

LOCAL GOVERNMENT COMMITTEE

Wednesday 24 November 1999
(*Morning*)

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LOCAL GOVERNMENT COMMITTEE 10th Meeting

CONVENER :

*Trish Godman (West Renfrewshire) (Lab)

COMMITTEE MEMBERS :

*Colin Campbell (West of Scotland) (SNP)
*Mr Kenneth Gibson (Glasgow) (SNP)
*Donald Gorrie (Central Scotland) (LD)
*Mr Keith Harding (Mid Scotland and Fife) (Con)
*Dr Sylvia Jackson (Stirling) (Lab)
*Johann Lamont (Glasgow Pollok) (Lab)
*Mr Michael McMahon (Hamilton North and Bellshill) (Lab)
*Bristow Muldoon (Livingston) (Lab)
*Mr Gil Paterson (Central Scotland) (SNP)
*Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

*attended

THE FOLLOWING MEMBER ALSO ATTENDED :

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

COMMITTEE CLERK :

Eugene Windsor

ASSISTANT CLERK

Craig Harper

Scottish Parliament

Local Government Committee

Wednesday 24 November 1999

(Morning)

[THE CONVENER opened the meeting at 10:01]

The Convener (Trish Godman): Good morning and welcome to this meeting of the Local Government Committee. I welcome Fergus Ewing, who, I suspect, has joined us for the part of the meeting that is of interest to him rather than the whole meeting.

Business Rating Revaluation

The Convener: The first item is the inquiry into business rating revaluation. I would be interested to hear members' comments on the options for consideration that I have laid out at the end of the briefing paper.

Mr Kenneth Gibson (Glasgow) (SNP): In paragraph 6.1 on complexity, the paper says:

"There is disagreement about whether or not the burden of rates on small business is excessive".

I did not think that there was any such disagreement. I thought that even the organisations representing bigger enterprises agreed that the burden on small businesses was excessive, and that that was the view of everyone who presented evidence to us. There may be disagreement about how to alter the situation, but the statement in 6.1 is erroneous.

The Convener: Does anyone agree or disagree with that?

Mr Gil Paterson (Central Scotland) (SNP): I want to develop Kenny Gibson's point further. I have read the evidence in the *Official Report* and can say that there is general agreement from every witness. For instance, Bill Howat of the Scottish Executive development department said:

"we accept that there is evidence of the extent to which the larger proportion of costs impacts on small businesses."—[*Official Report, Local Government Committee*, 2 November 1999; c 221.]

I will not bore you with what other witnesses said; basically, it is the same throughout the report. I agree totally with Kenny Gibson. I thought that there was general agreement within the committee, which was implicit in the way in which we structured questions, that small businesses were getting the rough end of the stick on this. That statement needs to be altered.

The Convener: The statement is a comment on evidence, rather than the opinion of the committee. Perhaps you should look at what the Confederation of British Industry said.

Mr Paterson: The CBI says the same thing. The difference between the CBI and other witnesses was that, although it understood that there was a problem, it saw no great need to do anything about it. In its submission, it suggested that there were ways to help small businesses other than through the rates burden.

Bristow Muldoon (Livingston) (Lab): I do not think that paragraph 6.1 is so inaccurate. There was a degree of disagreement about different issues. It is true that the organisations representing small businesses were arguing for a scheme, but there was no agreement about the form of scheme. In response to a question that I asked, one organisation—I think that it was the Scottish Retail Consortium—said that the best way forward was the Executive's idea of getting through the rates revaluation this winter and examining small business rates in the window of opportunity that the Executive suggested may exist after the revaluation. There was no common position, so the paragraph is a fair summary.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): Thank you again, convener, for your invitation and warm welcome. Like Mr Paterson, I spent some time going through the evidence, and would like to talk about it. Like my colleagues, I do not believe that the statement in paragraph 6.1, quoted by Kenny Gibson, is correct in the light of the evidence that we received.

John Downie of the Federation of Small Businesses said:

"small businesses pay 10 times more in business rates than larger businesses . . . As a percentage of overheads, small businesses pay 13.7 per cent in business rates, compared with 3 per cent for large companies."—[*Official Report, Local Government Committee*, 2 November 1999; c 194.]

It is significant that even the Scottish Executive admitted that business rates were higher for smaller business than for larger businesses, as did the Forum of Private Business. Bill Howat of the Scottish Executive development department said:

"we accept that there is evidence of the extent to which the larger proportion of costs impacts on small businesses."—[*Official Report, Local Government Committee*, 2 November 1999; c 221.]

Patrick Browne of the Scottish Retail Consortium said:

"We agree that business rates could well form a larger percentage of costs for small businesses than they do for large businesses."—[*Official Report, Local Government Committee*, 10 November 1999; c 278.]

The CBI also admitted clearly that small

businesses have a higher burden. Iain McMillan said:

"There is evidence to support the view that small businesses that have a lower rateable value have a higher rate burden, proportionally. We would not dispute that."—*[Official Report, Local Government Committee, 2 November 1999; c 229.]*

He did not give any suggestion on how that problem might be dealt with.

We should bear in mind the fact that, although the Scottish Assessors Association is quoted in the briefing paper, it made it plain that it was not its province to talk about policy matters. From my reading of the evidence—admittedly late last night—I could find no statement from any witness that justified the paper's statement that there is disagreement on whether there is an excessive burden of rates on small business.

The paper is perhaps incomplete in another respect. Paragraph 6.3 says:

"Although the Executive has provided details of its transitional relief scheme, the full impact of the revaluation will not be known until details of the rate poundage are announced at a later date, probably after April 2000."

We heard evidence from the assessors that, in order to calculate the poundage, one must know the rateable values following 1 April to work out the yield from the increased rateable value. However, the assessors supplied clear evidence of the average level of increase, which is 13 per cent. If that is applied to the aggregate cumulo-rateable values in Scotland, it takes only a simple mathematical calculation to work out the new poundage. That was indicated in the assessors' evidence. Therefore, even if the committee does not have precise information about the poundage, the Executive will have, which means that any consideration of the matter should not be delayed. I am sorry if I have taken a long time to explain that, but it is a useful point to raise at this stage in the discussion.

Mr Michael McMahon (Hamilton North and Bellshill) (Lab): Perhaps this is just semantics, but I listened carefully to Fergus as he quoted comments made by some witnesses and the word "excessive" did not appear in any of them. However, the word "disproportionate" was mentioned, which is a separate matter. We generally agreed that there was a disproportionate—not excessive—burden on small businesses. Therefore, the statement in paragraph 6.1 is reasonably accurate. There was probably broad agreement that smaller businesses paid a larger proportion of rates in relation to their income than larger companies, which is not to say that the burden was excessive.

Dr Sylvia Jackson (Stirling) (Lab): I hope that I am not complicating matters further, but I have

tried to remember how I felt at the end of the previous meeting. Reading through the document, I thought that I had come out of the consultation with four main ideas. First, the review of the system seemed to be difficult in the revaluation round, which represents a dramatic change to the system. Secondly, a more fundamental change in the system was needed in the long term. Thirdly, we agreed generally that small businesses need more support. Last, witnesses seemed to agree that the threshold approach had implications for bodies such as the Scottish Assessors Association. I thought that we felt about the same at the end of our previous meeting.

Donald Gorrie (Central Scotland) (LD): What is the status of the paper? If it is the author's view, that is fine; however, if it is some kind of holy writ for which we will be held to account at the last judgment, perhaps we should take a different view.

The Convener: It is a briefing paper that sets out ideas that have been raised and suggestions on the way forward. I know what you are doing and I am letting you all do it, but I will sort it out afterwards.

Donald Gorrie: That is helpful. I want to follow the path that Sylvia suggested. Everyone was enthusiastic about a transitional relief scheme, which we should endorse. Accepting Michael McMahon's point about semantics, we should agree that small businesses face an undue problem, about which we should do something after the revaluation when all the new values are known. The second group of witnesses from the Forum of Private Business, with their slightly more complicated proposals involving national insurance, had a much better scheme than the Federation of Small Businesses, which however did us a great service by alerting us to the issue. As the assessors said, the federation's scheme had considerable flaws.

