

LOCAL GOVERNMENT COMMITTEE

Tuesday 8 May 2001
(*Afternoon*)

Session 1

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CONTENTS

Tuesday 8 May 2001

	Col.
ITEM IN PRIVATE.....	1881
DRAFT LOCAL GOVERNMENT (TIMING OF ELECTIONS) (SCOTLAND) BILL	1882
BUDGET PROCESS 2002-03.....	1915

LOCAL GOVERNMENT COMMITTEE

14th Meeting 2001, Session 1

CONVENER

*Trish Godman (West Renfrew shire) (Lab)

DEPUTY CONVENER

Dr Sylvia Jackson (Stirling) (Lab)

COMMITTEE MEMBERS

*Mr Kenneth Gibson (Glasgow) (SNP)

*Mr Keith Harding (Mid Scotland and Fife) (Con)

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

*Mr Gil Paterson (Central Scotland) (SNP)

*Iain Smith (North-East Fife) (LD)

*attended

THE FOLLOWING ALSO ATTENDED :

Donald Gorrie (Central Scotland) (LD)

WITNESSES

Professor John Curtice (University of Strathclyde)

David Dorward (Dundee City Council)

Councillor Hugh Halcro-Johnston (Orkney Islands Council)

Bill Johnston (Scottish Assessors Association)

Peter Peacock (Deputy Minister for Finance and Local Government)

Councillor George Regan (Dundee City Council)

David Robertson (Orkney Islands Council)

Frank Sibbald (Scottish Assessors Association)

Norie Williamson (Convention of Scottish Local Authorities)

CLERK TO THE COMMITTEE

Eugene Windsor

SENIOR ASSISTANT CLERK

Irene Fleming

ASSISTANT CLERK

Craig Harper

LOCATION

Committee Room 3

Scottish Parliament

Local Government Committee

Tuesday 8 May 2001

(Afternoon)

[THE CONVENER *opened the meeting at 14:00*]

Item in Private

The Convener (Trish Godman): Comrades, I apologise, as my voice has half gone. First, I seek the committee's agreement that item 4 be taken in private. Is that agreed?

Members *indicated agreement.*

The Convener: Nodding does not help the official report. Do you agree?

Members: Yes, convener.

Draft Local Government (Timing of Elections) (Scotland) Bill

The Convener: We now move to the Executive's consultation paper and the draft local government (timing of elections) (Scotland) bill. I will not divide up the questions for the witnesses; just make sure that all the questions are asked. You have my permission to take your jackets off if it gets too warm, but that is all—do not take anything else off.

I apologise again—I do not know what has happened to my voice today. I will not apologise for the room that we are meeting in today. We have to take Buggins's turn. It is rather warm, but I notice that some of you have already taken your jackets off anyway, so that is fine.

The first group of witnesses are from the Scottish Executive. We have Peter Peacock, the Deputy Minister for Finance and Local Government, Leslie Evans, head of the local government, constitution and governance division, Frank Duffy, the head of local government, constitution and governance division branch 1, and Murray Sinclair, the divisional solicitor, in division C of the office of the solicitor to the Scottish Executive.

You are all welcome and, as you have all been here before, you will be familiar with proceedings. I ask the minister to address the committee.

The Deputy Minister for Finance and Local Government (Peter Peacock): I will try to ensure that you do not have to intervene too often, so that you can save your voice.

As members are aware, we announced in November last year our intention to legislate to allow council terms to be extended to four years and to allow Scottish Parliament and council elections to be planned at the same time interval, from 2003 onwards. We are now consulting on draft legislation. The consultation ends on 21 June. We hope that the bill will be introduced to Parliament in September this year. That will be necessary to make the changes required to cancel the 2002 local government elections, which would otherwise take place, in time.

We believe that the move to a four-year term will give councils far greater stability than the current three-year term. It will help councils to plan ahead and to deliver their policies and priorities more effectively. Extending council terms will complement other initiatives that we have taken, such as the new financial regime, which introduced three-year budget settlements and so a longer time horizon than that to which we were accustomed.

We recognise that there are differing views on whether local government elections should coincide with those for the Parliament or should fall mid-term—between parliamentary elections. Sir Neil McIntosh's report recognised that benefits were attached to both approaches. His evidence was largely taken before the experience of the 1999 election. There has been subsequent consultation on his report and I will go into the results of that later, if the committee wants.

The elections in May 1999 achieved the highest turnout for local government elections in a decade or more. The average turnout was 59 per cent against a backdrop of average turnouts of between 48 per cent and 41 per cent from 1976 to 1995. Graphs that illustrate the trend are available to members of the committee.

We believe that that high turnout reinforces local government's democratic mandate. Holding local government elections on the same day as the Scottish Parliament election strengthens the notion that equal legitimacy exists between both tiers of Scottish government and clarifies that there are different responsibilities attached to each tier. Over time, that will help to clarify the respective roles of the Parliament and local government. The previous system of holding separate elections led to local government elections being seen as national referendums on the Government. Officials will discuss with the relevant administrative bodies, electoral registration officers, returning officers and others issues associated with the planning and administration of the elections in June and will address any administrative concerns that arise from the proposals.

I am aware that there are concerns about the possibility that local government elections might be called early because of an early Scottish Parliament election. I have already had some helpful comments from members of the committee about that matter. I want to make it clear that our first and overriding principle is to move to holding local government elections on a four-year-term basis. A secondary concern is the wish to hold them at the same time as the Scottish Parliament election.

We will consider carefully the responses to the consultation on shifting local government elections from a four-year-term basis to make them coincide with an early election of the Scottish Parliament. In the draft bill, ministers have the power to call an early local government election in a wide range of circumstances. The committee can expect that we will have pondered the matter further when we come back to Parliament with refined proposals in September. The benefit of having the period of consultation on the draft bill is that it allows us to consider such matters in the light of comments,

which are still coming in.

While I believe that there will be a case for ministers continuing to have some discretion in the calling of elections, it may well be better to express a clearer view on when that would be necessary in the bill that we introduce in September. I stress once again that our overriding principle is to hold local government elections on a four-year-term basis.

The Convener: I will ask my questions before my voice totally disappears.

As you know, Professor John Curtice is our next witness. I found an interesting quotation in his submission. Unfortunately for my throat, it is also rather long. It says:

"at some point in the future the UK Prime Minister may opt to hold a Westminster general election on the same day as a Scottish Parliamentary election. In that event then under the provisions of this bill, three sets of elections would have to be held on the same day. It may be noted that when coincident elections were held in England in 1979 the government postponed parish council elections that were due to take place at the same time as the district council elections on the grounds that it was unreasonable to expect electoral administrators (and voters) to cope with three sets of elections on the same day. It is not clear to me that there are any provisions in the bill that would make it possible for Scottish Ministers to postpone the local elections in such circumstances."

Will you consider that possibility?

Peter Peacock: John Curtice's argument seems to be that we should make provision in the bill for ministers to have powers to make a Scottish local government election coincide with a UK general election and a Scottish Parliament election. I will have to come back with any information that I do not cover in this answer, but I will say that, as the UK election is a reserved matter, it would be unwise for a Scottish minister to get into that area.

I am not clear why it would happen, but if the UK Government—which, after all, has a role in Scottish Parliament elections—decided that it wanted to make a UK general election coincide with Scottish Parliament elections, the draft bill would allow us to make local government elections coincide with those two elections. I suspect that it would be going beyond the Scottish Parliament's competence to take powers in relation to a UK election, but I will have the issue double-checked by our lawyers and will get back to the committee in writing.

Mr Gil Paterson (Central Scotland) (SNP): If I quote you correctly, you said that there would be a mid-term mini-referendum on the Government's performance if a local government election took place on its own. However, if the two elections happened on the same day, would not that be the same as having a full-blown referendum on the Government's performance, with the net effect that

the local government election would have no real relevance because people would vote on the big issues instead of on the issues on their doorstep?

Peter Peacock: We have heard that argument a number of times over a number of years; it predated the first Scottish Parliament election and the most recent local government election, which were held on the same day. Having thought about the matter much more over time, I believe that the opposite is the case. Colleagues round the table who, like me, have been involved in council elections will know that it was no surprise to find various pundits and commentators on elections inviting people to make a judgment on the Government on the basis of the local government elections. Furthermore, it was not unknown for political parties represented around this table to include national issues in their local government manifestos. I am not sure that that situation would change if the elections were held mid-term; they could still be overtaken by national events, as they have been in the past. That could happen more frequently in future.

The genuine benefit of holding both elections on the same day is that the local government election cannot be hijacked, because a distinction has to be drawn between the two tiers of government on which people are voting that day. I would hope that, over time, it might be argued that electing councils on the same day as we elect a Scottish Parliament or vice versa would help to clarify to people that they are voting for different things. As a result, we could make things clearer than they have been in the past and stop local authority elections being hijacked. That said, I understand the point.

On the more general question of whether holding local government elections on the same day as a general election will somehow diminish the position of local authorities, I think that the opposite will be the case. As I said in my opening remarks, having the same turnout for a general and a local government election gives equal status and legitimacy to both tiers of government—one tier will not have a greater democratic mandate than the other. That will help local authorities overall, particularly as turnouts have increased. As for whether local authorities will be lost in the middle of a general election, it depends on how you view the situation. I would characterise such an election day as Scottish democracy day, when people go to the ballot box and elect both the tiers of government that operate within the boundaries of Scotland.

The opportunity exists to enhance, rather than diminish, the status of local authorities and to prevent local authority elections from being overtaken by national issues, which has happened and, I suspect, would continue to happen. A fair

responsibility falls on all our political parties to handle elections in a way that does not diminish the role of local authorities, which is not our intention.

Mr Paterson: If the process of electing a Scottish or UK Government puts local government on the back burner, does the Executive have plans to provide resources to enhance the prospect of local government's receiving a fair airing and making a fair delivery of what it can do for the Scottish people?

14:15

Peter Peacock: As I said, I do not accept that proposition, but we are more than happy to consider any matters in which we can be helpfully involved and to assist local authorities, returning officers and others—including ourselves—in promoting the electoral process on democracy day, as I described it. We must also ensure that the distinction between the Scottish Parliament election and the local authority election is recognised. People must understand that they will have two votes for the Scottish Parliament and one vote for the local authority and that those bodies have different functions and responsibilities but are equally legitimate, democratically. We are more than happy to consider anything we can do to help the process, such as publicity and advertising. We do not desire a blurring of the edges; we desire the reverse of that.

Mr Keith Harding (Mid Scotland and Fife) (Con): From the minister's answer, I assume that he feels that combining elections would not take the focus off local government elections.

Peter Peacock: I do not think that focus would be lost. Political parties, the Executive and local authorities have parts to play in bringing to the Scottish public's attention the fact that we will elect the two tiers of Scottish government for which we have responsibility on that day. We can use that day to celebrate democracy, rather than to hide one election in another. The fact that the turnout would be the same for both elections would help to equalise the status of local authorities and the Scottish Parliament. It would also help with the legitimacy test, because no one could say that local authorities had a lower turnout and were therefore less democratically legitimate than the Scottish Parliament—that would be unfortunate and the proposals would help us to avoid that. Over time, the fact that the elections took place on the same day would help to clarify the roles of the two tiers of government, rather than blur the edges.

Mr Harding: You mentioned McIntosh who, along with Kerley, recommended four-year terms starting on different dates. How meaningful is the

consultation? According to a written answer from you, the consultation is only technical. Has your mind been made up? Will you genuinely listen to people? Are we wasting our time? Written evidence could have dealt with everything.

Peter Peacock: We are not wasting our time. The consultation is genuine. We have firm proposals on which we are consulting. I noticed Mr Harding's press release—we are damned if we do and damned if we don't.

