this site, plus visitors, every day. Most of those people are in employment and their spending power would be quite dramatically affected, but you have not done any work on that.

Geoff Whittam: I thought that you were talking about those who would be eligible for the top rate of income tax.

Mr Davidson: I am talking about those who would pay more tax if the bill were passed. Do you agree that there would be an effect on their economic spending power?

Professor Danson: There would be. On page 9 of our submission, there are various references that address that point. That is what the Fraser of Allander institute work was about. It found that, in the round, the overall effect on the Scottish economy would be positive. There would, obviously, be less spending by those on higher incomes, because they would be paying more in tax, but that would be more than balanced by those who were getting a reduction in their overall tax.

Mr Davidson: Your contention is that more money would be spent in the Scottish economy by residents of Scotland. What about the path out of poverty through opportunities for employment? Many of the companies that have come to Scotland over the past 20-odd years and many indigenous companies have been based on entrepreneurialism. Do you think that we are likely to attract or retain our entrepreneurs?

Geoff Whittam: Yes. The entrepreneurs whom I know show a commitment to Scotland. Part of the reason why they want to set up businesses is that they feel as if they have done well by Scotland and want to give something back. The motivation for entrepreneurs is not necessarily the amount of tax for which they will be liable; there are other factors that motivate them to become entrepreneurs.

Mr Davidson: Yet a lot of Scots are taking their businesses and their business ideas to eastern Europe, because there is more opportunity there

for a bigger return on their investment, lower labour costs and different Government approaches. Slovakia, for example, will have the highest per capita levels for the production of motor cars in one or two years' time.

Geoff Whittam: Of course, we live in a globalised economy. I would not have thought that Scotland wanted to compete on low labour costs. To take the argument to its logical conclusion, if we wanted to compete against manufacturing production in China, we would have to pay about 30p an hour. Would you advocate an economy based on wages of 30p an hour? I suggest that you would not. The type of business that will be successful in Scotland—and there are many successful indigenous companies—is the high-value-added type. In terms of innovation and entrepreneurship, that is the area where the Scottish economy can compete in the globalised economy.

Mr Davidson: So you do not accept that argument; that is fair enough.

I have a question that has been asked before, but I will ask it slightly differently. From your examination of council tax and other taxation systems, what changes do you think could be made that would help the less well-off but would not affect the benefits system?

Geoff Whittam: The problem comes down to legal competency. Although the Scottish Parliament can vary the rate of income tax by 3 per cent, the nature of the devolution settlement limits what it can do.

Mr Davidson: Professor Danson said that the council tax was regressive. If you were asked how you could make that system of taxation fairer, what would your instinctive response be? Have you done any work at all on how you would go about doing that, for example by making allowances for low-income pensioners or the new working poor, such as bus drivers?

Geoff Whittam: Only in the context of the bill. If you wanted to get a progressive tax system, you would examine the key variables that we have cited. In other words, you would seek to set an appropriate exemption limit—we have come up with a cut-off point of a salary of £10,000—and would consider how to achieve equality of sacrifice. The very nature of progressive taxation means that those who earn more should be prepared to pay more.

Mr Davidson: Thank you for that answer.

Dr Jackson: My question is on tax avoidance. On page 9 of your submission, you state:

"There is no doubt that large accounting firms aggressively market 'tax products' which could be described as potentially abusive in the sense that they cost

the UK Treasury millions of pounds. Some of these are certainly legal".

On page 13, you go on to say:

"However, it would be wrong to allow those within the economy who benefit from the creation of tax avoidance schemes to dictate taxation policy."

Should we conclude from those two statements that we do not know exactly how much tax revenue we would get from the service tax?

Professor Cooper: No—we know how much tax revenue we would get. If, under the Scottish service tax, we managed somehow to catch some of the people who are not being caught by the regular income tax system, we would get more revenue than we have indicated. The figures that we have worked out are based on the number of people who are captured by the existing pay-as-you-earn system.

Dr Jackson: Do you not think that increasing taxes to a higher rate would result in large accounting firms marketing their tax products even more aggressively?

Professor Cooper: They might well do that.

Dr Jackson: That being the case, I do not understand how you can be reasonably sure about how much revenue you would obtain from the service tax.

Professor Cooper: I see what you mean. Our assumption is that the people who are in the PAYE system and are paying certain amounts of taxation would not drop out of the system.