Colin Campbell (West of Scotland) (SNP): The discussion seems to hinge on whether the word "excessive" was used and how the word is interpreted. Although I am not by nature, inclination or tradition someone who rewrites minutes or reports, we could delete the text of paragraph 6.1 from "There is disagreement" to "and even" and substitute: "It was generally agreed that the burden of business rates was disproportionately high for small businesses." Perhaps that would make other members feel comfortable.

10:15

Mr Paterson: I do not want to be too indulgent, convener, as you have been very fair. However, paragraph 3 of the paper, on the terms of

reference, says:

"The terms of reference of the Inquiry were agreed by the committee at its 7th meeting. The key issue to be explored by the Inquiry was balance of the burden of business rates between small and large businesses. The key objective was to provide an early opportunity for the arguments in favour of, and against any changes in the system to be aired and scrutinised, prior to the revaluation."

At our previous meeting, Patrick Browne from the Scottish Retail Consortium said:

"The figures suggest that rates are a more significant cost to a small to medium retailer than they are to other types of business."

Later on, Mike Flecknoe of the same organisation said:

"We agree that business rates could well form a larger percentage of costs for small businesses than they do for large businesses".—[*Official Report, Local Government Committee*, 10 November 1999; c 277-78]

I think that those statements implicitly address Michael McMahon's point.

Mr McMahon: I do not think so.

Mr Paterson: With all due respect, and in light of Colin Campbell's comments, any changes to that paragraph should take those comments into account. If that were to happen, I would need to ask the committee to consider changes to the recommendation in paragraph 8 of the paper, because even witnesses who were hostile to a scheme that would benefit small businesses suggested that there was added pressure on such businesses.

The Convener: Do you want to change the options for consideration or the recommendation? We should remember that this is a briefing paper.

Mr Paterson: I appreciate that, but I have an awful feeling that the briefing paper might become something more substantial.

The Convener: That will not happen. The options for consideration make it clear that the briefing paper cannot become anything other than what it is. I am very open to changes to the options for consideration, but perhaps we should come back to that. I have allowed members to spend quite a long time on a briefing paper. Johann Lamont wants to speak, as does Bristow Muldoon; unless Keith Harding or Jamie Stone want to speak, I have allowed everybody in. After Johann and Bristow have spoken, we will discuss the options for consideration. If you want to add to those options, I am more than open to listening to what you have to say. We have to come to a decision today about how we move forward.

Johann Lamont (Glasgow Pollok) (Lab): I want to return to whether the burden is excessive. At no stage did we discuss whether the rates that we take from businesses are excessive. If we

were to discuss that, we would have to involve a far broader group of people, including those who might benefit from the business rate that was being raised. A clear, consistent theme has been that rates are seen as a disproportionate burden on small businesses. Rates are a bigger issue for small businesses when it comes to planning, because they account for such a huge proportion of costs. For some small businesses, rates are higher than wage bills.

Even in relation to solutions, the emphasis did not seem to focus entirely on dealing with disproportionate business rates. Significant discussion took place on the definition of a small business; such a definition, of course, would create a position from which to make decisions. Some witnesses also emphasised the importance of transitional relief. The briefing paper reflects that, as do our options for consideration.

Donald Gorrie was right to say that the committee should send a clear message that transitional relief is extremely important and that supporting small business is a complex matter, partly because of the need for a clear definition. However, it is clear that small business—however we define it—has a disproportionate concern about rating. It would be helpful if the committee focused on those two points.

The Convener: Bristow?

Bristow Muldoon: I will pass at the moment.

The Convener: Okay. I repeat that we are dealing with a briefing paper. I agree with what Donald Gorrie said—I left our previous meeting thinking that we agreed on a transitional scheme and that we needed to look at the business rate for small businesses.

The next step is to consider how we do that; the briefing paper contains three suggestions. A further option might be to introduce an independent adviser, if we feel that the matter is complex enough to warrant that. As I said, I am open to suggestions if anyone wants to add to those options. Our inquiry was good, but we must decide what to do next and I think that members will agree that we are all coming from the same place. No one is saying, "No. They are paying a fair business rate. End of story." There is an agreement that the rating burden on small business is disproportionate.

Does anyone want to add to the three options in the briefing paper? I would be prepared to add the option of having an adviser, if members think that that would be appropriate. Eugene can tell us what the adviser would do.

Eugene Windsor (Committee Clerk): To some extent, that would depend on the brief that the adviser was given. Typically, the adviser would

examine all the evidence that has been received so far, evaluate it and advise the committee. The adviser might suggest other evidence that the committee might want to take as a further development.

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD): I would support the appointment of an adviser; I think that we probably all would. I am minded to go with the second option:

"Take no further action at this stage, but return to the issue when the full impact of the forthcoming revaluation can be assessed."

I would look for wider issues such as a business's turnover to be taken into account, as opposed to the rental value, which rates are based on at the moment.

An issue that plagues many rural areas is small retail businesses in town centres versus a big supermarket on the outskirts. That has social implications in terms of elderly people and others who do not have transport and cannot get to shops. Perhaps I am driving at increased discretionary powers for councils to vary the rate burden, much as they can do with rural filling stations. An adviser could get his or her teeth into detailed work such as that and report back to us.

Bristow Muldoon: I recommend that we go with the second option, but expand it to set a timetable for a full, detailed review next year. It would be appropriate for us to allow the rates revaluation to settle down, then to update the evidence that we have received on the basis of that revaluation and to consider the whole issue.

A number of complex, sometimes contradictory, issues have been raised in the evidence that has been presented to us and it would be impractical to progress the matter further in the middle of a rating revaluation. However, the subject deserves a proper airing after the revaluation is complete. I am not sure that we need to appoint an adviser in the meantime.

Fergus Ewing: We have consensus that there is a problem that needs to be addressed and that doing that effectively and fairly is not an easy task.

I agree that there is not much point in having a discussion about whether the burden is disproportionate or excessive. As Sylvia Jackson said, we are agreed that the burden is unfair, or undue. If that is a fair expression of the consensus, it seems logical to encapsulate that agreed conclusion—with reference to the evidence behind it—in an interim report.

I agree with the suggestion from Jamie Stone and the convener that an adviser should look further at the technical aspects. The issue is one of timing. Do we postpone further consideration

until some future date, in particular until after revaluation? If we do, it will be extremely difficult for the Executive to introduce a scheme to address the problem that we all agree has been identified. That point of view is based on a number of practical concerns and is not intended as a party political point.

The unfair burden faced by businesses has been identified in the evidence as being endemic to the system, because of the way in which rateable values are calculated. If that is the case, and I believe that the evidence supports that conclusion, the problem exists now and will exist after the revaluation. An interim report could express the lowest common denominator—that we all agree that a problem exists that needs to be addressed—and could perhaps state, for the record, the two solutions with which we have been presented. The interim report could also go a step further and invite the Executive to consider the matter urgently, so that the Executive could use its greater firepower—in terms of staff and resources—to address the problem before the rates revaluation rather than after it.

If the problem were left until after the revaluation, imagine how difficult it would be, politically, to introduce the complication of a further relief scheme after the turbulence—a word that featured in the evidence—engendered by any revaluation. It is inevitable that there would be further losers—who would squeal very loudly—under that new scheme.

As I said, politically, it would be difficult to introduce an effective scheme shortly after a revaluation. We should take forward the approach of inviting the Executive to grapple with the problems and produce a workable scheme, which would be introduced with the transitional relief scheme that is being considered. I fear strongly—and not in a party political way—that this subject will be shelved if we step back from that approach. It will gather dust and perhaps, for understandable reasons, nothing much will happen until 2005.

Mr McMahon: I disagree with that. I will argue for the middle option, which is that we do nothing at this stage. It was important, convener, that you included the view of the Scottish Assessors Association. I was struck by the fact that, in its deliberations, it had no axe to grind. It considered the matter with inside knowledge and no particular reason to go one way or another. It suggested that we do nothing at the moment and consider the issue after revaluation.

The danger of having an interim report is that, when we do an assessment post revaluation, we will end up comparing the interim report with the evidence that emerges. There is no value in doing that. The assessors were right to say that, having addressed the issue at this point, we should take a

step back and find out what the outcome is before we deliberate again on the impact of the revaluation.