Mr Harding: That is the joy of being in power.

Peter Peacock: Had we issued a press release, we would have been accused of spin. We did not issue one and we were accused of secrecy. It is difficult to win. The consultation is no secret. I will be happy to issue a press release based on today's evidence, if that would help to make it clear that we are not trying to hide anything. A wide range of interested parties was sent the consultation paper. The committee is taking evidence today and is also drawing attention to the matter.

We have received many responses to the consultation. The issue is open and alive. We want to hear what people are saying. On the basis of some responses, we are rethinking whether ministers should have the full range of powers to call early local government elections that we envisaged. The consultation is genuine and open. We want to hear what people have to say.

Mr Kenneth Gibson (Glasgow) (SNP): Forgive us for being a bit cynical, but the consultation was announced in reply to a written question that was answered before the question was published, on the day of a parliamentary by-election, after the close of business. I understand Keith Harding's position.

Paragraph 3 of the draft policy memorandum states:

"From the elector's perspective, running Parliamentary and local government elections together will result in being asked to turn out less times and therefore will have a positive impact on voter fatigue."

Given that in Italy, Germany, Israel and many other countries people turn out for elections much more frequently than they do here, and given that it may be the case that people do not get into the habit of voting or do not maintain the habit because elections are few and far between, which may result in turnouts going down, what evidence do you have for that statement?

Peter Peacock: The hard evidence is that the coincidence of the Scottish Parliament elections and the local government elections led to a significant increase in turnout. That is important, because it improves legitimacy. We also have UK elections, community council elections and

European Parliament elections. One of the regrettable facts of democratic life in the UK is that turnout is falling in elections for every level of government. That is a separate subject in its own right, but I would have thought that it would be a worry for every political party.

I do not think that having coincident Scottish Parliament and local government elections will do anything to diminish people's appetite to vote. Our argument is that it will increase their appetite and that they will vote in local government elections when turning out for a Scottish Parliament election or vice versa, however you want to look at it, in numbers that they have not previously.

As I indicated, I can distribute to committee members and members of the public some graphs, which show how the turnout has fallen and how it increased significantly at the 1999 elections. I am happy to hand those out right now.

Mr Gibson: I wonder whether the turnout at local government elections in fact increased. Paragraph 6 of the policy memorandum states:

"The heightened publicity and media attention for combined elections clearly has an impact on voter turnout."

However, in the three months before the Scottish Parliament elections, there was a massive television campaign, which told people that they would have two ballot papers on polling day and explained how both ballots would work, but there was absolutely no publicity—unless people got a leaflet through their door from a political party—about the fact that there was also a local government election.

The only reason turnout increased—the minister is well aware of this—is that a lot of folk turned up at polling stations and were presented with three ballot papers, not the two that they were expecting. Therefore, they may not have voted for local government issues. They may have thought, "I've given one vote to one party. I'll give my other two to another two," or, "I'll give my first two votes to one party." Was voting based on the workings of local councils? Will there be publicity to tell people that they have three ballots? It is bizarre that there was no publicity for the last local government elections in Scotland, yet a couple of months ago, before they were postponed—

The Convener: Kenny, please get to your question.

Mr Gibson: On Scottish television there were advertisements for people to register to vote for the English council elections which, unless I am mistaken, were never scheduled for Scotland. So two years ago we had no publicity about Scottish council elections, but recently we had publicity for the English council elections. Will there be publicity? Is not it a fact that in 1999 a lot of people

did not even know that there was a local government election?

Peter Peacock: There are choices to be made. We have indicated in the policy memorandum and in answer to questions in Parliament that the timing of elections is a balanced judgment. We are convinced that we have to go to four-year terms, for the reasons that I have set out, and we believe that, on balance, it is right to have local government elections on the same day as Scottish Parliament elections, for reasons that I also have set out. We could choose not to do that, but all the evidence is that, if we did so, we would go back to the position where local authority elections, right or wrong, have a poorer turnout. My objective is to ensure that as much legitimacy as possible is attached to local authorities. In the context of the new democratic system in Scotland, electing councillors on the same percentage turnout as members of the Scottish Parliament can only be of advantage to local authorities' legitimacy.

The plain fact is that, if you examine the statistics that I have circulated, you will see a significant upturn in turnout at the previous elections. That is a fact: the people voted in the local authority election. You and I could argue about what was in their minds when they went to the polling stations, but the fact is that they cast their votes in local authority elections in numbers that have not been seen for a generation or more. That must be healthy.

As I indicated to Gil Paterson, we are more than happy to consider ways in which we can continue to enhance advertising and publicity for, and people's understanding of, parliamentary and local government elections, if they occur on the same day. There is everything to be said for that, because it helps to accentuate the different responsibilities that those bodies have. If there is anything that we can do in that regard to better empower returning officers or local authorities or if there is anything that we can do out of our own hand, we are more than happy to consider that as a way of addressing some of the points that you may have concerns about.

Members have seen the set of graphs. The front page indicates the trend over the years of declining turnout and then the significant upturn at the previous election. The set of graphs shows the overall Scottish trends over the period together with those in the former regions, because we have aggregated the district and regional council elections. The graphs clearly show that, although there are variations, the trend was downward for a number of years until 1999.

The last page illustrates the significant change—in some areas, a hugely significant change—in turnout. If we look at the first bars on the graph, those for Aberdeen City Council elections, we see

that the change in turnout is from between 35 and 40 per cent to well over 50 per cent. That is a significant increase in turnout and voting for a local government election. The trend is healthy and we want it to continue.

Mr Gibson: I have a small question on the power to synchronise polling at local government and extraordinary parliamentary elections. We would all accept the need for four-year terms. If the Scottish Executive was unable to select a First Minister and another Scottish election was therefore called, why—as the draft bill appears to say—would we need local elections to coincide with that?

Peter Peacock: I am happy to pick up on those points. Iain Smith has already spoken to me at length about that matter. Other members of the committee have also brought it to my attention. I indicated in my opening remarks that we are happy to revisit that point.

The overriding principle is for four-year terms. On balance, we think that those terms should coincide with the Scottish election. I am no expert in constitutional law and the effect of what happens in the Scottish Parliament on that, but I understand that there are three situations that may cause us to need to consider the issue at all.

One of those situations is that, as I understand it, the Presiding Officer has a power to vary the date of the Scottish election by one month either side of the normal date. That power is for use in unusual circumstances, which we would not necessarily be able to predict. In circumstances in which the Presiding Officer uses that power, it seems right that a minister should have the power to call a simultaneous local government election. The variation in the date is not huge. Why have two elections within a month of each other? That is a reasonable point.

The second situation is, as I understand it, that we fail to appoint a First Minister after the normal election of a Parliament, in which case the Parliament could dissolve within a period of about 28 days. On the face of it, there would be no reason to call a local government election in those circumstances. Similarly, if—as happened during this session after the First Minister died—we had to re-elect a First Minister and there was a failure to appoint in those circumstances, a situation could arise, depending on the timing, in which it might be proper to synchronise the Scottish election with a local government election. However, that would not necessarily be proper in all circumstances.

The third situation is if Parliament votes by a two-thirds majority to dissolve. There is then the opportunity to call an election. If, in a year in which there would normally be an election, that

happened between the date at which the council tax would normally be fixed—11 March; that is a statutory duty on local authorities—and the point at which the Presiding Officer could call an election, it would be reasonable for a minister to have a power to synchronise the elections.

Beyond that, the question is why, if there is no intention to use the power or if it would not be reasonable to use the power, the power should exist. I am quite prepared to take that point back and reconsider it. When we come back with revised proposals, we will ensure that they are more precise about when a minister should exercise the power. I repeat that our clear intention is to have four-year terms. That is the overriding policy priority.

Mr Gibson: The power obviously contradicts the aim of having four-year terms.

Mr Michael McMahon (Hamilton North and Bellshill) (Lab): Minister, you have probably gathered that there is some scepticism in the committee about the bill. Part of that scepticism is based on the idea that the bill may be a mechanism for pre-empting the Kerley report and to avoid related difficulties. Would you comment on that allegation?

If we assume that the bill is not a mechanism for pre-empting the Kerley report and that we deliver some sort of electoral reform at some point in the future, we might find ourselves with a new electoral system for the local government elections. In the elections to the Scottish Parliament, we had two different systems—first past the post and the additional member system. What technical problems might occur if, on the same day, we had local government elections using the single transferable vote or alternative vote systems?

14:30

Peter Peacock: God forbid that we would ever be accused of trying to avoid any of the Kerley recommendations. As you know, we are committed to making progress on the question of proportional representation; indeed, those discussions are continuing in the ministerial committee.

The Executive's decision to promote the bill and the notion that the elections should be on the same day are without prejudice to any voting system in local government elections that may arise in future. The decision does not presuppose that the electoral system for local government will always remain first past the post. If the electoral system changes in due course by will of the Parliament, that matter would be covered.

There are practical questions. If your question is

whether the local authority returning officers and electoral registration officers could cope with two different forms—if there were different forms, as this is all hypothetical—of proportional representation on the same day, my response to that is yes. I have enormous confidence in local government officers. They have made a huge number of things work over many generations. I believe that they would tackle any new system with their normal professionalism and make it work.

In many ways, we are moving towards a situation that has long obtained in the rest of Europe, where there are complex local government elections by PR. Indeed, Northern Ireland has PR for local government elections. As I understand it, those elections are conducted on the same day as UK general elections, so there is some experience of how such a system might work. I think that local authorities could cope with that. As matters stand, such a system would undoubtedly be more complex and would take more time, but nonetheless I think that local authorities would cope.

We can feed into that the fact that we are moving rapidly down the road of having the technological capacity to count votes electronically. I hasten to add that I am not advocating the system that was used in America late last year; I am advocating the simple scanning mechanisms that are now used. Aberdeen City Council is piloting such a mechanism and is considering how ballot papers can be counted differently. With such technology at our disposal, we could cut the time that it might otherwise take under PR systems to count complex ballot papers and reallocate votes.

To recap, members must be clear that what we propose is without prejudice to future electoral systems. If PR becomes the will of Parliament, we are confident that local government officers can cope. Technological mechanisms are becoming available to help with that. We intend to speak in detail to chief executives, presiding officers, electoral registration officers and others to ensure that we have thought everything through. There are meetings towards the end of June about general administrative matters relating to the issue.

Iain Smith (North-East Fife) (LD): I thank the minister for the discussions that he and I have had on the draft bill and the assurances that he has given to the committee this afternoon on some of the points that have been raised. I am especially pleased by his assurance that the primary purpose of the bill is to have a four-year term for local government. What concerns me slightly is that the draft bill does not say, "Local government will have a four-year fixed term." It says that local

government elections will have no fixed term but that they will be synchronised with the Scottish Parliament elections—which happen to have a four-year fixed term. I wonder whether that can be considered when the bill proper is being drafted so that it says clearly that local government elections will be four yearly because they will coincide with the Scottish Parliament elections.

My main point relates to Kenny Gibson's question about the power relating to extraordinary parliamentary elections. I would like to explore a couple of the concerns that I would have were that power to be used.

One concern is that there would be a fairly short time between when an extraordinary election was called and when it took place. If that happened outwith the normal run of events, it would be difficult for political parties to get candidates in place for council seats. That issue of democracy has to be taken into account. If a councillor has a four-year mandate cut short by six months, for example, it would be difficult for that councillor to present himself or herself to the electorate in a fair way. The democratic legitimacy of those elections would be at issue.

My other concern relates to council tax. Councils may be in the process of doing things that they expect to finish, only to find their time cut short. I would welcome the minister's comments on all those points.

Peter Peacock: We will consider the drafting to see whether there are ways of better expressing matters relating to the four-year term, in order to draw attention to the principles. I will take that issue away and consider it in detail.