We strongly believe that whether we attempt to close the loopholes in taxation is a matter of political will. Every time a new law is made, it is like a game—accountants think about it and then alter their practice. I am not wholly convinced that people who—let us say—use the tax system legally are chased in the way that they could be.

Dr Jackson: Do you accept that it would take a significant amount of effort to get round some of the tax avoidance schemes that would emerge, especially as we have not dealt with all the ones that exist?

Professor Cooper: The short answer is that I am not convinced that it would take that much effort. As I say, it is a question of having the political will and a belief that people really should pay their taxes.

I will give you an example of what I mean about political will. It has been reported that a recent legal case is hitting workers such as plumbers who have set up their own companies and who, in order to avoid paying tax, pay themselves and their wives dividends rather than an income. At the same time as that hit the press, the head of Bhs, Philip Green, was reported to be paying himself a

dividend of more than £1 billion. I understand that the cheque for that was paid to his wife, who lives in Monaco. It seems that the Government is chasing plumbers. However, it is more than plumbers, as a lot of large companies encourage their workers to set up as little private companies in order to avoid taxation. Those people have been caught and the Inland Revenue is chasing them for back tax. I am not convinced that the same could not be done for some of the larger, more high-profile tax cases.

Dr Jackson: It sounds as though we still have a long way to go.

Professor Cooper: You will know more about this than I do and I am not here to ask you questions, but it seems to be a question of political will. To someone who is outside the system looking in, it seems that, given the fact that those are not secret cases but things that everybody knows about, it would be possible for a good accountant to think about how to deal with them.

Tommy Sheridan: Your written submission is one of the best academic papers to have been presented to the Parliament. It is thoroughly researched and the number of references at the end is testimony to the amount of research that has been done.

Michael McMahon referred to a bus driver who was on £17,000 and talked about two neighbours who were on £9,000. I think that he said that their combined income would be £19,000, but it would be £18,000.

Michael McMahon: I said that they were on £9,900 each.

Tommy Sheridan: He then used that as an example to show why the bill would not help the poorest. In that example, the bus driver would save £526 a year, whereas the two individuals who were on £9,900 each would collectively save £857.

Michael McMahon: That is not what I said.

Tommy Sheridan: Sorry. My understanding is that you said that it was not fair that the bus driver would pay more under the service tax than the two individuals who were on £9,900 each.

Michael McMahon: That is the point.

Tommy Sheridan: That is the point that I am trying to highlight. In my opinion, you have misunderstood the evidence. The bus driver would pay less under the service tax than he is currently paying under the council tax.

The Convener: Tommy, could you avoid making a speech and interrogating other members of the committee? We are asking questions of the witnesses at this point.

Tommy Sheridan: I appreciate that, but the member interjected and I was responding to his interjection.

In the example that you give in your written submission, under the bill, will the bus driver and others who are on similar incomes save significantly and will people on lower incomes save even more money?

Professor Cooper: Yes.

Tommy Sheridan: Fergus Ewing gave the example of those who are on the highest tax rate. I am sure that you find it as touching as I do that Fergus Ewing is so concerned about the 1 per cent of Scots who earn more than £90,000 a year. Those who would pay the top rate of marginal tax under the service tax are those who are on £90,000 a year or more. For Fergus Ewing's benefit, can you confirm that I have got that right?

Fergus Ewing: That is not the point that I made at all, convener.

The Convener: Tommy, can you stick to questions to the witnesses?

Tommy Sheridan: I am trying to do that, but we keep getting interjections from members who are angry because their examples are rubbish.

The Convener: Tommy, you will have the opportunity to give evidence to the committee next week. At that time, you will be able to respond directly to any points that are made by committee members.

Tommy Sheridan: I am looking forward to that.

Do you agree that the number of individuals in Scotland whose income is more than £90,000 represent 1 per cent of the population and that the people whom the proposed service tax would benefit are the 1,924,000 people whose income is below £25,000 a year? Do you agree that they would be the biggest gainers under the proposal?

Professor Cooper: Yes.

Professor Danson: Some 0.5 per cent of the population are on more than £90,000 per annum.

16:30

Tommy Sheridan: It was suggested that using the Fraser of Allander institute example to illustrate how there could be greater expansion in the economy may be weak. You should correct me if I am wrong, but I think that the point that you are making is that the extra revenue that would be generated—the figure would be £313 million, if we use the figures for 2001-02 and compare council tax and service tax figures—would have an expansionary effect on the economy. The example from the Fraser of Allander institute involves an across-the-board 3p rise. When increases in

disposable income are targeted at those who are on the lowest incomes, will the expansionary effect on the economy be even greater precisely because of the marginal propensity to consume?