Mr Paterson: I support Fergus Ewing's point and will add to it.

The revaluation is a mechanical process, which happens every five years. The Executive has stated that the take from the revaluation will be the same as the take before it, plus inflation. The figures will be the same; it is just that the burden will be shared out differently. There will be winners and losers. Inherent in every revaluation that has taken place is the imbalance between big business and small business. The evidence is clear that there is an impact on small businesses.

Like Fergus, I think that as we all know that there is a problem, there is no benefit in delaying an examination of it. Somewhat differently from Fergus, I believe that, if we do not produce a report saying that the Executive needs to address the problem, this revaluation will take place, we will be into the next revaluation and then the next one and the problem will still exist. We have identified a problem and now is the time to say to the Executive that something should be done about it quickly.

Mr Stone: On a point of information, convener. Can I take it that, when you said that an adviser should be appointed, you were not suggesting that an adviser should be appointed after the revaluation?

The Convener: No.

Mr Stone: In other words, we can get on with it now. There is not a problem.

Dr Sylvia Jackson: I do not think that many people who we heard from were saying that we could do much about this revaluation. They said that it would be silly to try to do something in such a short period.

Having said that, I have some sympathy with certain aspects of what Fergus Ewing said. We have spent a considerable amount of time on this issue and it would seem bad if we did not produce an interim or summary report to put on the table, stating our general feelings at the moment. It is important that we show some concern about the situation; saying that we will return to the issue later is not the best way in which to show that concern. It would be better to timetable this issue for examination as soon as possible and show that we see it as a priority. Obviously, we must balance it with other priorities.

We should have a report and a timetable. I also suggest that we ask Jack McConnell back, so that we can say that we feel that there should be as much support as possible. We know that it will be limited in this revaluation, but we could ask him to

tell us whether he has any ideas about how that support could be given. That would show that the committee was genuinely concerned to follow the matter through to the Scottish Executive. We will then have a timetabled in-depth examination, so that we can do something radical next time.

Donald Gorrie: We should submit a report saying that there must be a transitional relief scheme and another scheme to help small businesses. The idea of asking the Executive whether it would do something about this is quite elegant. If it does not, we can continue to work on the issue.

The difficulty is that I am sure that any member of this committee could produce a nice scheme for helping small businesses with their rates. The downside is that the Executive then has to find the £10 million or £20 million, or whatever the sum is, which would leave a hole. The money must come from either bigger businesses or the public purse. That is an issue for the Executive, which is a good argument for handing the matter to it, making it clear that we believe that there should be such a scheme.

If everyone knows that an attempt to reduce the rates burden on small businesses and find the money from elsewhere is on the table, they will not be as upset as they might be that Marks & Sparks or Scottish Life have to pay more rates than they do at the moment. We should make it clear that there should be transitional relief and produce an interim report setting out the arguments advanced so far. We should tell the Executive that we are keen that it should do something to reduce the burden on small businesses and that, if it does not do that, we will examine the issue again.

10:30

Mr Keith Harding (Mid Scotland and Fife) (Con): I agree with Sylvia Jackson and Donald Gorrie, and to some extent with Fergus Ewing. My only concern is the logistics. As a councillor, I know that the revaluation is almost complete and that a rate will have to be declared in March so that the books can be printed and everything can go out. I do not think that the Executive could bring out an alternative scheme within two or three months, especially given the Christmas period.

We cannot leave this matter. We must have an interim report and we must recommend that the Executive considers this issue. I do not think that there is a problem with the sharing of the burden because, if that burden is disproportionate, the implication is that the disproportionate part goes to the bigger payers. We are not looking for alternative money within the budget; we are looking for a distribution among the various ratepayers.

I am worried about the logistics. We must get through the revaluation and I do not think that the Executive can bring in an alternative scheme by next March.

Mr Gibson: My view is, to a large extent, the same as has been expressed by Sylvia Jackson, Keith Harding and Donald Gorrie.

The interim report is crucial. We must set out our stall. Donald is right to say that we must make it clear that we support transitional relief. We must also make it clear that we are considering what would be the best mechanism for lifting some of the burden from small businesses.

I do not agree with Sylvia and Keith about whether it is possible to deal with this matter in the next two or three months. I am not convinced that we could not do that. I am a great believer in the big bang theory. It might be a lot better to put this together and do it as one exercise rather than say that we will leave it to another date, which, as Fergus Ewing said, could be 2005. I would have to be convinced that there is no possibility of our doing this before March. I am convinced that we can do it. We must set out our stall clearly and have a precise timetable, regardless of whether we decide to examine the issue before or after the revaluation.

The Convener: When you say “we”, are you talking about a royal we or do you mean the Executive—

Mr Gibson: Some of us do not believe in the royal we. [*Laughter.*]

No, I am referring to this committee. Obviously, we will have to liaise with the Executive—we should let the Executive know our views.

The Convener: Just to ensure that I have this right, are you suggesting that the final report should be done before March?

Mr Gibson: I think that we should do it now—it should be done before Christmas.

The Convener: Thank you—I needed to clarify that point.

Bristow Muldoon: It would be rather premature if the committee issued an interim report, because all we have done is conduct a study into one particular area of local business costs. We have not even taken evidence from the Minister for Enterprise and Lifelong Learning on how he wishes to stimulate the small business sector. It would be wrong to issue an interim report on the basis of partial evidence.

The disproportionate burden of rates on small businesses has been mentioned, but some have suggested that we should jump to a conclusion when there is not even consensus about how such a scheme should be funded. For example, should

it be funded from other parts of the Scottish block or by larger businesses? We have not addressed those issues properly. We also had the evidence of the representative of Boots, Mike Flecknoe. He said that some of the schemes that are being proposed would benefit some larger businesses. There is no substantive scheme around which there is consensus and it is simplistic to suggest that the system could be altered by March.

In addition, the committee’s burden of work over the next few months includes consideration of the ethical standards bill, the Abolition of Feudal Tenure etc (Scotland) Bill, the Abolition of Poidings and Warrant Sales Bill, the power of general competence, evidence from Richard Kerley and our on-going work on McIntosh. It would not be practical for us to take the lead on completing work on this issue between now and March and, quite apart from what the assessors tell us, there is no consensus in the business community. It would be wrong for us to produce an interim report on the basis of partial evidence. The issue deserves to be addressed, but it would not be appropriate for us to jump to conclusions at this stage.

Colin Campbell: First, we should remember that no one around this table suggested that we should take the money from the Scottish block. That suggestion came from one of the witnesses. We should get that right in the first place.

Traditionally, I am a bit frightened of taking no action. I never think that no action is best in any situation, as momentum is lost. I think that we have—

Bristow Muldoon: I am not suggesting that we take no action; I am suggesting that we wait until next year.

Colin Campbell: You are suggesting that we take no further action at this stage and that we return to the issue later, which amounts to taking no action for three or four months. I do not think that such a hiatus is legitimate in terms of the work in which we are involved, as it comes at two levels. Revaluation is going to take place anyway and we have acquired, to a certain degree, the other overview from the business community on the way ahead. While revaluation will happen at a practical level, we have learned a lot about what the business community thinks it needs and about what it wants to do to address the problems of small businesses.

I see no reason why the operation cannot take place at those two levels. One would be the practical level and the other would be the strategic overview level, which we would provide, where ideas can be bounced about and principles can be laid down. We could come up with principles on which we all agree within the hour—we could then

take it from there. I find the option of delaying completely unattractive, Bristow.

Mr Paterson: People are getting confused. It goes without saying that there was no agreement on any particular scheme, but there was agreement that there is a problem. An interim report would square the circle and I suggest that, after producing that report, we invite Jack McConnell to the meeting to give evidence. If there is someone else from the Executive who should give us evidence, fine. If anyone in the Executive were interested in small business, they would want to give evidence.

Johann Lamont: We are always cautious about not taking action, but we should be equally cautious about taking action for the sake of it, just to be seen to be doing something. The summary of our deliberations is in the minutes. The balance of positions, which is clear, and the different things that have emerged, can be extracted from them—the fact that we believe that transitional relief is necessary and that there is no happy definition of what a small business is.