Iain Smith makes two points about the downside of ministers having a unilateral power to call an election. If that were well out of sync with the normal Scottish Parliament election—for reasons that we rehearsed in my answer to Kenny Gibson—there could be practical problems. There is a difference in political scale between selecting hundreds of councillors and selecting 120-odd parliamentary candidates—perhaps I should phrase that as “120 parliamentary candidates”. The political parties would have a difficult job with that difference in scale. That is another factor that we will weigh in the balance when we make our final judgments on what we will present to Parliament.

The second point was about work that councils had in hand. As I said in response to Kenny Gibson's question, my specific concern as I reviewed the matter and thought about it more deeply was the statutory duty to fix council tax. That must be done by 11 March each year. If a minister had any power that could intervene in that process and therefore prevent a council from

setting a budget, that could have huge cost consequences. There would be less time to collect that year's tax and the billing process would be interrupted. Any interruption would be a serious matter—for example, a council could start a new financial year without a budget. We would have to think carefully about whether it would be right for the councils' duties to be overridden. Sitting here, I can think of very few circumstances in which that would be right.

Councils may have other work in hand, too. I suppose that that happens with any election—not all business is completed. However, we have to consider whether there are any statutory limitations on that work—whether it is related to structure plans, for example. Council tax setting is probably unique in having a statutory date. We would have to consider whether calling an election would give rise to other impediments that would have to be weighed in the balance. We have to find the right period in which a minister should legitimately have the discretion to use the power. Equally, however, the power should not be used in circumstances where we think it should not apply.

The Convener: Donald, would you like to ask anything?

Donald Gorrie (Central Scotland) (LD): No. As you know, convener, I am here for the next item. I have a continuing interest in these subjects.

The Convener: I just did not want you to think that we were ignoring you.

Are there any more questions?

Mr Gibson: Yes.

The Convener: All right—a quick one without a story.

Mr Gibson: Turnout is a key issue for everyone in politics. What measures is the Executive considering to improve turnout, other than coincident elections?

Peter Peacock: Turnout is a fundamental issue, not only for local authorities but for everyone involved in the democratic process. If I knew how to bring about massive increases in voter turnout, I would be earning a huge amount of money as a consultant. Increasing turnout is a challenge for everyone and not just for those in local government.

People have to believe that their participation in an election makes a difference and that their vote counts. Their vote must allow them to exercise choice in local matters. That is partly why we are taking so many steps to free up councils by removing guidelines. Previously, when a council was capped, or guidelines were applied or there were penalty systems and clawbacks of grant—as happened for many years—the public did not

know whether responsibility lay with the council or with the Government that had imposed the cap or expenditure limit. There was an awful lot of to-ing and fro-ing between councils and the Government, each of which said that it was the other's fault. One reason why we have removed guidelines is to make it clearer where responsibilities lie. It is now up to the council to make such decisions.

Moving to three-year budgets and tax levels that have been agreed and indicated to the public helps accountability. The power of community planning is about giving councils a more central role in pulling together public sector services and about councils getting views from their area. The power of community initiative gives more power to councils to do things that they think are right, in the interests of their areas. Best value will also contribute to people understanding better the role of their council and knowing what their council is responsible for.

Initiatives on civic education and citizenship are taking place in our school system to encourage people to understand better the workings of our democracy and to widen access in a variety of ways. What emerged from the McIntosh report was the extent of the use of the whip in local authorities and the fact that, in some councils, almost all decisions are whipped. We are moving towards a position where it will be much clearer which decisions are whipped and which are not, thus giving more transparency to council decision making.

There is a whole range of things that we could do to allow people to appreciate the importance of their local council and to hold that council to account. Rather than simply applying to local authorities, it is a challenge that relates fundamentally to attitudes in our society and to approaches to the whole democratic process.

The Convener: I have a quick question on regulations concerning campaign finance. Those for the Scottish Parliament and the UK Parliament are decided at Westminster, but those for local elections are subject to a decision on our part. There is no provision for this, but do you have any plans to consider increasing regulation on expenditure for local elections?

Peter Peacock: The Electoral Commission is considering those matters in regard to England and Wales, but its writ does not run to Scotland. In a range of matters regarding local authorities on which we may have to legislate, several electoral and democratic issues arise. There is a balance to be struck between including some things in the draft bill and accumulating a significant number of matters that arise from the McIntosh and Kerley reports or that councils have brought to our attention, such as the flexible operation of local elections, the use of electronic voting and counting

methods, and holding meetings using technology. All those things are the focus of discussion in the Executive and, on balance, we wish to consider them as a package rather than select one or two to insert in the draft bill. I cannot give any commitment on what we will do, but those matters are under active consideration and we will decide what to do to make the whole process much livelier and more relevant to people and we will regulate it appropriately.

The Convener: I do not think that there are any more questions. In summing up, I do not think that anyone on the committee would disagree that an increase in council voting is a healthy trend. As Kenny Gibson pointed out, the argument is whether that was exactly what happened last time—it was possibly the case that people who were already going to the polling station for the parliamentary elections thought that they might as well vote in the local elections too.

I also agree with Kenny Gibson's comments about publicity. It is important for people to know next time that they have three votes, not two. They will have a first-past-the-post vote, a list vote and a vote for their local councillor. It would be interesting to consider the differences, and how people vote: whether they vote one way for the Parliament and another way for their local council. That might give us some food for thought.

Peter Peacock: I think that you are hearing from the world expert on that subject next.

The Convener: Indeed. I thank you and your officials for coming today.

Okay comrades, we now have before us Professor John Curtice, from the department of government at the University of Strathclyde. I have to apologise for my voice, which is slowly but surely disappearing. As my officials will have told you, the format is that you speak for about seven minutes and I will then open it up to the committee for questions.

14:45

Professor John Curtice (University of Strathclyde): I am sorry about your voice, convener—you are obviously getting ready for the election campaign already.

I understand that members have already received my paper. I will summarise the points that are made therein. Essentially, the draft bill makes provision to hold Scottish local government elections once every four years in the future and to do so on the occasion of elections to the Scottish Parliament. The Executive makes two main arguments in favour of its position. The first is that turnout would be higher and the second is that the longer time span for councillors' offices would help

councils to take a more strategic view. I am not an expert on local government, so I do not wish to comment on whether four years would enable councillors to take a more strategic view than would three years. I note that four years is the norm in England and was the norm in Scotland prior to the last round of local government reorganisation. I primarily want to focus on the electoral aspects of the bill.

I do not think that there is any controversy about the claim that turnout is higher in local government elections when they are held at the same time as another election that voters appear to regard as being more important. The turnout in the 1999 coincident elections in Scotland was 58.5 per cent, which is only a little lower than the turnout for the elections to Holyrood. Once people are in the polling stations, they will vote in local elections if a ballot paper is handed to them.

The experience is the same in England, which had coincident elections on the occasion of the general elections in 1979 and 1997. Almost everybody who turned up to vote in the parliamentary elections also voted in the local government elections. Turnout in the election for Holyrood was about 58 or 59 per cent. That is above the level of turnout in any Scottish local elections since 1974. That part of the Executive's claim is uncontroversial.

However, the committee might want to take four issues into consideration in deciding whether that is a sufficient argument for the proposal. The first objection to the proposal is that, although it may be the case that more people turn out to vote in coincident local elections, they perhaps vote on the basis of what is going on in Holyrood or Westminster so the independence of the electoral mandate that is given to local councils might be undermined.

We can examine the evidence of the 1999 election. According to survey data, 28 per cent of people voted differently in the local elections from how they voted in the Scottish Parliament election, so voters do not necessarily vote in the same way in local elections as they do in parliamentary elections. Further evidence from England makes the same point. In 1997, when local elections and general elections were held on the same day, exactly the same percentage of people—28 per cent—voted differently in the two elections. The outcome in terms of party support, both in England in 1997 and in the Scottish elections in 1999, was different.

Given that we know that, even if local elections are not held on the same day as another election, many of those who turn out to vote will do so not necessarily on local issues but on the basis of other issues, it is not clear that there is any evidence to suggest that holding the two elections

on the same day makes it any less likely that voters in local elections will not vote on the basis of local issues.

The second objection that could be made to the draft bill is that it prejudices, or may be thought to prejudice, the recommendation that the Executive has yet to make in response to the Kerley committee's recommendation that the electoral system for local government elections in future should be the single transferable vote. Without prejudging the issue, I think it needs to be appreciated that voters in a Holyrood election complete their ballot papers by putting an X against the name of one candidate and one list, whereas in a single transferable vote election, voters are given the different cognitive task of marking 1, 2 and 3 on their ballot paper. That may be thought more likely to produce confusion than the position in 1999 when, although we had different electoral systems, the cognitive task that voters faced was identical.

Asking voters to vote two ways using the X-voting system and filling out a ballot paper in rank order is a relatively rare phenomenon. I do not know of any principal legislature that requires its voters to vote in those two ways in the same election. However, some quite well-documented evidence—details of which are given in the paper—was produced in the 1930s and 1940s in New York. At that time, local elections were held using the single transferable vote and, at the same time, the mayoral election was held using single member plurality. There is no evidence that turnout in the city council elections suffered as a result or that there was a higher number of invalid votes.

The committee might wish to note one of the less well-commented-on provisions of the Elections Act 2001. That act postponed until 7 June the English and Northern Irish local elections that were due this month. It also contained detailed regulations to enable local elections in Northern Ireland, which are held using the single transferable vote, to be conducted at the same time as any parliamentary general election, which would be conducted using single member plurality. In the explanatory notes to the bill, the Home Office asserts that there is no practical reason to prevent combined elections being held in Northern Ireland using first past the post and proportional representation—STV. That may be the case. Assuming, as is expected, that the Prime Minister announces today a Westminster election on 7 June, the committee may wish to consider the direct evidence that Northern Ireland will produce as to whether holding a 1, 2, 3 election and an X election on the same day increases voter confusion.

The third possible objection—I am sure that the

committee will take other evidence on the matter—concerns the burden on electoral administrators. There were clearly some difficulties with the coincident elections in 1999. Equally, it should be pointed out that there is not much evidence of difficulties in England in 1979 or 1997.

A small point to consider is that there is nothing to stop a UK Prime Minister deciding to hold a Westminster general election on the same day as a Scottish Parliament election. Under the provisions of the bill, it would be likely that that would be the day of Scottish local elections. In 1979, when coincident elections were held in England, the Government postponed the parish council elections that were due to take place on the same day. That was done on the ground that holding three elections on the same day was more than administrators and voters could be expected to manage.

The fourth and final objection that might be made is that differences in the regulations between the Scottish parliamentary and local government elections might cause some difficulties for coincident elections. The committee might like to take an update on the subject, but my understanding of the current position is that the Political Parties, Elections and Referendums Act 2000 rewrites the regulatory framework for party and candidate finance and provides a new set of definitions of the expenditure that is incurred by candidates in their campaigns and how they need to report on that. Westminster has respected the devolved nature of Scottish local government elections so, although the provisions apply to English, Northern Irish and Welsh local elections, they do not provide for the Scottish local elections. Before the bill is enacted—if it is—it might be wise to ensure that the regulations for the definition of expenditure in a local government election in Scotland are the same as for a Holyrood election.

I do not think that there is anything that the Scottish Parliament can do about this, but under the provisions of the Political Parties, Elections and Referendums Act 2000, the definition of what counts as party expenditure in elections is simply the amount of money that is spent by the registered party over the four-month period prior to a Holyrood election, irrespective of the stated purpose of that expenditure. The implication is that if there are coincident local and Holyrood elections in Scotland, any national party expenditure incurred by political parties in Scotland within that four-month period—although it may be incurred principally to promote the party's local government campaign—will count towards the financial limits set for Scottish Parliament elections.