Geoff Whittam: That is precisely the point and the broad drift of what we are saying.

Professor Danson: Professor Iain McNicoll of the Fraser of Allander institute has also done work on differences in the marginal propensity to consume of different income groups. That work clearly demonstrates that a pound of tax that is given to a person who is poor and on benefit will expand the Scottish economy overall.

Tommy Sheridan: I have two final questions. My colleague Paul Martin asked whether people on a household income of £31,000 are poor. I want to ask about targeting benefits. If the aim is to tackle poverty, is it inconsistent for politicians to support the current council tax system, in which someone who lives alone and earns £31,000 will receive a 25 per cent discount—there is no means test if there is a 25 per cent discount—but to complain when a more progressive tax such as the service tax is suggested that it will perhaps penalise the wealthy too much?

Professor Danson: Yes, it is. The first line of our submission states:

"The UK tax system is regressive."

The bill attempts to introduce some progressivity into the tax system and to put money into the hands of the poor.

Tommy Sheridan: I was struck by what your submission says about the World Economic Forum. It has often been suggested that high taxes will lead to problems in our economy such as fiscal flight and a lack of competitiveness in the world, but your submission points to the World Economic Forum assessment of competitiveness, which shows that Finland is the most competitive country in the world for the third year in a row. Finland's combined top tax rate is 56.7 per cent, which is less than 4 percentage points lower than the new tax rate that we have suggested. Does that not suggest that competitiveness and economic robustness are determined not simply by top tax rates but by many other more complex factors?

Geoff Whittam: Yes. That takes us back to the nub of the issue. Many factors determine whether economies such as the Irish economy are competitive. Tax is simply one factor. Where there are inward investment strategies to try to rejuvenate economies, businesses will consider many factors in deciding where to locate, which is, of course, fundamental in the globalised economy that we have discussed.

Bruce Crawford: The arguments are complex. I think that everybody would accept that if we started with a blank sheet, no one would want the taxation system that exists in this country. Perhaps we should consider the tax system much more holistically but, unfortunately, we do not have the power to do so.

I accept that the council tax is regressive and that those on fixed incomes—and particularly pensioners on low incomes—are being punished by it. I accept that it needs to be changed—as I am an SNP member, it is not a surprise that I say that. We support the general principle that Tommy Sheridan is trying to achieve, but I have difficulty with the information on bands that he has put before us. However, we are all faced with a problem that arises because the powers that are available to the Parliament are limited: the £330 million that comes through council tax benefit. Although additional income may, as Tommy Sheridan suggests, be generated for the overall economy, that £330 million will go out the other way. How do you suggest that we deal with that?

Professor Danson: To an extent, the argument is a political one. As Christine Cooper said, the issue is about political will. If the bill was passed, I would expect the Executive to argue forcibly with the UK Treasury ministers. Similar proposals to address the regressive nature of the council tax have arisen in parts of England. In Kent, it has been suggested that council tax increases should not apply to pensioners. Scotland could take a lead on the issue, which is arising throughout the UK. If the Treasury said no, we would have to consider the overall impact of taking the money out of the Scottish economy.

Bruce Crawford: Have you done that?

Professor Danson: Yes. We have considered the overall impact of taking out that amount—we have produced tables that include the loss of council tax benefit.

Bruce Crawford: Other commentators have suggested that we transfer council tax benefit to the Scottish Parliament and let it deal with the issue much more holistically. I think that Professor Bell from the University of Stirling argued that. Do you accept the argument that, to deal with the issue properly, we need the power to adapt council tax benefit to any new system of taxation that we bring in?

Professor Danson: We believe that the tax and benefits system should be devolved.

Bruce Crawford: Even that small allotment would make a difference.

Professor Danson: Yes.

Mr Arbuckle: Do you agree that the introduction of the tax would remove a great deal of local accountability?

Geoff Whittam: Convener, I thought that we had covered that issue substantially.

The Convener: Yes. You covered the matter in response to Michael McMahon's questioning.

That brings us to the end of our questions. I thank Christine Cooper, Mike Danson and Geoff Whittam for their evidence.