I was quite happy with the idea that we pull together those basic points—the fact that there is an issue about costs for small businesses being disproportionate. However, the suggestion now seems to be that the interim report will be more substantial and will have more authority than that. That would take us further than we have gone in our discussions. The unease is being caused by the fact that we do not know whether this is an interim report.

I am happy for us to say that there should be transitional relief and that we have taken evidence that clearly identifies that there is a disproportionate burden on small businesses, but that there is a difficulty with the definition of a small business, which needs further exploration. I am also happy to say that we are keen for the Scottish Executive to pursue transitional relief and work with this committee and others to ensure that revaluation is as painless as possible. I am even happy for us to say that we will come back to the issue at some stage, so that it does not just disappear to be revisited in five or 10 years' time by whoever is still standing on the Local Government Committee. That would not be right either. We need to put some timetable on it.

It would help if we had an adviser working on the matter in the meantime, who could begin to pull things together. I do not want to revisit old ground in three months' time, but nor am I keen to drive this beyond what I thought the committee had generally agreed on. That is what we would be moving towards if we did as Kenny Gibson and Fergus Ewing said.

10:45

Mr Stone: The point is that the committee has been in receive mode. We have the power to do things ourselves. Johann is right. We should get an adviser in. That is not a contradiction. An adviser could work away on the creative thinking and new approach that we need to take. The guts of the problem is why should Alldays in X premises pay the same as a tiny, wee greengrocer in the same premises? That is the question that needs to be addressed and where we can make a difference.

In the Education, Culture and Sport Committee, I have been made rapporteur on the issue of rural schools and rural school closures—for my sins. Given time constraints and so on, perhaps a small group of members of the committee could work with the adviser. The rating problem affects bits of Glasgow just as much as a wee town in Caithness. It is about little businesses struggling and sometimes going under.

The Convener: We cannot form a sub-committee, if that is what you mean, but we can discuss the idea later.

Mr McMahon: What do we want to say in an interim report? What is its purpose? Would we say that business cannot agree on what it wants to happen, that the committee cannot agree on what it wants to happen, but that we would like the Executive to do something and so we are producing an interim report? I see no value in doing that. I agree with Jamie that if we take on an adviser—

Mr Stone: That is a cop-out.

Mr McMahon: No, it is a compromise.

Mr Stone: No. If all we do is pass the buck, it is a cop-out.

The Convener: Address your comments through the chair please.

Mr McMahon: We are essentially saying that we cannot agree, that the evidence that we have taken does not suggest an agreement, but that we want the Executive to do something. What is the value in that? If we were to take our time, take the assessors' advice and wait until we have all the evidence so that we get the complete picture, that would be of far more value and substance in encouraging the Executive to do something than a report that says that we cannot agree.

The Convener: We can hear one more point from Fergus and then we must sum up.

Fergus Ewing: Thank you, convener. I want to respond to Bristow's argument that there is a lack of consensus on various points. If, as I believe, there is consensus that there is an undue burden of business rates on small business, it must follow

logically that there is consensus that there is an unfairly low burden on larger business. In other words, if small businesses are getting the raw deal, the larger business must be paying slightly lower business rates than is reasonable.

There is also consensus, as Kenny Gibson said, that the solution is not to throw extra cash at the problem from elsewhere in the block; the scheme must be self-financing. The committee could set out certain desirable principles. I note from the *Official Report* that Gerry Dowds of the Forum of Private Business set out a number of principles to which I feel I could subscribe and which seemed to express common sense. Other members have indicated that the forum's scheme was to be preferred—Donald Gorrie in particular was of that view.

The principles that Mr Dowds outlined were straightforward.

"First, relief should be targeted on the size of business, taking account of the close relationship between the impact of rates and the size of a business . . . Secondly, size should be measured on current information. Rateable value is dated . . . Thirdly, relief should be aimed at businesses, not premises . . . Fourthly, thresholds should be avoided".

His final point is that the scheme

"must be simple for businesses and local authorities to apply and administer."—[*Official Report, Local Government Committee*, 10 November 1999; c 293.]

We can all subscribe to those principles.

I want to respond to the question Michael McMahon and Johann Lamont asked about what an interim report would achieve. That begs the question of what the committee's role is. It seems to me that the role of a committee of the Scottish Parliament is not to produce a perfect scheme to draft legislation in a complex area, but rather to identify a problem and the principles that could provide a solution, and to present the Executive with a consensus view setting out those principles. We can do that because we have the consensus to do it.

Finally, we need to do it now. If it is not done now, I believe that it will never happen. As for the practicality, I do not see why, given that it is now November, the Executive could not come up with a workable scheme to be implemented by 1 April. Governments can achieve quite a lot in a short space of time and, although I understand the technical objections of people who have experience of working on councils, this is a matter of policy. I would have thought that the vast resources of the Executive could be deployed to come up with a workable solution—or at least it should make the effort to do that.

My notarial motto is *nunc aut nunquam*, which I believe means now or never. I have always been a believer in having a stab at something worthwhile

now, otherwise it never happens.

The Convener: I will let Sylvia make a final comment and then I shall sum up.

Dr Jackson: Apart from the Forum of Private Business, which came up with the threshold approach and gave us a concrete example of a scheme that could be proposed, I do not think that there is anything that we could put in place in that short time scale. Fergus Ewing says that the Scottish Executive has resources available, but it would also be stretched. I agree with his view that we must have a timetable for moving forward. That is important, but his suggestion of bringing in a new scheme by the spring may be rather unrealistic.

The Convener: As I attempt to sum up this matter, I know why I hesitated before agreeing to chair this committee.

Let us start with the positives. There is consensus on support for a transitional relief scheme. We recognise the need for a review of small business rates and there is no doubt that we see the current scheme as unfair. I agree with Sylvia Jackson's comments; I am not sure we could implement a brand new scheme by March or April of next year.

We have to be clear about what an interim report is. It is a report that is issued halfway through a decision-making process, in which we indicate how far we think we have come and that we are keen for the Executive to pursue the matter in question. I am not absolutely sure of the status of the report, but Sylvia is right to say that we have not reached a final decision on which kind of scheme we think is best. If we appointed an adviser, they would examine the technical aspects of the issue, read all the information and report back to us on what, in their opinion, was being said. The adviser could help with an interim report and with the Executive's response, so they could be with us for some time.

We have a heavy programme, which we will consider later in the meeting, and there are some other matters that we have to attend to. The ethical standards in public life bill has to be dealt with before Christmas, and we will be into the Abolition of Poindings and Warrant Sales Bill immediately after the recess. We are not the lead committee on that bill, but we are holding up its passage because we will not consider it until January. I must take responsibility for moving that forward.

I suggest that in the first instance we appoint an adviser. Are there any objections? There are no objections. I also suggest that we combine recommendations 3 and 4 and that we produce an interim report for the Executive, indicating the stage at which we have arrived. I know that some

of you are not happy with that, but if we appoint an adviser and combine recommendations 3 and 4, we will at least be laying down a marker.

However, I do not think that the Executive will be able to come up with a new scheme as quickly as has been suggested, and perhaps it should not. Members will have read the *Official Report* and will know what the difficulties are. It may, therefore, be sensible to take our time so that we get things right. Do members understand what I am suggesting? Once the adviser has been appointed, the clerk and I will investigate how quickly an interim report can be produced. It would, of course, come before the committee before zipping up to the Executive. Kenny, you look unhappy.

Mr Gibson: I am unhappy. The committee has been meeting since May. If it was known that it would be difficult to timetable alterations to this rating scheme, we should have dealt with it earlier. We should seek clarification on whether there are time constraints as far as the Executive is concerned.

I notice that the committee has only one meeting scheduled between now and Christmas. I do not think that it would too onerous to schedule another to deal with this issue if the committee wanted to make recommendations to the Executive about a particular scheme. Sylvia said that only one scheme had been proposed, but the Forum of Private Business came up with a different one. I thought that it was a lot better, because it involved tapering rather than thresholds.

Dr Jackson: It was a long-term scheme.

Mr Gibson: I do not think that it was a long-term scheme.

The Convener: Could you speak through the chair, please?