There is no provision in the act to increase the amount of money that parties can spend if coincident local and parliamentary elections are

held. The same point applies to the general election on 7 June. The expenditure that the Conservative party incurred yesterday in promoting its local government manifesto will count towards its financial limits for the Westminster general election. There is therefore an extra constraint on party expenditure.

I will make one more point about stability. The bill seems to make it possible for ministers to call a local government election after less than four years—that is, if and when an extraordinary Scottish parliamentary election is called. Indeed, the bill makes that possible not simply should that extraordinary general election happen within the six-month period immediately before an ordinary general election is due—in which case the ordinary general election would not take place—but even if it is before. In theory therefore, if an extraordinary election were called two years into the Scottish parliamentary session, ministers would have the power to call a local government election at the same time; then two years later, when the Scottish Parliament faced an ordinary election, local government would be required to have another election. It is not clear in the documents that have been provided how that is consistent with the Executive's aim of ensuring greater stability in the longer term for local government councillors.

The Convener: The committee picked up on the last point and asked the Deputy Minister for Finance and Local Government about it, so perhaps Iain Smith or Kenny Gibson will give the minister's answer.

You answered the question that I was going to ask about the 28 per cent of voters who voted one way in the Scottish Parliament elections and another in the local authority elections. They made choices. That seems to indicate that they knew that different issues were involved and that they were making clear comments about their councils and about who they wished to represent them in the Scottish Parliament. Do you agree with that?

Professor Curtice: It is clear that a significant proportion of voters took that view. We should remember that some of those voters were forced to make a different choice because the party that stood in the Holyrood election did not stand in the local government ward. In a sense, that is why the evidence from the English local elections in 1997 is interesting. In those elections, the vast bulk of the county council wards that were up for election were contested by all three principal parties, yet the 28 per cent figure still came up.

Another issue to throw into the pot is the proportion of people who voted differently in the 1999 Scottish local elections from how they voted for Holyrood. That percentage is greater than the percentage of people who said that they voted

differently in the Scottish Parliament election from how they would have done if there had been a Westminster general election in May 1999.

In general, the evidence from south of the border is that the outcome of local elections is still clearly influenced by the national standing of political parties. However, that appears to be less true now than it was 20 years ago. Certainly since the late 1980s, the outcome of English local elections has been consistently different from what is reflected in opinion polls, whereas before then the outcome tended to be in line with opinion polls.

If the difference between the outcome of the local elections in England in 1997 and the outcome of the general election in the same places is compared with what happened in 1979, it will be seen that there was more of a difference in 1997 than in 1979. The electorate now seem more willing to vote differently in local elections than in any other elections.

Indeed, there is plenty of polling evidence to indicate that the one voter in five who voted differently in the Scottish Parliament election from how they would have voted in a Westminster election voted in such a way as to make the outcome different from what it would otherwise have been.

15:00

Iain Smith: As the convener said, the minister made it clear that he accepted some of the points that you made on extraordinary elections, and it looks as if the provision to which you refer will be redrafted in the bill that is finally introduced. That is a point that I had made privately beforehand and which Kenny Gibson raised in questioning today.

Your submission indicates that it is difficult to make exact comparisons with the evidence from the 1999 elections, because there was no case in which there were coterminous boundaries and candidates from all parties were standing. Is there evidence from the 1999 elections that is broken down on a constituency basis to indicate that there were significant differences in voting between the Scottish Parliament elections and local elections?

Professor Curtice: In theory, one can get the closest comparison in Edinburgh, because the local elections there are fought by all four main parties. However, the local government boundaries did not exactly match the parliamentary boundaries. Unfortunately, because of the difficulties with the count in Edinburgh, and because there was some uncertainty about its accuracy, those of us who were enjoying using Edinburgh to test those theories have decided that the evidence may not be sufficiently reliable. The survey evidence on the degree to which people

split their tickets is therefore probably the evidence on which we should principally rely.

Mr Gibson: I am quite interested in this, as psephology is a great interest of mine. Let us forget for a moment the local government elections and Scottish Parliament elections. Is there a concern that, if national elections are held at the same time as other elections, rather than having voter fatigue because there are so many elections, people will think their vote less likely to be significant because they get to vote only every two or three years? If local government elections are tagged on and three elections take place at once, is it possible that the turnout by people who are voting for the first time or who have not been in the habit of voting will go down? I base those questions on evidence from Europe. In Italy, there seem to be elections at least annually, and yet the turnout is substantially higher than it is in this country.

My next question is about the 28 per cent voter differential. Have you done any research on whether that arises because people genuinely differentiate between the person who is standing for Holyrood, the party on the list and the local council? Does it arise simply from a concept of fairness, with voters hedging their bets because they do not want to give all three of their votes to one political party? Tactical voting is another obvious consideration.

Is voter fatigue a reality or a myth? The electoral registers always seem to be years out of date. I know places in Glasgow that were demolished years ago but are still on the electoral register. Updating the register would have more impact on voter turnout than what the minister said about improving best value and other esoteric issues.

I would also like you to comment on the element of fairness in balancing the ticket, as opposed to making conscious decisions. I believe that, given the lack of publicity and the fact that only two votes were promoted, many people turned up not realising that there was a council ballot on the same day and then wondered what to do with that extra ballot paper.

Professor Curtice: There was an awful lot in those questions, so I hope that you will excuse me if I do not pick up all the points.

Mr Gibson: I will just ask again if you do not.

Professor Curtice: That is fine. I would be delighted to take one question at a time.

On voter fatigue, I would not wish to argue—and you will note that I did not argue—that a reason for promoting the bill is that there would be too many elections in Scotland if it were not promoted. There comes a point at which that is true. It is not entirely an accident that the two countries in the

world that have the most opportunities to vote—the United States and Switzerland—are also the two countries that have the lowest levels of turnout. However, we are nowhere near approaching that threshold.

My reason for saying that I do not think that voter fatigue is an issue either way is based on what happens in non-metropolitan districts, which have a choice as to whether they hold elections once every four years or annual elections for a third of the total number of seats. Once one introduces controls for demographic differences among those districts, there is no evidence that those that hold annual elections have a turnout that is either consistently higher or consistently lower than those that hold elections once every four years. Given the number of elections that we currently have in various parts of the United Kingdom, it is difficult to argue either that having more elections encourages people to vote or that having more elections discourages people from voting. I am entirely neutral on that point.

You also asked about vote splitting and why people do it. I will admit that I have not done detailed research on why people split their vote in the 1999 election, at least as far as local elections are concerned. I will say parenthetically that one of the things to note about the 1999 Scottish Parliament elections is that tactical voting was much less common than it had been in previous Westminster elections. That is partly because of the electoral system and partly because of changed political circumstances.

I have done work on why it appears to be the case in England that people are now less likely to vote in a local election in line with how they would have voted in a Westminster election, as appeared previously to be the case. To answer that question, I shall use a little bit of academic jargon, but I think that that will be quite useful in this case. Academics distinguish between first-order and second-order elections. A first-order election is one that voters think matters, and they vote on the basis of the issue that confronts the body that they are voting for. A second-order election is one that voters do not think matters and, as a result, they vote on the basis of something other than the body that they are electing.

European elections are classic second-order elections. Westminster elections are classic first-order elections. As far as England is concerned, the evidence now appears to indicate that local government elections are now one-and-a-half-order elections. In other words, there is a relationship between people's evaluation of the performance of their local council and whether they vote differently from the way in which they would vote in a Westminster election. It seems that the reason why people are not voting in local

elections in the way that they used to is that they are—to some degree, and in a minority of cases that is significant enough to make a difference to the outcome—voting on the basis of the performance of their local council, rather than what is going on elsewhere.

Mr Gibson: If the status and powers of local government were enhanced, would that lead to an increase in turnout?

Professor Curtice: I accept entirely the proposition that one of the reasons that turnout now appears to be lower in local government elections is that people do not think that local government is as influential or important as it was. Such time-series survey evidence as we have for Great Britain as a whole certainly indicates that people are less likely to think that local government matters as much as it did 10, 15 or 20 years ago, and that people who do not think that local government matters are less likely to turn out to vote in local government elections.

Mr Gibson: So a substantial number of those who turn out may not have any real interest, but would simply be casting their votes because they were in the polling station.

Professor Curtice: There is an implication that turnout is higher if another election is going on, and that people might not have gone to the polling station if that other election were not taking place. There would, therefore, be people voting who would not otherwise have done so. What we do not know—it is probably unresearchable—is whether the votes of those who vote in that way are in any way less well-informed than everybody else's votes. It is impossible to identify which individuals would have voted if the elections had not been coincident.

Mr Gibson: If the Westminster elections were also held on the same day as the Holyrood and local government elections, do you think that there would be more variation, because people would have more choices and would be more likely to spread their ticket?

Professor Curtice: I do not know of any research evidence to support that proposition. However, we know from consistent polling evidence that, if you ask people how they would vote in Holyrood and Westminster elections, they say that they would vote differently. There was some difference, but not a dramatic difference, in the outcomes of the two by-elections that were held in Glasgow Anniesland on the same day at the back end of last year. We will get further evidence on 7 June, because we will have two Scottish Parliament by-elections on the same day as the Westminster election, and you can be assured that people like me will be looking to see whether there is a difference in the outcomes of

those two constituencies.

Mr McMahon: My question is a different version of Kenny Gibson's question about voter fatigue. Do you believe that there is potential for administrative fatigue if local authorities are burdened with administering elections regularly? Have you made any assessment of cost implications, for either an increased number of elections or a reduced number of elections?

Professor Curtice: I have made no attempt to examine the cost implications. I see Arthur Midwinter sitting beside the convener—Mr McMahon may want to ask him that question.

My straight answer is that, since 1973, a number of councils in England have regularly been required to hold annual local elections and to administer general elections and European elections, which may not be held on the same day, and I am not aware that those local authorities have found that burden particularly heavy. I presume that once local electoral administrators are aware of the timetable that faces them, they attempt to plan accordingly.

Mr Paterson: I have a couple of questions that follow on from those that were put by Kenny Gibson.

Do you believe that holding local elections and national elections on the same day will do anything positive to enhance the knowledge of ordinary people on the work that is done by local authorities? Alternatively, do you think that such an approach would put local authorities under a cloud?

Professor Curtice: My impression of the 1999 election campaign is that the issues that surround local councils did not receive much publicity. The local government election campaign did not attract a great deal of media interest.

The extent to which voters split their ticket was quite interesting, if not surprising. However, I must point out how important the official four-week election campaign is as a source of information for voters, as opposed to the information that they get during the remaining three years and 11 months between local government elections. Most psephologists argue that the long run is usually—but not always—more important than the short run and that there is nothing to stop voters learning about the merits, or demerits, of councils in Glasgow, Edinburgh or wherever throughout the lifetime of those councils.

Mr Paterson: Are you saying that the normal practice is for people to take the long view of councils and to act accordingly on election day? Does intensive campaigning, with continual national coverage on the box, skew the result of a local election?

Professor Curtice: It depends what you mean by "skew". If you are asking whether I think that the outcome of local elections might be different from what it would have been otherwise, you would be surprised to learn that my answer is yes and no. It might be skewed in so far as political parties campaign much more intensively in a Holyrood election, for example, than they might do in a local election. There may be an electoral gaffe or event that causes public opinion to change substantially, and that gaffe or event would not have occurred had the Holyrood election not been taking place.

On the other hand, a party may think that it can skew the result by holding elections on the same day, in the sense that it hopes to insulate itself from electoral disadvantage at local government level that it might otherwise suffer. The evidence does not support such an approach, because a significant proportion of voters is prepared to split its ballots and, as a result, the marginal distribution of support for parties appears to be different. It does not appear to be the case that, if party A does particularly badly in location Y, it will be insulated simply because it is relatively popular at Holyrood.