Proposed Local Government Elections (Scotland) Bill

16:39

The Convener: Agenda item 3 is on the proposed local government elections bill. I welcome Brian Monteith MSP, who is the bill's sponsor, and Claire Menzies Smith, from the non-Executive bills unit, which is supporting the bill. Mr Monteith is here because he suggests that there be no further consultation on the proposed bill as it progresses to further consideration by Parliament, as it was consulted on reasonably recently by David Mundell, prior to his leaving this Parliament after his election to the Westminster Parliament.

The purpose of this afternoon's questioning is to give the committee the opportunity to consider whether it is content that there has been sufficient consultation on the proposal to enable it to be assessed properly at future stages. We are not invited at this stage to give any views on the proposed bill's principles. I ask committee members to leave aside their instinctive support for or opposition to the proposal; all that they are asked to do this afternoon is to satisfy themselves as to whether Mr Monteith's explanation of the previous consultation's sufficiency will allow us to support the proposal's progress.

At this stage, we must decide whether we are content with the reasons that have been provided for not consulting and so will allow the proposed bill to proceed to a final proposal, or whether we are not content and believe that further consultation is necessary if the proposal is not to fail. Those are the questions that we must consider and on which we have to come down on one side or the other.

A paper has been produced to outline the position. I will allow Brian Monteith a short time—I hope that he will not take too long—to set out why he feels there has been sufficient consultation. Following that, I will take questions from committee members.

Mr Brian Monteith (Mid Scotland and Fife): Thank you, convener. I will keep my explanation brief because the committee already has a paper from me.

Committee members will be familiar with the fact that David Mundell proposed a local government elections bill when he was an MSP for the South of Scotland. He consulted on the proposal from 18 February 2005 until 15 June 2005 and asked open questions that gave respondents the opportunity to agree or disagree with the policy content of the proposed bill. I was a seconder of that bill and, as David Mundell resigned following his departure to

Westminster, I took the opportunity to lodge the current draft bill proposal.

It is my belief that the proposal should be allowed to progress using David Mundell's consultation because there is no difference between the current bill proposal and the one on which he consulted. The committee must decide whether it is satisfied that that is the case by deciding whether the consultation was appropriately worded and open to critical as well as supportive feedback; I argue that it was both of those.

The committee must also decide whether the consultation was sent to a wide enough range of bodies. It was sent to a considerable range of bodies: to those that might be interested in supporting the bill and those that might not, such as equality bodies. I can give some names. The committee must also decide whether the consultation was open for responses for a reasonable period. It was, in fact, open for responses for longer than the minimum period and a number of press statements were issued to help to promote the bill proposal.

I contend that the bill proposal should receive the committee's support so that it can move on using the consultation that has already been undertaken. I have received statements of support from the Convention of Scottish Local Authorities and Unison, which state that the responses that their members gave to the consultation would not be changed in any great respect by the new bill proposal. I will spare the committee the quotations, but the responses are available if any committee member wishes to see them.

Mr Davidson: I appreciate that Mr Monteith has spoken to COSLA, but I have recently spoken to COSLA and to the Society of Local Authority Chief Executives and Senior Managers, which represents returning officers, who have serious concerns. Have you confirmed that their position is still that muddle and confusion will be caused if the proposed bill is not progressed?

The Convener: The issue is not whether you or respondents to the consultation support the bill proposal; questions should relate to whether the consultation was sufficient.

Mr Davidson: The question was whether Mr Monteith has had any contact with SOLACE to confirm that it has not changed its view since David Mundell's consultation took place.

The Convener: I am not sure that that is entirely relevant, but I will allow Brian Monteith to respond if he wishes.

16:45

Mr Monteith: I have not asked all the people who were consulted in the first place whether they

have changed their views. One would do that only if the committee decided that the consultation process was not adequate. I approached the Convention of Scottish Local Authorities and Unison to ask whether they thought the process should be repeated; I did not ask their views about what their various membership bodies would say.

Fergus Ewing: Has anyone complained about not having been consulted?

Mr Monteith: No one has complained as far as I am aware. Circulation of the consultation was wide. David Mundell was willing to provide translations, for example, but there were no requests for that. As far as I am aware, there were no complaints from people about their being unable to participate.

Fergus Ewing: Was the consultation, which seemed to me to be thorough, wide-ranging and wholly sufficient, carried out with the help and guidance of Parliament staff as to who should be consulted? Was advice followed in all respects?

Claire Menzies Smith (Scottish Parliament Directorate of Clerking and Reporting): Yes it was. Both NEBU and SPICe were consulted and their advice was followed.