Mr Gibson: I am sorry. The forum seemed to think that its scheme could be implemented fairly soon. We need clarification on whether it would be practical to do that before March, as that is the key to whether we take it forward. We should seek further advice before saying that we cannot. If that is the case, why have we spent so long considering this issue now when we could have done it two or three months earlier? That would have given us the time that we require.

Bristow Muldoon: The approach that the convener has suggested seems sensible. It is not practical in any way, shape or form to have a new scheme in place by March of next year.

The assessors pointed out a number of key problems that they foresaw with the first scheme that was shown to us. The second scheme proposed an interaction between the rating system and the national insurance system. We have not

even heard from the UK Government whether that scheme could be implemented. There would have to be quite a lot of working up by the Executive, in discussion with the UK Government and business, before any scheme of that nature could be introduced. I do not see any way in which a scheme could be introduced by March of next year and not cause turmoil in the business sector. It is impractical to proceed on that basis, and that is why I endorse the approach that you are arguing for, convener.

Johann Lamont: We seem to have moved all of a sudden from recognising that there are complexities and difficulties to being obdurate and not wanting to move forward. There was consensus that the issue is complex. Even defining what a small business is is complex. I am not trying to obstruct movement. I am more than happy that there has been movement. This committee wants there to be movement. I would be concerned and, although I do not have much experience of it, I am sure that small businesses would be concerned, if we rushed towards change on the basis that we want to be seen to be making a change.

11:00

The Scottish Executive drove through a new process without consulting in the way that we have done, when there were clear difficulties between groups. The Executive is talking about a significant change to the rating system, yet it will not consult and ensure that there is consensus in the business community. We ought to move as quickly as is practical. I am not always the most practical of politicians—I am told that we ought to be—but in this instance people who work in business want practical solutions to their problems. They do not want a theoretical commitment. The matter should be moved forward.

We should take seriously what we have heard in evidence: the matter is complex. We should appoint an adviser, set a timetable and monitor it carefully so that we do not come here in three month's time and rehearse the same arguments. There would be grounds for suspicion if in four or five months we said, "Oh well, it is still very difficult and there are practicalities to be dealt with and we cannot push matters too quickly."

We have to set a timetable and try to stick to it, but we should also be honest and recognise that what we have heard on the subject is complex and that no easy consensus will emerge. We should ask the Executive to produce a scheme that meets the approval of the business community.

Donald Gorrie: I would be happy to vote for the scheme put forward by the Forum of Private Business full stop, but committees should

progress by agreement and consensus and perhaps other people do not share my views about that scheme.

There is some confusion. The FPB scheme has no impact on the revaluation. The revaluation goes ahead, and each building has its value determined. Everyone is clear about that. The scheme has some impact on how much people pay. There is an issue about how it can best be administered, but any scheme must proceed with proper consultation. Our adviser could be asked to report on the mechanics of putting into effect the FPB scheme, the problems that there might be with it and so on, and—as has been suggested—we could ask the Executive about the time scale of putting into effect a scheme for reducing the penalty of rates on small businesses.

We should keep pushing forward. It may be that we cannot produce a scheme by March, but we are an intensely conservative country—with a small “c”—and I agree with those who feel that if you do not push like hell you do not get anything done. We require a long, steady push rather than one quick heave, but we have to keep pushing.

Dr Sylvia Jackson: I agree with Donald. Of all the schemes that were suggested, there was fair agreement that the FPB scheme seemed the best way forward. The only question, as I remember from the debate on it, was how applicable it could be. It was initially thought of as a long-term solution. The forum thought of it as radical change. I agree with Donald Gorrie that we should move with it and see how far we can go. That most likely is not practical, but let us go with it.

Johann Lamont: Donald Gorrie says that we are confusing things, pulling the two things together when they do not affect each other. Why tie one to the other in the timetable? Why make March, before the revaluation, the end point for ensuring that relief is provided? It is not necessary. It must be done as soon as possible—as soon as there can be consensus and consultation on the complexities. I do not think that all the other groups that we heard had the opportunity to respond to what they had suggested.

I thought there was strong consensus from all groups that the first priority that they wanted the Scottish Executive and this committee to address was the transitional relief. They wanted that to be in place before revaluation. As I have said before, we must move at the pace at which it is necessary to move on the other, in order to get a scheme that works. I am sure that we would not be thanked if we ended up with a scheme with which people were really unhappy, only to ask them for change again and again. We should proceed with speedy caution.

The Convener: I am going back to what I suggested. I have given you as much time as I think that you needed for it. There is more agreement than disagreement in the committee; that was the feeling with which I left the last meeting. I will not leave today's meeting feeling differently. However, there may be difficulties concerning the way in which we move it forward.

I suggest that we appoint an adviser and that we combine the second and third options—the third option says that we combine those—and have an interim report. The status of that report should be remembered: it is not our final deliberations, but an interim report that lays down a marker to say that we are aware of what is happening, that we need a timetable and that we can set out our own timetable for discussing it. When we come to consider the timetable later on, there will be some changes to it. We can say to the Executive that we are concerned about the matter and that we are taking more advice. However, this is an interim report.

I hope that the final report will come to an obvious conclusion. I am sure that it will. It is moving the issue forward. It is not letting it float away. I would not let it float away anyway. There will be a timetable to it.

Fergus Ewing: I agree that consensus seems to be expanding once again—this time, to produce an interim report—which is excellent news. Could that report contain a clear recommendation that the Executive put in place a scheme that redresses the unfair burden of business rates on smaller businesses? That would encapsulate the recommendation that I made earlier, one that Donald Gorrie supported, as a means of exerting that little bit of pressure that will be necessary to ensure progress in the matter. Could the report contain such a conclusion? I could read you the wording, if you wish.

The Convener: No. I do not want you to read me the wording. We have not written an interim report. We will get an adviser, I hope, who will examine the possibility. That will be a recommendation from this committee, as all members are agreed that the matter needs to be addressed. How it is addressed is what we are considering.

Mr McMahon: I am quite happy to agree to the proposal if you feel that an interim report would be of some benefit. However, you have already heard some of the reasons why I did not want to have such a report. As soon as we agree that there will be an interim report, you want it timetabled and want something else added. Then we start to argue about what will go into that interim report. What value is there in doing that? Why not wait until we have all the facts? We have not spoken to the Convention of Scottish Local Authorities or to

much of industry that has an interest in this, but we are talking about having an interim report. As soon as we agree to have an interim report, we will talk about what goes into it.

The Convener: If the adviser tells us that we have to speak to COSLA and consider some of the points that Bristow Muldoon raised, we will do so long before we produce an interim report. We will tighten up the timetable, but the report will be based on what we have heard and wish to hear in the next few weeks.

Is there some agreement about what I plan to do? I know that you do not all support it 100 per cent.

Mr Gibson: I suggest that we ask the Scottish Executive to advise on the practicalities of implementing an alteration to the scheme before March. There has been a lot of discussion about whether we can do things before 31 March, which is four months away.

The Convener: I am prepared to write to the minister to ask him that. Are you happy with that?

Members: Yes.

Dr Sylvia Jackson: My only reservation is that we want to express concern about small businesses and that we want the Executive to tell us how it is thinking about this issue rather than to come forward with a scheme, as Fergus Ewing said originally.

The Convener: Kenny Gibson is not asking for that. We will encapsulate in the letter that we are so concerned about the issue that we are appointing an adviser. We will combine the two options. Let us move on. The subject has been given a good airing.

Dr Jackson: That is fine.

Colin Campbell: This has been a masterpiece of consensual committee work.

The Convener: That was the chair and nothing to do with you guys.

Colin Campbell: I think that there was a wee bit of co-operation.

Mr Gibson: I would like to thank Eugene Windsor for all the things that he has been whispering in your ear.

Abolition of Poindings and Warrant Sales Bill

The Convener: We will move on to the Abolition of Poindings and Warrant Sales Bill. Is there any comment on the briefing paper about the bill, on which we will have to report in January? You will see that I have moved the timetable around

slightly.

Mr Gibson: The paper suggests that we will need an all-day meeting on this. Is that necessary, given that we will only hear from four organisations?