Mr Paterson: On that point, the minister was motoring quite heavily on the fact that there is a 28 per cent differential in voting. Do you have figures on how people voted in the Scottish Parliament elections for list members in comparison with how they voted for constituency members? Was there a significant differential?

Professor Curtice: The figure of 28 per cent is based on the fact that 28 per cent of people voted differently in the local government election from the way in which they used their constituency vote. The equivalent figure for the difference in relation to the list vote is 30 per cent.

15:15

The Convener: Thank you, Professor Curtice.

To sum up, we plan to take evidence from returning officers—I think that you made a comment about that at the beginning of your evidence. We also spoke to the minister about publicity and, from the questions that were asked by committee members this morning, it is clear that we think that that is important. There should be more equality and inclusiveness, which we are into in this Parliament, than there may have been at the previous election.

Iain Smith and Kenny Gibson picked up your point about an emergency, and the minister is addressing that. I picked up the point about finance. The minister's answer appeared to be that the Executive is examining the regulation of finance and considering increasing finance for

Scottish local elections. As you pointed out, that is a devolved power. However, the Executive does not see that as being part of the bill.

Professor Curtice: It does not seem to me that it is within the power of Scottish ministers to alter the provisions of the Political Parties, Elections and Referendums Act 2000.

The Convener: But what about local elections?

Professor Curtice: It lies within the power of this Parliament to change the finance laws with respect to individual candidates.

The Convener: Yes, but any change will not be part of this bill, although the issue will be considered.

Mr Paterson: Convener, may I ask—

The Convener: I cannot believe you. I cannot believe either you or Kenny Gibson today.

Mr Paterson: I just wanted a further point of information. I am just taking on board what the professor said.

Have you any information on whether people who voted at the Scottish Parliament elections split their vote between list and constituency candidates?

Professor Curtice: Yes—approximately one in five people voted differently on the first and second votes. In Wales, the figure was one in four. This will be perfectly obvious to you, but the important thing is that the outcome of the list vote, in terms of support for the parties, was significantly different from the first vote. One could argue that what is important is not simply whether some voters vote differently in the two ballots, but whether, as a result of that, the overall outcome is different. The evidence is that both those things can be true.

The Convener: Thank you, Professor Curtice.

Professor Curtice: You are welcome.

The Convener: Right, comrades. We are running slightly over time.

Mr Gibson: That is Gil Paterson's fault.

The Convener: No, I think that perhaps it is the fault of both of you.

Representatives from the Scottish Assessors Association are here this afternoon. Bill Johnston, who has been here before, is the assessor for Glasgow City Council and the vice-president of the SAA. With him is Frank Sibbald, who is the deputy electoral registration officer. Bill, you know the drill.

Bill Johnston (Scottish Assessors Association): Yes, I do. Thank you for giving me the opportunity to address you here today in my dual capacity as vice-president of the Scottish

Assessors Association and assessor and electoral registration officer for the city of Glasgow.

I should explain that, until the reorganisation of local government in 1975, there was a legal requirement that councils appoint their assessor to be the electoral registration officer. Although the statutory requirement was removed at that time, all the then regional and island councils recognised the soundness of the existing position and continued with the arrangement.

At the most recent local government reorganisation in 1996, the Representation of the People Act 1983 was amended to require every local authority to appoint an officer for its area to be the electoral registration officer. Of the 32 councils in Scotland, 31 agreed to reappoint the assessor, whereas Dundee City Council appointed someone else. The duties of the electoral registration officer, after appointment, can be summarised as: conducting the annual canvass in preparation for the publication of the register of electors; publicising and distributing the register on 1 December each year; processing and publishing on a monthly basis any additions and deletions to the register, which is permitted under the new rolling registration system; and maintaining the list of absent or postal voters.

At the time of an election, the electoral registration officer's involvement can be summarised as: providing the returning officer with sufficient copies of the electoral register to permit the smooth running of the election; supplying each candidate or his agent with a copy of the register for their own political purposes; providing sufficient copies of all application forms that candidates may require, which are mainly absent voting or postal voting application forms; providing the returning officer and candidates with a copy of the list of absent voters as soon as is possible; and in some areas, assisting the returning officer with the preparation, publication and distribution of polling cards. In addition, the electoral registration officer often provides staff to assist the returning officer with their day-to-day duties.

Should the draft bill be enacted, with the effect that all future Scottish Parliament and local elections would be held on the same day, I am confident that there would be no major impact on the ability of electoral registration officers to fulfil their statutory duties. In effect, the bill would have little impact on the work of registration officers.

My only words of caution concern the new timetable for absent voting. Previously, the latest time for lodging applications for a postal vote was 11 days before the day of the election. That has been reduced to 5 pm, six days before the date of the poll. Should large numbers of postal voting applications be lodged with the electoral registration officer at the last minute, they will take

some time to be checked, processed and passed to the returning officer for the issue of postal ballot papers. Unfortunately, that will happen at a time when returning officers are extremely busy with other election duties, of which they are only too aware. I am fully aware that returning officers have been advised of that situation, and no doubt they will have taken steps to address the problem, but I highlight the situation to the committee in the hope that all those who are involved in the political process will take whatever steps they can to ensure that all applications for an absent vote are lodged with the electoral registration officer as soon as possible.

I apologise for being so brief, but from the few words that I have said, you will see that the draft bill would have little impact on electoral registration officers. The financial implications, too, are minimal.

The Convener: Thank you. Your comments on postal votes answered a question that I had planned to ask about practical issues. Problems occurred in 1999, which you may think will be smoothed out by 2003, but could you comment on them?

Bill Johnston: Could you be a little more specific? As far as electoral registration officers are concerned, I am not aware of major problems.

The Convener: For example, did you have enough time for training and recruitment? Were there any issues concerning boundaries?

Bill Johnston: There is some confusion, possibly even at this committee. The main duties of conducting a poll once it has been called rest with the returning officer. Electoral registration officers in Scotland are in a completely separate department.

The Convener: We will have returning officers at the committee in June, so I can ask them my questions then.

Mr McMahon: Many of our questions today have been about voter turnout and just how combining the dates of the Scottish Parliament and local government elections would increase the turnout for local elections. Given that the bill provides an opportunity to examine voter turnout, is there anything practical that, from your point of view, could be done to assist with voter turnout—apart from synchronising the elections?

Bill Johnston: The recently passed Representation of the People Act 2000 and the associated regulations attempted to address that point. We now have a system that is known as rolling registration. As soon as a voter moves home, they can apply to have their registration changed. People in a new home will be more likely to vote than if they had to vote from an address

that they may have moved from many months ago.

In addition, we now have, in effect, absent voting on demand. If a person does not wish to turn up at the polling station for whatever reason—they do not need a reason now at all—they can apply to the electoral registration officer and be granted a postal vote indefinitely.

I hope that those steps will help to address low turnout. I listened to what was said earlier and I tend to agree: people are very apathetic. I do not know whether there is much more that we can do.

Mr Gibson: I mentioned that people who moved in 1994 were still registered in 2000 at a close that had long since been derelict. I know of that happening in areas that have been demolished, as I hinted earlier. The rolling register is a step forward in trying to ensure that the electoral register is up to date to minimise such situations. A lot of voters do not take an interest in the register until the election is upon them.

What would your opinion be of a system whereby, if a local authority tenant were to move house, the housing department would automatically tell your office? Often a register shows the same five voters at the end of a street. Just to look at that—especially as councillor—one knows that they are the same five people.

Such situations have not been picked out. I would have thought that the system that I have suggested would be a possibility to make the register more accurate.

The Convener: Will you ask a question?

Mr Gibson: Turnout is never as bad as we imagine. The register is always a minimum of 10 per cent inaccurate. As a result, a 59 or 60 per cent turnout is, in reality, a 66 per cent turnout.

The Convener: Was that a question or a statement?

Mr Gibson: Would the exchange of information between local authority departments improve turnout by improving the accuracy of the registers?

The Convener: Ah. There is the question.

Bill Johnston: Under the terms of the Representation of the People Act 2000 and the regulations, electoral registration officers have the power to access all sorts of information. I accept that, previously, we had the power to get information from the housing departments, particularly in Glasgow, but we now have the power to get all sorts of information from the local authority.

As the electoral registration officer for Glasgow, I now have access to such information. I have access to the names of council tax payers as and

when they change. As soon as we get past the election that has just been called, we will start being proactive and issuing voter registration forms to all council tax payers as and when they change. We are examining our in-house computer system to find out whether it will be able to generate the voter registration forms automatically.

The sharing of information is a good way forward. When the original legislation was written, it was intended to be reactive—electoral registration officers would react to an individual who wrote and applied to change their registration. In Glasgow, we have decided to be proactive—as have other electoral registration officers—in that, as we are able to access local authority information, we will issue application forms for changes of registration. Obviously, there is a cost involved but, thankfully, Glasgow City Council has agreed to bear that cost.

Mr Gibson: Will there also be deletions? For example, I examined the electoral register for Tarfside Oval. There are four multistorey blocks there, which contain 395 flats. I know from speaking to housing officers that 66 of those flats are empty, but, in the electoral register, every flat has a name attached to it, as if those people were somehow still there. Would those people be deleted from the register if, for example, the housing office told you that they had moved three years ago?

Bill Johnston: Again, as part of the new regulations, when someone applies to register in stream, if I can call it that, they are required to provide their previous address to ensure simultaneous registration and deletion.

Mr Gibson: I want to ask about one last thing. On another point, the eighth paragraph of the policy memorandum says:

“The 1999 elections were generally considered to demonstrate that the two elections could be combined successfully.”

Should the bill be passed, there is a possibility—I will put it no more strongly than that—that local government elections could be held using STV. How would you be able to operate elections that used first past the post, STV and AMS all at once?

Bill Johnston: I am sorry, but that is not particularly—

The Convener: That is really a question for the returning officer.

Mr Gibson: I am sorry. I thought that perhaps you could enlighten us on behalf of the returning officers, given that they are not here.

The Convener: We will take evidence from returning officers at some point.

15:30

Frank Sibbald (Scottish Assessors Association): I have a brief point about combined elections and the possibility of operating a single transferable vote system. One of the concerns that arose from earlier remarks was the intervention and further combination of a Westminster Parliament election at the same time as the Scottish Parliament and local government elections. We would run into the issue of the difference in franchise. The Scottish Parliament and local government registers are the same, but the Westminster one is different—it has a different qualification. That coincidence of elections would cause administrative difficulties in different registers, different markings and different absent voting procedures.

Mr Harding: I would like to clear up a question that was not answered satisfactorily at the Falkirk West by-election. Two or three wards did not receive polling cards. When we phoned the returning officer, he said that that was the fault of the assessors but when we phoned the assessors, they said that they did not know what we were talking about. Who is responsible for the issue of polling cards?

Bill Johnston: The legislation is clear that the issue of polling cards is the duty of the returning officer.

Mr Harding: Using addresses and information provided by the assessors?

Bill Johnston: Yes. That is correct.

Iain Smith: One of the provisions in the draft bill allows the possibility of varying the date of elections. How much difficulty would it cause electoral registration officers if an election were brought forward—for example, if it were held on 17 February?

Bill Johnston: It would not cause any particular difficulty. Today, we heard that there is to be an election on 7 June. By the end of this week, or the beginning of next week, registration officers will have versions of the register available for all the political parties.

Iain Smith: So it is just political parties that would have problems with elections being called on 17 February.

Mr Paterson: I was interested in what you said about the only potential problem that you envisage being a larger uptake of postal votes. As I understand it, following the new regulations, the political parties are encouraging people to use postal votes. How will that impact on the 7 June election?