Tommy Sheridan: I have another question for Claire Menzies Smith. Has NEBU carried out a full analysis of the responses? I appreciate that there was a problem with the amount of time it took to analyse the responses to consultation on the “right to die bill”, as its name has been shortened to. If NEBU has not analysed the responses, how long would it take to do so?

Claire Menzies Smith: The responses have almost been analysed. That work will be ready shortly.

The Convener: Are members content with the explanations that have been given? I look to colleagues for guidance.

Bruce Crawford: Given what Claire Menzies Smith has told us—which is that the bill has followed the normal process of consultation—and that, to use Fergus Ewing’s words, all the advice that staff offered was taken, and given how recent the previous consultation was, I am not sure what value there would be in repeating the exercise, unless someone can bring to bear an argument that any circumstance has changed substantially. I am certainly minded to support Brian Monteith’s contention that further consultation is not required; to consult further would mean unnecessary costs and bureaucracy. There might be points of which I am not aware, so if something has changed materially, which would stop the bill proceeding, members should bring that to the table now.

Tommy Sheridan: It would be a tribute to the operation and machinery of Parliament if we allowed the bill a fair wind—that would show that

we are not willing to erect unnecessary bureaucratic barriers to ideas that have substantial support. I hope that I would say the same about a proposal that I did not support, although perhaps the fact that I support the proposal has coloured my view. However, even if I did not support the proposal, I would still say that, given the evidence that we have heard and the closeness of the first consultation, the bill should be allowed to go forward and that we should have the debate. The debate is worth while and has to be heard.

Michael McMahon: To come from the converse position, I do not support the bill proposal, but I agree with Tommy Sheridan. The consultation has been perfectly adequate and we can consider the bill on the basis of the evidence that Mr Monteith will present, which is what Parliament is here to do. I will not agree on the bill with Mr Monteith but, as far as I am concerned, he can progress his bill.

Paul Martin: Has precedent been set whereby a member has progressed another member’s bill proposal?

The Convener: This is the first time there has been such a short period between consultation and another member promoting a proposed bill.

Paul Martin: I agree that the bill should go forward, but perhaps the Procedures Committee should produce guidance. I make the point because people who responded to the original consultation exercise commented on a proposal for a member’s bill in David Mundell’s name. There may be issues surrounding that. I am not being facetious, but it is important that we clarify the issue with the Procedures Committee following today’s decision.

The Convener: I am not sure that we need to do that because we had a debate in the chamber recently about non-Executive bills and how they are supported and taken forward. I am picking up from members that we are content that sufficient consultation has taken place and that the bill can proceed to the next stage, as proposed by Mr Monteith. Is that agreed?

Members indicated agreement.

Freight Transport Inquiry

16:51

The Convener: Item 4 is our freight transport inquiry, on which we have two questions. First, do members wish to appoint an adviser? Secondly, if we do, are we content with the person specification and duties that are outlined in our papers? May I be presumptuous and say that we do wish to appoint an adviser?

Members *indicated agreement.*

The Convener: That deals with the first question. Secondly, are members content with the adviser's remit and duties?

Members *indicated agreement.*

The Convener: We will endorse that.

The fifth item is also on the freight transport inquiry; it is consideration of proposals for visits from previous discussions. There is also a proposal that we hold one of our committee meetings in Hamilton, in association with our visit to the Eurocentral freight terminal at Bellshill. Are members content with the proposals?

Members *indicated agreement.*

Bruce Crawford: Absolutely. I agree particularly about the Rosyth meeting, given recent events with Superfast Ferries.

16:52

Meeting continued in private until 16:53.

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

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

The deadline for corrections to this edition is:

Tuesday 22 November 2005

PRICES AND SUBSCRIPTION RATES

OFFICIAL REPORT daily editions

Single copies: £5.00

Meetings of the Parliament annual subscriptions: £350.00

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

WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

Single copies: £3.75

Annual subscriptions: £150.00

Standing orders will be accepted at Document Supply.

Published in Edinburgh by Astron and available from:

Blackwell's Bookshop
53 South Bridge
Edinburgh EH1 1YS
0131 622 8222

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

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

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

Telephone orders and inquiries
0131 622 8283 or
0131 622 8258

Fax orders
0131 557 8149

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

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

RNID TYPETALK calls welcome on
18001 0131 348 5412
Textphone 0845 270 0152

sp.info@scottish.parliament.uk

All documents are available on the Scottish Parliament website at:

www.scottish.parliament.uk

Accredited Agents
(see Yellow Pages)

and through good booksellers

Printed in Scotland by Astron