The Convener: We will hear from four organisations, and then we will have to discuss the evidence and report to the lead committee. If you think that we can do all the work in a meeting from 10 o'clock to half-past 12 or half-past 1—until whenever the room is booked—that is fine. However, I have noticed that members have got fed up and tired when we have met for that length of time. It is important that we get the report right.

Mr Gibson: Why has Glasgow City Council been asked to submit evidence separately from COSLA?

The Convener: I cannot remember why.

Mr Gibson: You are asking one council out of 32, which seems anomalous.

The Convener: Glasgow City Council is going to submit a written report. In a sense, that will be extra information.

Donald Gorrie: Can I reveal my ignorance and ask what the Braendam Link is?

The Convener: It is a group that is funded by Glasgow City Council to consider poverty in the city. It is a long-standing group that provides much information about debt management and so on.

Do we want to do all that in one session?

Johann Lamont: It might wiser if we were to book a longer session, be disciplined and get away early, rather than risk running out of time.

The Convener: Is that agreed?

Members: Yes.

Ethical Standards in Public Life Bill

11:15

The Convener: With regard to the ethical standards in public life bill, I have suggested that we take evidence from COSLA, SOLACE, which is the Society of Local Authority Chief Executives and General Managers, SOLAR, which is the Society of Local Authority Lawyers and Administrators in Scotland, and Unison. We could add the ombudsman to that list.

Mr McMahon: Why is Unison on the list? Why not the Scottish Trades Union Congress or a group of local public service trade unions?

The Convener: That was just because Unison is the biggest union.

Mr McMahon: They are not the only one.

The Convener: Would you rather the STUC represented them?

Mr McMahon: There are different levels of trade union organisations in local government. It might be easier to get the STUC to represent them or to get a delegation of two or three senior trade union representatives.

The Convener: Fine, I have no problem with that.

Donald Gorrie: There is a trade union of health board boss people that might help. The quango issue is important. There may be a similar organisation in relation to enterprise boards.

The Convener: Enterprise boards are part of LECs and they are not included in the bill. That is a matter of company law.

Donald Gorrie: I think that they should be included, but that is a different issue.

Apart from the health boards, there are the water boards and so on.

The Convener: You are expanding this into a whole day. I have no problem with that.

Mr Gibson: What about the Accounts Commission?

The Convener: We had better see how long it would take us. I will add the Accounts Commission to the list. Do members want me to ask an ombudsman to tell us what their role would be?

Members: Yes.

The Convener: We will also get representations from unions rather than from a particular union.

Donald Gorrie: It may be that written evidence will be adequate.

The Convener: Yes.

Mr Gibson: I take it that the minister will also be asked to come along to give evidence at some point. Would that be appropriate, for the purposes of clarification?

The Convener: We can leave that open.

Can I confirm that members want copies of the submissions that the Executive has received during its consultation process? We should also get the list of people whom it consulted. There may be some written submissions that mean that we do not have to call certain groups. Is that agreed?

Members: Yes.

Forward Plan

The Convener: I want to make some changes to the forward plan. I thought that we could have a free day on 8 December to allow the clerks to catch up on reports. However, we need to use that day.

Most members do not seem to have a copy of the forward plan. The clerk will make some photocopies.

11:19

Meeting suspended.

11:26

On resuming—

The Convener: Members should all have a copy of the timetable for the committee forward plan and the annexe, which has to be changed slightly. We must consider the ethics and standards bill, and we will take evidence on that on 8 December. I had thought that I would be able to give the clerks some time to pull things together, but it looks as if they will be working on that at night and at the weekends.

The meeting on 14 December has been scheduled for a committee debate on the ethics and standards bill, rather than the hearing of evidence, which will now take place in the week of 8 December. After taking the evidence we will have time to discuss it at the meeting on 14 December, and the latter part of that meeting will be about the reports on visits to councils other than the ones that we will hear today.

We have to fit in the Abolition of Poidings and Warrant Sales Bill. Unfortunately, 12 January is a Wednesday, which means that we have to stop because we must be in the chamber in the afternoon. At the moment, we are not allowed to have a committee meeting while the Parliament is meeting. We may therefore have to split our consideration of that bill between the meeting on 12 January and the one on 18 January.

Mr Stone: So be it.

The Convener: Kerley has been given an extra month for the report on the power of general competence, so that frees up 26 January for us. By that time, we should have organised an adviser on rateable values. The only other way to deal with matters would be to fit in extra meetings. Members will be aware that meetings can be held on a Monday afternoon, and we could do that if people want to.

11:30

We would then come back to business ratings on 26 January and the advisers will, I hope, have a report by then. We can be up and running with that sooner rather than later. We should do that and tighten up arrangements as we get more information regarding advisers' visits. Is that acceptable?

Members: Yes.

The Convener: We can move the final discussion on McIntosh forward. Are members happy to come back later to what will happen in February and March? I have made some changes and we will need to examine those more closely. Is that acceptable?

Members: Yes.

Colin Campbell: Do we have a space on 18 January?

The Convener: It looks as though we will have to split the debate on poindings and warrant sales. The first part of our debate will be split between the 1 January and 12 January. The second part will be on 18 January. We have many people to take evidence from and it is an important bill. We must also complete a report for the Justice and Home Affairs Committee—the lead committee—that it will incorporate in its report. We are, in a sense, holding that committee up, but I make no apology for that. Our agenda is busy and that committee must wait until we have done our business properly. Our report will be ready to go to the lead committee on 18 January.

Donald Gorrie: Can I clarify that, although the content has been changed on the list, the dates and times are the same?

The Convener: Yes. Items have just been moved up. I will ask the clerks to make the revised programme available as soon as possible.

Mr Gibson: Will the venues be the same?

The Convener: Yes. If we split the discussion on warrant sales between 12 January and 18 January, we will not run into any difficulties. If things get tight nearer that time, members will have to consider using a Monday afternoon if they feel that more time should be spent on warrant sales. The clerk will tell us what the possibility is of staying late one evening.

Eugene Windsor: That is not a possibility at present.

The Convener: The possibility of committees meeting at the same time as Parliament is being seriously examined by the Parliamentary Bureau and the committee of conveners. I have never quite understood why committees cannot meet at such times.

Mr Gibson: There might be debates that we all want to attend for their duration.

Dr Jackson: The European Committee is going to Brussels on 1 February. That might be a problem. I will not be able to attend a meeting on that date.

Mr Gibson: That might have to go before the Standards Committee. [*Laughter.*]

Colin Campbell: We could just hold our meeting in Brussels.

The Convener: That affects only Sylvia Jackson. We will be changing the timetable for February and March anyway.

Councils (Visits)

The Convener: We now move on to reports on visits to councils. We will start with Bristow Muldoon's report on the visit to Glasgow City Council.

Bristow Muldoon: The visit to Glasgow City Council was the first that we timetabled. It was important that we started there, given Glasgow's position as the largest council in Scotland in terms of population and expenditure. I was slightly disappointed that only Michael McMahon and I attended, but I know that other members could not attend for good reasons. However, the result was that only Labour members of the committee were present.

The visit was very useful. We were able to flesh out many of the views of Glasgow City Council regarding several aspects of the McIntosh report. In some areas the council has not reached final conclusions, so some of the views that were expressed to us are the views of Councillor Charlie Gordon, the leader of the council. He stated strongly that on some issues the council has still to meet formally before submitting a response. I imagine, however, that Councillor Gordon has a good understanding of what the response will be, given his position as council leader.

I want to raise a few points. Glasgow supported the power of general competence, although that was not its prime concern with regard to the McIntosh commission. It supported the principle of that power being granted, although it felt that there were other ways of dealing with some of the issues that were raised by that power.

Glasgow City Council felt particularly strongly about the question of an independent review of local government finance. The council supports the principle of moving to a situation where business rates are set on a local authority basis, but its primary concern was an issue that Johann

has raised on several occasions, that of Glasgow's metropolitan status and the way in which the greater Glasgow community benefits from services that Glasgow provides. Related to that is the fact that the residents of the middle-class suburbs around Glasgow use the city as a place to work but do not contribute to the cost of its services. When those issues are seen in relation to the poverty that exists in Glasgow, the seriousness of the situation becomes apparent.