Bill Johnston: The impact will rest on the fact that the deadline is 5 pm, six days before the

election and that some political parties and agents might suddenly deliver massive amounts of requests for postal ballots. As electoral registration officers, we will have to process those requests and get them to the returning officer in time for issue. At that time, returning officers are at the final stages of recruitment and swearing in of polling clerks and presiding officers, filling the ballot boxes and so on—all the last-minute bits and pieces. They would then have to spend time issuing massive numbers of postal votes, which would be very time-consuming at a busy period for them. However, that will be addressed and I am sure that the returning officers will come up with the goods.

The other difficulty is that returning officers will be required to get the postal votes out quickly so that they can be returned in time to be counted. However, a section in the new regulations says that if an individual has not received the postal ballot paper three days before the election, they can go to the returning officer's office and ask for a replacement ballot paper. There is a possibility that the returning officer may not have even received those papers. It is all very difficult and time-consuming, especially at the last minute. However, I am sure that the returning officers are addressing the issue.

Mr Paterson: Perhaps my question should have been a warning. Beware—there is a lot coming your way.

Mr Gibson: Is there a way in which polling cards could be improved to encourage people to turn out? I know that the polling card tells people that they do not have to take their card with them in order to vote and so on.

Frank Sibbald: The wording of the poll card is laid down in the Representation of the People Act 2000. However, in many councils—particularly down south—it has become common practice to include polling station maps on poll cards. Instead of the current standard size, the poll card is larger and contains more information. I have no statistics to show whether that has led to an improvement in turnout. It probably makes the job of preparing and issuing the cards more difficult, but if that is the rule, so be it.

The Convener: Thank you. Did you say that the election had been called?

Bill Johnston: An official advised me of that at 1.30 pm, as I was waiting to give evidence to the committee. I have not heard it first-hand, as it were.

The Convener: A whisper in my ear tells me that that is a reserved matter and I should not have asked the question. Thank you for attending the committee.

I suggest that we have a break for tea and coffee, but before we do, I would like to say that I am pleased that the SNP members were so keen to get involved in the previous discussion.

15:36

Meeting adjourned.

15:50

On resuming—

Budget Process 2002-03

The Convener: We should start again: the sooner we start, the sooner we will finish.

We now move to the committee's deliberations on the budget process. Professor Arthur Midwinter, the committee's adviser, is sitting on my right, although I am quite sure that he would rather be sitting on my left.

The Convention of Scottish Local Authorities is here first and we have with us Norie Williamson, who is the director of finance. Norie, you know the drill as you have been here before. We will ask you questions after you have commented for a couple of minutes.

Norie Williamson (Convention of Scottish Local Authorities): Thank you for the invitation to give evidence this afternoon. I apologise on behalf of Councillor Andy White, COSLA's finance spokesperson. He had to handle a difficulty that arose at his local council today. He very much wanted to come along to the committee.

On the consultation document, COSLA welcomes the first development in trying to put in place a more open and inclusive budgeting process. That comes on the back of the announcement of firm, three-year figures for local councils, which will provide stability and assist in longer-term planning. Having said that, the process can always be learned from. The consultation arrangements could benefit from some refinements, such as the early development of the joint consideration of priorities between central and local government. It would be helpful if the figures that appear in the consultation document were reconciled with the other figures that have been announced to local government, as there are disparities between the two sets. It is important to emphasise that local government is committed to continuous improvement. However, as the document that was circulated to you points out, there are a couple of funding gaps that local authorities are having to cope with nationally.

The first is a gap between local authorities' budgets and the provision by the Executive through grant-aided expenditure. That gap, which amounts to some £440 million, is built into the system at the moment. The second gap is the difference between COSLA's submission to the spending review last summer, on the strategic resourcing of effective local services, and the actual level of the resources over the next three years that have been made available by the

Executive. That gap amounts to about £700 million, although the Executive's resources still have to be topped up by the additional moneys for McCrone. Those gaps are placing pressure on local government.

Added to that is the on-going difficulty of the central direction of ring fencing. It is important not to get tied up in semantics on that. I am sure that if the question was put to ministers, the stock answer would be that ring fencing is about 10 per cent, so what is the difficulty? The difficulty that we in local government have is that beyond that, virtually every penny of additional resources that has been made available for the next three years is directed centrally by the Executive. That puts considerable pressure on local authorities to deliver on their core services. The partnership approach needs to be developed to give more local discretion, flexibility and trust to councils to deliver on agreed joint priorities. Local outcome agreements provide a means of developing that. We are anxious to proceed with the concept, but it must be signed up to across the Scottish Executive.

All those comments relate to revenue. Similar issues apply to capital. Last summer, we identified investment needs of about £2.8 billion. That level of investment need cannot be met in the present control system. Given the increasing blurring of the line between revenue and capital through greater use of public-private partnerships and private finance initiatives, the case exists for considering abolishing section 94 consents and introducing a more flexible local safeguards approach.

Housing may not fall directly within the committee's remit, but COSLA remains concerned about the continuation of the 75 per cent set-aside on housing receipts. We will continue to challenge that.

I welcome the committee's inquiry. COSLA is committed to participating and assisting in that process. We have established several officer groups and elected-member groups to develop the policy that we set out in our framework written evidence. We hope to do that in the next few months.

The Convener: The abolition of section 94 consents and the 75 per cent set-aside for housing receipts is being raised in our inquiry into local government finance. Part of our report will deal with that. I am sure that ministers will take up that point.

I apologise again for my voice, which is getting bad again. Have you made any assessment of the budget's implications for local government staffing levels?

Norie Williamson: We have not identified that.

The issue is difficult to assess, because the delivery of services to the public is a paramount concern, perhaps more than the staffing levels in local government. Depending on arrangements, different interpretations can be placed on staffing levels.

Mr McMahon: I have a question that is more for clarification; I do not really have a point to make. The tables that COSLA produced raise some obvious questions about where some figures come from. You calculated £724 million of extra demand in table 1. Will you explain how that was costed? What are the demands? Table 1 also takes into account the demographics as a resource pressure that adds nothing in year 1, 2 or 3, but £208 million in the long term. How did you arrive at those figures?

Norie Williamson: The exercise was conducted last spring and summer, leading up to our submission to the spending review. We categorised the cost pressures and burdens into various elements, of which demand is one. The exercise covered issues such as the McCrone report on teachers' pay, school security, pay awards and single status. I can leave behind a copy of that submission, if that is useful background.

Demographics do not fit into the figures for years 1, 2 and 3 because we consider them a longer-term issue. The demographics in relation to the elderly population show a problem. In that document, we tried to emphasise the ticking time bomb of the percentage of the population that the elderly will represent in 10 to 15 years. We tried to assess that as a longer-term costing within the £200 million.

Mr McMahon: Have other pressures that are reducing been costed against that figure? Regardless of the political debate, indicators show that more people are working. Poverty indicators are showing signs of improvement and the number of children who are entering primary schools is falling. Have those factors been taken into account and costed against the increase at the other end of the age scale?

Norie Williamson: Some of those matters are difficult to cost. We have responded that the assessment of the cost pressures that local authorities face must be more realistic. As part of that process, local authorities' capacity to deliver further efficiency savings must be taken into account. As you say, we can build into that the demographics that might go the other way, such as those on pupil numbers. However, any such task must be balanced with the priorities on pupil:teacher ratios, for instance. Although all of that needs to be taken into account, my overall answer is that we hope for a more honest and open assessment of the cost pressures facing

local government.

Mr Gibson: On that last point, on page 5 of your submission, it is stated:

"There needs to be more honesty in settlement announcements",

and:

"it is disingenuous for ministers to suggest that previous cutbacks in the funding of core service provision have been recognised in the settlement."

What has been the impact of the recent settlement on core services?

16:00

Norie Williamson: Perhaps the specific aspects of the matter will be better addressed by the individual councils in the two evidence sessions to come. However, local authorities have tackled the pressures over recent years both through cutbacks in services and by considering increases in fees and charges. As part of our evidence to the committee's local government inquiry, we will suggest that we have probably exhausted our capacity to address the problem in those ways, and that we must take into account the market demand issues that feed back from it.

Mr Gibson: Has the Executive been fair-minded in that regard? Are the pressures effectively even across all local authorities, or have specific local authorities or types of local authority been put under more pressure than others?

Norie Williamson: That question brings us back to our evidence for the review of the revenue grant distribution system. We have tried to suggest that the problem with the system is not the distribution process itself, but the overall level of resources being put into the equation. There are also major difficulties with the gearing ratio of 20:80 on local tax. However, we acknowledge that the current grant distribution system is better placed to serve the previous local government structure, and we are trying to come up with a fairer system that more realistically reflects the new local authority structure.

Mr Gibson: Under the heading "Spending Pressures" on page 3 of your submission, you mention

"a major funding problem for police and fire pensions etc."

Although I know that such issues have been raised in the Parliament, what are your specific concerns about such funding?

Norie Williamson: Again, that pressure has been building for some time and it has not been addressed in UK pension policy. Although I know that the Home Office has considered the issue and has recognised that there are difficulties, it has no direct plans for dealing with the problem.

Increasing retiral costs for the police and fire services are putting more and more pressure on those services without there being any direct recognition in the settlement.

Mr Gibson: If there will be peak years for such costs—for example, 2004 has been mentioned as a peak year for the fire brigade—are you looking for one-off payments to cover them?

Norie Williamson: Although we can more readily predict the peak years in the police and fire services, we did not cost them directly in this exercise; that costing process is rather refined, because the individual has a degree of flexibility about when they retire. However, the peak years might well add to the cost pressures that we have identified.

Iain Smith: I want to explore some of the issues around ring fencing and central direction. Obviously the Executive has certain priorities and certain policies that it must implement, and the Opposition members at the committee table will make criticisms if it also delivers reduced class sizes and so on. However, the Executive does not directly deliver such services. How should the relationship between the Executive and local government develop to ensure that the Executive's objectives can be met without increased ring fencing or central direction?

Norie Williamson: You made the important point that central Government does not deliver services directly. That emphasises the need at the outset for a joint planning arrangement in determining priorities. Many priorities in the programme for government are supported by local government. Flexibility must be allowed within the whole system for local government, subject to appropriate monitoring, to deliver on those priorities rather than control the inputs into the process. We have moved a long way this year with the abolition of spending guidelines. The focus should be put on the outcomes that are desired by both sides. Local outcome agreements are certainly the way forward. We are considering piloting such agreements.

Iain Smith: I know from my local government background that there is often inconsistency in approach. Every time something arises—you mentioned police and fire pensions and your submission refers to the consequentials from the £2 billion that the Chancellor of the Exchequer allegedly gave away in the budget—local government's response is to ask for extra money to fund it. It is almost saying that it wants some ring-fenced or top-sliced money to ensure that it can meet the cost of additional burdens. Is there a contradiction there, or are you looking for a general increase in resources in the hope that local government might meet the cost of police and fire pensions and so on from that?

Norie Williamson: We are starting with a funding gap at the moment of £440 million. Regardless of whether you challenge the fine detail of our calculations, the gap will be £700 million—the exact figure might be higher or lower. The message is that there is a substantial gap, which we need to address. We need a more realistic recognition from ministers of that gap and of what local government can achieve without central direction of how every penny should be spent.

Iain Smith: Your report highlights the excellence fund. Do you see any role in future for such a fund through which central Government encourages local authorities to take up particular initiatives or move in certain directions, or do you think that such a mechanism is outdated and that we should look at other ways of doing that?

Norie Williamson: Certainly, the excellence fund is a major specific grant arrangement of which we have been critical since its introduction. When it was introduced, we called for a more flexible arrangement like the previous arrangement, which was more outcome based and was not tied up in specific grants. We hope to address excellence funding in our submission to the inquiry. We pointed out on a number of occasions the inconsistencies that ring fencing leads to.