The way that the business rates are distributed means that Glasgow finds it hard to ensure that revenue that is raised in the city is returned to the city. The council wants that issue taken forward by the Executive and indicated that it would support any initiative that was taken by this committee to ensure that that happened.

On decision making, the council said that it was reviewing its systems of operation. It felt that some aspects of the issue were exaggerated by McIntosh, particularly the question of whipping. It said that it did not use whipping regularly in the Labour group. I do not know whether the SNP group holds regular whipping sessions.

Charlie Gordon also said that he felt that Glasgow had been innovative in its approach to committees and mentioned that Glasgow was the first council to establish a standards committee. Through initiatives such as the citizens panel, it is trying to involve the community in the decision-making process. It does not favour a move towards the cabinet system of local government organisation that was suggested by McIntosh.

People are well aware that Glasgow City Council expressed support for the retention of the first-past-the-post system of election for local government. It is concerned about the way in which the Scottish Parliament works, with division of case work becoming politicised. It drew attention to the fact that local government does different work from that which is done by the Scottish Parliament. The primary role of the Parliament is legislative, so an additional member system might be workable as there would be more of a role for members who did not have a particular constituency to serve. The council strongly expressed the view that its prime principle was that the link between the constituency and the member should be retained. It felt that the most appropriate way to do that was by having a single-member, first-past-the-post system.

I would suggest one slight correction to the report of the visit. When Michael McMahon asked about AV—alternative vote—top-up, the council representatives said that, although they did not support AV top-up, they were prepared to look at AV itself—that is, a majoritarian system—because in that system every single councillor would have to have received the support of 50 per cent of the

electorate in their area at some point in the election. They saw that as improving the legitimacy of a councillor's election. But I must stress that it was AV and not AV top-up in which they expressed interest.

The representatives were quite happy with the suggestion that local authority elections should take place on the same day as elections to the Scottish Parliament; they felt that it was important to boost turnouts. They also believed that there were other ways of doing that. In particular, they felt that we should consider having a continually updated electoral roll, as that would deal with problems such as people changing address and so becoming disfranchised.

On most of the other issues that we raised, the council still had to come to final conclusions. It highlighted some areas where it felt that it was already working towards implementing many of the principles in the McIntosh report.

It was a useful and worthwhile meeting, and it allowed us to explore some of the reasoning behind the views that the council had expressed.

Mr McMahon: My constituency covers North and South Lanarkshire, and I could see many similarities between issues that are raised there and those that are raised in Glasgow. The impression that I took away from the visit was that there is definitely a need—because of the compounded impact of the issues that the council highlighted—for special status to be given to Glasgow as a local authority. When we visited the housing department and the homelessness unit, the scale of the difficulties that Glasgow faces was obvious. Those difficulties are greater than those suffered in other parts of Scotland. I want to say on record that Glasgow's difficulties are especially significant.

Colin Campbell: The second question that you asked Glasgow City Council was whether it took a view on the McIntosh commission's recommendation for an independent review of local government finance. The conclusion in your report is a masterpiece of not quite answering the question. Have I missed something? Was the issue discussed?

Bristow Muldoon: The council clearly said that it wished an independent review. I do not know whether other members of the committee have seen it, but a full written response by Glasgow City Council to our questions is available and would be useful to members. The paper that Colin has is just our notes from the meeting.

Mr McMahon: Our morning session overran by about 45 minutes—probably because we spent so much time discussing local government finance.

Colin Campbell: The council's response to that

question is conspicuously missing from the notes, so they do not quite capture the flavour.

Bristow Muldoon: The council clearly stated that it wished an independent review.

Colin Campbell: That is fine.

Mr McMahon: If you wanted to add one word to the report to make it clearer, the word would be yes.

Mr Gibson: We should get that answer from all local authorities.

My concern about the Glasgow visit was that only two out of the 79 elected councillors were there. I am not sure whether the other political parties, or other members of the ruling group, were invited. When I went to City of Aberdeen and East Renfrewshire Councils, nine members and at least three political parties were present in each case. I am therefore not sure how representative the views expressed in the report are.

I am concerned about what you said about AV. The answer to the fourth question you asked says that an AV top-up system was rejected

“because it would actually strengthen the dominant party.”

I cannot understand how that is mathematically possible.

Bristow Muldoon: From what I can recollect, the sentence that you quoted is an incorrect record, and I raised that point with the clerks before this meeting. I think that it was a genuine error—I do not think that that is what Charlie Gordon said.

Mr McMahon: The council ruled out the idea of top-up lists—it was not happy about that. Following on from that, the AV top-up system implies a list and that was also rejected. The council said that it could see the merit in the AV system, because of the rule of 15 per cent plus one, but it did not think that that would help in terms of distributing power.

Mr Gibson: It was quite curious that the two councils that I went to were again the proposal in question 6.

Glasgow City Council said that directly elected provosts

“could have ramifications for sleaze and mismanagement”.

Did the council expand on that statement, or was it a reaction to the Jeffrey Archer-Ken Livingstone situation?

11:45

Bristow Muldoon: I think that the council was thinking about American models and about the concentration of power in one person. It felt that

councils would have greater democratic accountability by having a range of members with responsibility, rather than concentrating power in one individual. It felt that that would be a healthier system.

Mr Paterson: Perhaps it was thinking about Pat Lally having another shot.

Colin Campbell: I cannot possibly comment on that.

Mr McMahon: My impression from Charlie Gordon was that Pat Lally walked on water in Glasgow.

Mr Gibson: How times have changed.

The Convener: Are you finished, Kenny?

Mr Gibson: I have one or two other points, but I shall defer to you, convener.

The Convener: I am interested in Kenny's comment, as it struck me that the two committee members who were able to attend the visit to Glasgow heard only one side of the story. We did not see any opposition members and, wherever I have been, the opposition has had an opinion. It seems to me that we should have heard that opinion, particularly in a city as large as Glasgow—even if it might have been difficult to find opposition members. I think that those members would have given their views if they had been given the opportunity. Perhaps we should consider that.

In the first paragraph on question 1, Jimmy Andrews said that Jean MacFadden had written a paper. I would like to see that paper, and members should have a copy—we would send a copy out to members. If Jean has said clearly in a paper what local authorities could do if they were to have the power of general competence, I would be interested in it, because of what has happened on other visits.

Mr McMahon: Charlie Gordon made it clear when he was speaking in a personal capacity. When he was speaking on behalf of Glasgow City Council, he stated that he was giving the official position—one arrived at through the policy-making process and following consultation. The officers who were present clarified on each occasion whether this or that was an agreed policy of the council or whether it was Councillor Gordon's personal view—that happened on only one or two occasions. While not ideal, that approach was made clear by council officers, who made up the bulk of the delegation. They said on a number of occasions that this or that was the policy as agreed through the democratic process.

The Convener: I still believe that, if you had been able to compare and contrast the official position with that of opposition members, you

might have found that the opposition might not have agreed with council policy. However, given that 73 members were against the proposal, the policy would have gone through.

Colin Campbell: There might be a different view of the first-past-the-post system.

The Convener: There might be a different view, which would be worth commenting on, but it did not happen in this case—nor is it happening in other areas.

Jean MacFadden's paper will give us an idea on the uses of the power of general competence.

Next, Donald Gorrie and I visited Stirling Council. I am glad to say that Donald was the reporter for that meeting.

Donald Gorrie: Stirling Council produced written answers to the questions—we gave it quite good marks out of 10. Eugene Windsor has produced a paper, which summarises the further discussion that we had with the council.

I will concentrate on a few points that I thought were particularly striking. On the issue of general competence, Stirling Council felt like other councils—that such power could be linked to community planning.

The council believes that a bill giving councils the duty and power to lead and the other players a general duty to co-operate would help the process forward. It would love a wider power of general competence, but it felt that we could make a start in that area.

The decentralisation of Stirling Council seemed to be real and impressed me. We all have experience of organisations whose claims to have decentralised turn out to be a sham, but in this case it seems to be genuine. Interestingly, Stirling conducted a postal ballot for community council elections, in which the turnout was between 40 and 60 per cent. The single transferable vote system was used and seemed to work very well. Postal elections are an issue that we need to consider.

Stirling is an interesting council, because the area that it covers is 50 per cent urban and 50 per cent rural. There are problems, but the council is addressing them seriously. It hopes to arrive at a system of scrutiny by the community, which is an interesting concept, even if it has not yet been realised. The council thinks that democracy should not consist simply in people trotting into a polling station every now and then to put an X on a piece of paper, and that they need to be involved. The council said, if I understood it correctly, that items on its agendas on which there was a free vote were starred. That seemed to me to be a step forward.

The council was dead against elected Jeffrey Archers and cabinets. Councils that have taken decentralisation seriously believe that a cabinet system would work against that.

I was impressed by the fact that the council was experimenting with a slightly different set-up of committees and departments. The remit of the children's committee and director of children's services, for instance, includes social work involving children as well as schools. Curiously, however, it does not include youth work, which may be an issue for the future.

The council was working genuinely to increase participation by young people. It has set up children's committees, at which school pupils discuss issues relevant to them. They have dealt with such basic but important issues as the weight of school satchels, flooding and lavatories.

This and the other visit that I have made so far, to Highland Council, illustrated the enormous variety of ways in which councils operate and the their good practice. Councils are not all perfect, but they all do some things well. We should encourage them to continue doing those things well and discourage the Executive from being on their back. British civil servants have an extraordinary lust for regulation, and I think that they should be told to get stuffed—if that is a parliamentary expression. With proper monitoring, councils can be allowed to get on with things. They are doing good things and, if given more general powers, they could do more. Parliament should set out targets and put in place appropriate monitoring, but it should not impose detailed regulation. That is the message that I have brought back from Stirling.

The Convener: I want to pick up Michael McMahon's point. Having been a councillor in Glasgow, I can see how the deprivation there leads to a more cumbersome approach, and why it is much more difficult to get things off the ground there than in smaller councils such as Stirling. However, I was impressed by Stirling. I was also impressed by the council's admission that Government initiatives with challenge funding—of which it has been a net beneficiary—are not the way to proceed. Rather, Governments should start to trust councils, instead of ring-fencing so much and designating everything as challenge funding.

In the afternoon, we visited a family centre in the Raploch. The woman who ran the centre had been there for about 15 years. She said that when she started, the kids coming to the centre were from families with difficulties of all kinds, and that the mothers and parents were there too, whereas now, they all appear to have jobs—or a larger percentage of them have jobs, which surprised me, although I thought that it was very good. She had seen quite a dramatic change, especially in

the past three or four years, with women returning to work or attending some form of education that would, we hope, take them into jobs—in other words, the new deal.

It was interesting to hear about the opposition in Stirling Council. It is fragile, but it is there. Council members do, however, seem to be able to work together. I was impressed both by what they were doing and by the officials and the way in which they approached their work.

Mr Gibson: You mentioned challenge funding, convener. The Stirling report states:

“Stirling was not particularly in favour of the approach, which it felt ‘makes liars’ out of councils.”

Was that expanded?

The Convener: I do not know about “makes liars”. That is in quotation marks in the report—perhaps Eugene Windsor wrote it down.

Mr Gibson: That is the council’s own quotation.

The Convener: It certainly felt that if a need is recognised and if it is possible to say exactly where money needs to be spent, there has to be an element of trust between the Executive and the council in order to do that. That is a fair point. If that does not happen, the councils are pulled into account, but after they have been given the chance to do it. I say that without wishing to go down the “Here is an area of priority treatment” road, which we went down in the 1980s, throwing money at problems.

If there is a clear need for something and the Executive recognises that, the money should be put in, but it should not be ring-fenced. The trust between councils and the Executive should be strengthened and given a chance to flourish—if that is the right word.

Council representatives said that they were disappointed that local government finance was not in the McIntosh report’s remit, and they saw the committee as having a crucial role. Donald Gorrie and I said that discussion of local government finance was on our agenda.

Bristow Muldoon: I want to ask about the electoral systems. The notes say that the Conservative group was against proportional representation—we are aware of that. The notes say that there was “a range of views”, presumably from some of the other councillors present. Could we have some indication of the views of the Labour and Scottish National party representatives on electoral systems?

Mr Harding: You had not told them yet.

Donald Gorrie: Specifically, they said that they had used the single transferable vote for community councils, which had been a success.

They registered the concerns of many people about lists of councillors. I felt that they were not hostile to the concept of PR.

The Convener: Except the Conservative group.

Donald Gorrie: Yes, except the Conservatives.

The Convener: That discussion took place when we had moved out into the provost room. The council representatives were keen to examine the Local Government Boundary Commission for Scotland, because ward boundary changes have wiped what are considered to be communities from the map. It is an especially interesting situation, because the council is so finely balanced.

Bristow Muldoon: It was interesting that no clear view was expressed one way or the other in the Stirling report. At the two councils that I visited, there was a clear view. One was Glasgow and the other was Highland, where there is no overall majority. Was there a definitive view from Stirling Council?

12:00

The Convener: I cannot remember anything definitive coming out, to be honest. Having seen the list MSPs and the situation in Europe, the council representatives seemed to be saying that it was not a good idea. For Europe, there is a vague list and people do not really know whom they are voting for. Members of the Conservative group certainly said that they opposed it, but I cannot remember any positive comments being made.

Mr Harding: Did Donald say that the council put asterisks or stars against a free vote?

Donald Gorrie: That is right.

Mr Harding: As a member of the opposition, I was not aware of that. I have never seen a star, so I can assume only that there has never been a free vote.

Mr Paterson: There is a difference between a star and a black spot.

Donald Gorrie: Kenny Gibson asked about the reference to making liars out of councils. In addition to what you said, convener, I took it that the Executive—or previously the UK Government—produced a scheme with strict rules. The council has, to some extent, to tell lies to fit its scheme into a sort of straitjacket. The council may have a good scheme, but it has to cheat a bit round the edges to make it fit the Government guidelines. It is felt that that is a bad thing. The councillors were in favour of trust between the council and the Executive. If they make a hash of it, they are hauled over the coals.

Bristow Muldoon: Would the Executive look

kindly on a council that admitted in a submission to the committee that it lies?

The Convener: That was the expression that the councillors used, because they had to fit their scheme to certain criteria before they could get money.

Convener's Report

The Convener: The next item is my report. Wearing my convener's hat, I spoke at a Unison meeting the week before last at the invitation of its executive. Norman Murray was the other speaker and we did a double act before answering questions. The same sort of issues came up as we have been discussing in the committee, such as the concern that McIntosh had not considered finance. I said that the committee would consider local government finance and that, although there would not be any more money, we would examine how it is divided up.

Unison was concerned about housing stock transfer, but Wendy Alexander has said that it is up to councils whether they go down the road of stock transfer. Concern was also expressed about proportional representation, and again people felt that the examples of this Parliament and of the European Parliament were not good ones. I pointed out that there are other types of PR and that we must discuss the matter. We might return to first past the post, but we should at least discuss the alternatives.

I felt that it was a helpful meeting. Having spoken to councils, trade union groups and other interested parties, I know that they feel that the committee is with them rather than against them. That is good and, when I speak to those groups, I can tell them that members of the committee are committed to local government and local provision of services.

After I left, I thought that, in all our deliberations and evidence sessions, we have missed the trade unions. Matt Smith came to the committee on a specific remit—to talk about his position vis-à-vis the McIntosh report. I suggest that we have a trade union session, at which we listen to the trade unions, which are relevant to—and loom large in—local government. I would have an agenda for that, with certain questions that we might want to ask, if members have any ideas. We should have that session before we produce our final McIntosh report. That will add another aspect to the picture.

I am asked to speak quite often, and it is not a single transferable speech—I change it round depending on where I am. I give people the support of the committee, and tell them about how the committee is made up and that so far—although this morning we came close—we have

not fallen out and gone to a vote.

Mr Paterson: On the special islands needs allowance, will that come up?

The Convener: Yes, it will.

I thank members for their attendance. We had a good discussion this morning. We aired plenty of views and we will take those matters forward—we will not leave them stagnant.

Colin Campbell: With a bit of amendment.

The Convener: Indeed.

Meeting closed at 12:06.

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