Iain Smith: You include within your analysis of specific grants the police specific grants. Is it COSLA's position that police specific grants should be abolished?

Norie Williamson: I do not think that we have a particular position on that. We will consider that as part of our evidence to the inquiry.

Mr Harding: On page 5 of your submission, you say that you have concerns about hypothecation and ring fencing, yet on page 1 you appear to ask for it in that the supplementary allocation on education this year was ring-fenced and you say that you should have the full application. You seem inconsistent on whether you believe in ring fencing.

Norie Williamson: Are you referring to the chancellor's March budget consequentials? Previously, we have discussed such consequentials with the Executive. The arrangements that have been put in place in Scotland have been far more flexible than in England as particular moneys have been directed to individual schools in Scotland. We have strongly argued that the needs of particular schools may not be the same across the country and that there needs to be flexibility at local authority level to direct the resources where they are needed. We hope that whatever money comes from those formula consequentials, a similar level of flexibility

will be provided to local authorities.

Mr Harding: On page 3, under "Spending Pressures", the submission states:

"in addition to the necessary restoration of previous cutbacks".

According to the Executive and most Labour councils, there have been no cutbacks since the Tories left—they have all been savings. Are those cutbacks not savings?

Norie Williamson: There have been a number of cutbacks in the levels of services, but there is a firm commitment to continuous improvement. There is a more realistic assessment of the capacity to make cutbacks. Perhaps I could have used a more refined definition of the word cutbacks. For example, I referred earlier to fees and charges: those are cutbacks through another means, as they have been introduced to make good the insufficient level of resources.

Mr Harding: So you have not made the efficiency savings that the Executive was asking for.

On demand, your submission states on page 2:

"there are various external demands on councils including a greater awareness of services and 'rights' leading to increasing expectations of public services."

Can you give us examples of those rights and demands?

Norie Williamson: That is a general indication that, as we are well aware, the public are more interested in the services provided by the local authority and much more in the local authority's face, so to speak, in indicating their demands.

Although we have moved away from spending guidelines, the council tax benefit subsidy still exists. I notice that the committee asked for comment on that. The system that we would like to see in place is that if the local public demand a specific service and are prepared to pay the price for it, there should be flexibility at local level for it to be delivered without the clawback in council tax benefit subsidy being applied.

Mr Harding: Can you give us examples of the types of services that you are talking about?

Norie Williamson: They are services such as care in the community, which is a significant issue. It is necessary to home in on the big service areas, such as education and social work. There is considerable demand for a certain level of service in education. This comes back to joint priorities. Local authorities have similar priorities to those of the Scottish Executive on improving the adult:pupil ratio. It is about how that can be delivered with flexibility being given rather than, for example, targeting the employment of classroom assistants.

Mr Harding: I was disappointed that you mentioned the two big spenders, social services and education. Those services receive the bulk of ring-fenced and hypothecated moneys. The services that suffer include roads and pavements. Are not those services that the people demand?

Norie Williamson: Roads are a key issue, which is mentioned in our submission. This comes back to the honesty in the statements; we were led to believe that £70 million had been included for revenue maintenance of roads. On questioning, it became apparent that that money was on capital investment on roads, and on further questioning, we were led to believe that it was not a specific amount; it was included in the single consent. More honesty is needed in those statements as they create the perception that additional resources in those areas have been included.

Mr Paterson: I have a similar question. The second paragraph on page 4 of COSLA's submission states:

"The Scottish Executive's narrow definition of 'new burdens' needs to be expanded to recognise all spending pressures within settlement calculations."

"Will you expand on that, or give some examples of what you mean?"

Norie Williamson: Some of the new burdens have not been recognised: for example, landfill tax and the climate change levy place legislative burdens on local authorities.

We welcome the fact that, for the first time in eight years, inflationary provision has been made within the settlement. That assisted greatly in negotiating three and four-year pay deals. However, there must be a more realistic recognition of the level of that provision, because only part of the projected inflation amount was included in the settlement. We suggest that the full amount be included. If local authorities settle at a higher level than that, that is part of their negotiation process, but we would like there to be a more realistic approach to the calculations.

Mr Paterson: Midway down page 6, you state in your submission:

"The solution lies in the development of joint policy and expenditure priorities, shared between central and local government."

Does not that indicate that more control is being passed to the Government? Is not it time that local authorities were taking control and breaking that link a wee bit more?

Norie Williamson: It is not a control culture. It is a partnership culture, which brings me back to the earlier comment that central Government is reliant on local government to deliver its priorities. The partnership needs to be in place. Local authorities are signed up for several priorities, but the whole

process needs to start earlier in the form of a joint planning framework. Early consideration should be given to such priorities and how they should be resourced.

Mr Paterson: Would not that lead to your operating the Government's priorities rather than your priorities?

16:15

Norie Williamson: No. I am sure that occasionally there will be a difference of opinion about priorities, but I am not for a second saying that local government will blithely go into such a discussion and sign up for any priorities. We will stand on our own two feet and genuinely sign up to our priorities. The agreement between Norman Murray and the Minister for Finance and Local Government sets out the arrangements for putting that in place.

Mr Paterson: I have not met one local authority that does not want rates back in its control. Do you consider that local government would handle the discrepancy that is building up between England and Scotland—a 9 per cent differential—better than the Government has done so far?

Norie Williamson: Various issues are associated with such matters. In our written evidence to the inquiry and in our submission, we have set out our "in principle" position about the return of business rates without taking a particular view on the matter. We want to develop and clarify that position during the next few months. We recognised in our submission the perceptions of the business sector. We need to put in place control arrangements to tackle those perceptions and make sure that there is not the impression that business rates might increase more quickly than council tax levels. We must maintain the balance. Consideration must be given to the balance between domestic and non-domestic taxation within local government.

The Convener: I remind the committee that, although I have a sore throat, I am still here, although perhaps not contributing to the debate as much as I usually do. Will members of the committee please address their questions through the chair? I am sure that Donald Gorrie will be absolutely perfect.

Mr McMahon: That was a warning.

Donald Gorrie: I am here today because the Finance Committee is anxious to learn how Parliament and various committees deal with the budget. We are making an honest attempt to improve the budget system.

I wish to ask Norie Williamson three questions. When you have taken away the targeted money in the Executive's budget, are other parts of council

expenditure reduced in real terms? Are figures available to show that expenditure with regard to cleansing or library books, for example, has gone up or down over the past three years?

Norie Williamson: Annexe 2 of our submission gives details about that and gives to the penny the additional resources that have been allocated to local government. It is the Scottish Executive's analysis. It is directing every penny to particular areas, as a result of which there is no flexibility to improve existing services. Yes, there has been a reduction in real terms in core service provision. There has been no increase in the settlement.

Donald Gorrie: Is that quantified?

Norie Williamson: No, it has not been quantified. Over the next month or so, we shall be analysing individual councils' budget information that is coming in now and comparing it with the previous financial year.

Donald Gorrie: Is it difficult to track money? A lot of services are provided through public-private partnerships or by arms-length companies that run facilities such as sports centres. If those companies claim commercial confidentiality, it makes it harder to track the public pound. Is that a correct description of the situation? Is there any way that we could track money better?

Norie Williamson: In many respects, we recognise that what is important is the service that is provided for the public, regardless of whether it is funded publicly or privately. Private finance initiative arrangements can be tied up quite tightly, but PPP is an issue. In a PPP arrangement, only the service costs appear in the local authority's accounts. The greater use of PPPs adds weight to our argument for the abolition of section 94 consents. Tracking where the money goes is an issue in the public sector.

Donald Gorrie: One sphere that the Finance Committee is considering is the funding of the voluntary sector. It is difficult to get a Scottish figure, as each authority does its own thing. Does COSLA have Scottish figures that would help to illuminate discussion of whether voluntary sector funding has gone down a lot?

Norie Williamson: We do not have direct sources, but it may be of assistance to know that in social work, returns are made on voluntary sector grants. Difficulties in tracking public money are increased by the much more joined-up delivery of services by local authorities, the voluntary sector and the health service.

Mr Gibson: Towards the bottom of page 7 of your submission, you say:

"There is a major investment need in local government".

That was costed at £2.8 billion. You go on to say that

"the overall investment need cannot be delivered under current resource and system constraints."

What additional resource is COSLA looking for? What is a realistic period in which to deliver that investment?

Norie Williamson: We were trying to address spending need in principle. The required investment was costed on the basis of maintaining existing assets, not on developing spend-to-save initiatives that might result in further efficiency savings on the revenue side. If we are to make progress on issues such as 21st century government, we need a radical examination of funding, beyond initiatives such as the modernising government fund.

We are making the case in principle for investment and for the need to move away from the control culture, where capital is scored twice for public expenditure purposes. We need to free up the whole arrangement.

I want to return to sitting down and agreeing joint priorities centrally and locally. It is perhaps more difficult to do that on the capital side than it is on the revenue side, because individual councils' capital investment needs vary considerably across the country.

Mr Gibson: If there is a £2.8 billion shortfall and councils want to upgrade existing assets, how long would it take to bring them up to scratch at current levels of investment?

Norie Williamson: I am sorry, but I do not have that sort of information.

Mr Gibson: Are assets improving or deteriorating?

Norie Williamson: We welcome the fact that capital consents have increased, which will assist in improving assets, but a major issue that needs to be addressed is the backlog, for example in school property repairs. The fundamental question is whether it is wise to invest to make good existing school properties or whether investment should drive what school education will look like in 15 or 20 years' time. We need to build the assets that will deliver the future education system.

Mr Gibson: Do you believe that the Executive has looked seriously at that?

Norie Williamson: A working group is to be established to look at it.

Mr Gibson: Keith Harding raised an issue about roads, which are covered on page 6 of the COSLA submission. I will read the section for Keith Harding's benefit. It says:

"On 28 September the Transport Minister stated that 'Years of neglect have left our local roads and bridges in an appalling state. To tackle the backlog of repairs I am allocating an extra £70m to local authorities up to March

2004. I expect councils, at the very least, to maintain this year's level of current and capital spending on roads, street lighting and bridge maintenance.'"

Your annexe states that none of that money was forthcoming. What impact does that have on the public's expectations? You talked about £724 million and increased public demand. Is a large part of that expectation concerned with road maintenance?

Norie Williamson: Yes. That is a question that is regularly asked; roads maintenance is one of the key issues—along with cleansing—raised at councillors' surgeries. The state of the roads and the emptying of bins are the two most common causes of concern. One of the key issues that we have tried to highlight in our submission is the need for more honesty from ministers who create the perception in local government and the hope among the public that additional resources are being put into the system, when in fact there are no additional resources.

Mr Gibson: So, there was no extra funding. Did the minister, as far as you are aware, try to ring-fence that money out of the existing core budget?

Norie Williamson: It is not ring-fenced at all. We have been told that it is within the single consent figure and that it has been issued to councils.

Mr Gibson: So it does not exist.

Norie Williamson: I am sure that ministers would argue that the overall capital consent has gone up. Perhaps that is recognised. However, the whole purpose of the single consent is that there is one figure per council and there is flexibility to deliver and spend within that figure. Now we are being told, in public announcements at least, that that one figure contains £70 million.

Mr Gibson: Do you think that the amount that has been stated in public announcements exceeds the amount that is available in the budget?

Norie Williamson: Yes.

The Convener: May I clarify something? Is the £70 million capital that is available over three years?

Norie Williamson: Yes.

Mr Harding: That was my point. We were talking about spending, not capital.

Mr McMahon: Apparently, Tony Blair has announced that the general election is to be held in a couple of weeks' time. The last few questions have got the campaign off and running in this afternoon's committee.

We are here to discuss not the level of the budget, but the budget process. What is your view of the process for passing information about what

the Executive expects to happen and what you believe should be the case? Are you happy with the level of communication and with the performance indicators for monitoring the process?

Norie Williamson: As I said, the effectiveness of the process is linked to the local flexibility and discretion that is needed. We welcome the main thrust behind the budget process and the intention to open up the books, but it is still early days and the whole process needs to be refined. We would like to sit down with the Executive and discuss how it can be improved. The joint planning framework is one possible way of improving the current arrangements.

The Convener: Michael McMahon was right to say that we are considering the process and not the budget itself.

The McIntosh report's whole ethos was about involvement. It talked a lot about COSLA as the representative of the 32 councils. Having spoken to other members of COSLA—officials and councillors—and to the Executive, I think that the process is beginning; ministers are more available than they were in the past. That can only be beneficial.

McIntosh also talked, as Norie Williamson did, about getting in much earlier to the consideration of budget decisions and priorities. I hope that that is the road that the Executive will continue to go down—listening and talking. We might not always get what we want, but at least now we have a platform for putting forward ideas.

I thank you for coming along. I am sorry you had to wait in such a warm room, but we cannot complain about the weather.

Comrades, we now welcome witnesses from Dundee City Council. With us, we have Councillor George Regan, the convener of the finance committee, and David Dorward, the director of finance. Mr Dorward will make some opening remarks, after which I will open up the session for questions.

16:30

David Dorward (Dundee City Council): We welcome the opportunity to give evidence to the Local Government Committee. All authorities welcomed the recent innovation of three-year budgeting. That brought stability, but it did not cure the funding problems at the heart of local government. We have been preparing three-year revenue and capital budgets for a considerable time simply because, with the second-highest council tax in the land, we have had to plan ahead to manage the situation.

First of all, I should say that there is not enough

capital allocation to do the job on the ground. Norie Williamson mentioned the prime example of education and schools in his presentation. We need only compare our capital allocation for education—which is approximately £8 million—with the perceived need in schools; the amount of money that we need to carry out repairs and maintenance is considerable. We are not even talking about building new schools; that has not happened since the early days of the regional councils.

That is one of the reasons that Dundee City Council has considered PPP and PFI. It is not that we believe that they are the most cost-effective options for tackling the immediate need in schools in the short to medium term; it is that they are the only options.

We have been given additional grant aid to examine the feasibility of and outline the business case for a PPP scheme for schools. Since 1996, the council has continually rationalised its assets. In the first of those financial years we closed six schools, mainly to generate revenue savings. We had to find £18 million of savings in the first year, which was about 5 or 6 per cent of our budget. That allowed us to generate some capital receipts through the sale of surplus assets. We have continually considered the rationalisation of our property to generate capital receipts and maximise our capital investment. Alas, after six or seven years, that approach has to end. There are very few unutilised capital assets and we have sold almost all our surplus. Although we were penalised for a period for generating capital receipts, that is not the case now; we are starting to run out of opportunities to generate capital receipts.

The capital situation is bad enough, but the revenue situation is far more serious. The inadequacies of the grant distribution system meant that, in 1996, Dundee City Council had the second-highest council tax in the land. For three years, the mismatch between regional council expenditure and the amount in the GAE was allowed to continue, which pushed our council tax up from £701 to almost £930. The difference between the highest and the lowest council tax for Scottish mainland councils is £335.

Grant distribution may not be within the committee's locus, but we believe that the system is inequitable. Dundee City Council's council tax is £1,046—last year we brought it down by £10. We have a prime responsibility to the people of Dundee to try to manage the level of council tax. The administration has made a commitment that council tax increases over the next three years will be below the rate of inflation. That will prove extremely difficult, because we have already made cuts of more than £35 million in the council's first

five years. Those cuts were mainly in the largest spending services, such as social work and education. Expenditure on police and fire services was not cut because there was a common feeling that the police should receive the GAE that had been allocated for that service. The expenditure cuts for the police and fire services have been minimal compared with those for the services provided directly by the council.

Whether they are called savings or cutbacks, cuts in expenditure are painful and have taken up a lot of elected members' time. Members feel that they did not come into local government to take that kind of difficult decision. During the council's first year, six schools had to be closed. Although many elected members found that painful, it was the only way that the council could save £18 million. Because we have made all those cuts, our options for further cuts and efficiency savings are reduced.

As Norie Williamson said, we have had to consider our income generation much more seriously. We have done that for the past two or three years and many savings have been made by increasing charges or introducing new charges. In some cases, the council is competing with the private sector, so it is difficult to introduce new charges or increase existing ones.

On expenditure, pressures that will be manifest in the next year or two have not been included in our three-year budget. Those pressures are not recognised by the Scottish Executive under the new burdens, but the pressures are real and will happen. The number of children who are placed in residential and secure accommodation has risen dramatically because of an increase in the number of placements made by children's panels and by the courts. The charges from individual schools have increased dramatically and will probably add £1 million to our spend, but that is not recognised in the GAE.

Other expenditure pressures come from the increase in employers' contributions and the change to advance corporation tax—which, at this point in time, has not fed through properly—which will add £1 million to our budgeted expenditure for 2002-03 that was not required in 2001-02.

The greatest pressure on spending will come from social work services. Delayed discharge from hospitals and the cost of community care are causing a steady rise in spending pressures.

Dundee has high levels of deprivation and poverty so our expenditure pressures are greater than those of other authorities. Those pressures are not adequately recognised in the present grant distribution. Given that the gap between GAE and present expenditure amounts to £700 million, one cannot say that Dundee City Council has an

adequate level of resources. The teachers for deprivation funding is inadequate and there is inadequate funding for residential and secure accommodation.

Although the distribution of funding is an issue, there is without a shadow of a doubt insufficient funding in the settlement. We hope that the Scottish Executive will examine seriously the areas we have mentioned and ensure that there is adequate and appropriate funding for such services, many of which are demand-led and cannot be controlled by councils. We have little control over the number of placements that are made by children's panels and courts.

Councillor George Regan (Dundee City Council): I will add a couple of general points to the specific points that David Dorward has covered.

Added to the considerable difficulties that David Dorward has outlined is the fact that the 1996 boundary changes meant that a large portion of the city's council tax income was lost. That income was defrayed to the other authorities, which had already gained from the mismatch, and created a greater disparity between Dundee City Council and the two other authorities, Angus Council and Perth and Kinross Council.

I mention that specifically because the effect of the boundary changes and of the deprivation in the city is that the population is falling by roughly 2,000 a year. Given that the age of those who leave for work and other reasons is generally between 18 and 35, a large proportion of expected income is running out of the city. To turn the tables on that alone would have an impact on council tax. At present, parents advise their sons or daughters who are about to be married to buy a house across the street from them and, thereby, save £300 a year. The cost of living in the city has been exacerbated by the water charges of the North of Scotland Water Authority, which were increased last year by 20-odd per cent. The charges were increased by a further 13 per cent this year, which again has had an impact on the cost of living in the city.

We are providing a regional facility. People will come from outlying areas to work in the city, pay their council tax at the local rate and be much better off. The problem of the dwindling base of money is spiralling.

Iain Smith: In your submission, there is a slight contradiction between your concern about the under-resourcing of services in the city and your position on council tax. What is the council's priority? Is it to improve services and invest more in them or to keep council tax low?

Councillor Regan: It falls to me, as to other elected members, to wield the sword of Solomon.

Neither option is one that we face through choice. As for the serious spends such as social work, it has reached the stage when I am having to say to colleagues that we will have to reduce or stop much-needed services. Because of the high level of deprivation, there is higher per head dependency on council services, as a result of which more people are required to provide such services. To take money from well-regarded services and then add insult to injury by making even fewer services available would create another problem. That, along with the rate of council tax, is a matter with which we live day to day.

We are working our way through the problem. It is difficult. We have met ministers and we will continue to work on it. PPP is being considered. For example, a couple of our schools are prefabricated and were built after the war. They were supposed to be demolished 20 years ago. We are working with what is there. We do not have any option. I would like to say, "Okay. We will cut 10 per cent of services." That would allow money for council tax, but we must bear it in mind that the council tax payer receives such services. A balance must be struck and we work on it daily. I would not make a recommendation on which route to take. We shall work it through as we go.

David Dorward: We want to focus on the council tax. There is no doubt that the drive of people from Dundee to the outlying areas is caused by the high council tax in Dundee and the relatively low level of council tax in surrounding areas. I am not talking about expanding services. No council has seen a growth in its services since 1990.

Iain Smith: I was not suggesting expanding services. I thought that you were concerned with maintaining them. Reference is made in section 4 of your submission to the McCrone settlement and a projected shortfall of £0.5 million in 2002-03. How was that figure reached?

David Dorward: It is based on the reality of what the settlement will cost the council, given our knowledge of teacher numbers, placings and so on, and the calculation made by the Scottish Executive when the grant is distributed. I am not saying that the situation is consistent throughout all councils. Some councils may have been given a generous McCrone settlement. The position comes down to the distribution of the McCrone money and how that relates to what is happening in councils.

Iain Smith: So the figure was reached because the Executive used the GAE formula to distribute the additional moneys and not because the total amount was wrong.

I was interested in the comments in paragraph

d) on page 6 of your submission about the GAE for secure and residential care being significantly less than your spending. Does the opposite effect occur in other services? Do you spend significantly less than the GAE on some services?

David Dorward: I give a categorical no to that. Our spending is the second highest above GAE, so the GAE levels that we receive are all lower than our actual spends. Off the top of my head, I cannot think of a service on which we will not spend more than the GAE distribution. The situation is worse in some areas than it is in others. On police, we spend at the level of GAE, because we agreed with the joint police board to give it the GAE allocation. That is also the situation in the fire service. However, in other services, the difference varies. We are quite close to GAE in education, because that is based on teacher numbers—apart from the McCrone settlement—but in social work, cleansing, and leisure and parks, the differences are significant.

16:45

The Convener: In the review of GAE, social work divisions in some local authorities challenged the significance of the children's panel effect. Will you submit numbers and costs on that for Dundee? You probably cannot give them off the top of your head, but you can write to us with the details.

David Dorward: I could make a stab at it now.

The Convener: Could you write to us as well, in case the stab is out of line or changes a bit?

David Dorward: Three years ago, I believe that we were dealing with between 27 and 29 placements. We are now dealing with 41, plus four children whom we locate in a secure unit in the city, which we fund. The numbers have increased, and not just for secure accommodation. The figures include children who are placed in residential accommodation for their own safety, for example. The cost per placement has increased too, so some placements cost more than £100,000 per annum.

The Convener: Perhaps you could write to us with a bit more detail. I know that some placements are as expensive as you say, but that might not be common knowledge. People might think that that is a lot of money for a placement, but it is not.

Mr Gibson: Section 3 of the council's submission concerns the adequacy of your non-housing capital allocation. I asked Norie Williamson a related question on that. I note that the city's non-housing capital allocation for 2002-03 is £8.409 million, yet its non-housing assets are valued at £428 million. What is the level of

depreciation of those assets? Does it exceed the resources that you have to address your concerns?

David Dorward: I think that the level of depreciation is higher than £8.4 million.

Mr Gibson: So you are saying that rather than trying to catch up and cut into the £428 million, you are heading in the opposite direction.

David Dorward: We must remember that the present allocations cover everything from education to social work, roads, cleansing and leisure and parks. Many of the assets were built many years ago, as Councillor Regan said. As we must control our revenue budget on repairs and maintenance, the fabric of the assets is deteriorating to the extent that we must commit a large proportion of our capital spend to trying to maintain those buildings. That scenario cannot continue for a prolonged period.

Mr Gibson: Will you estimate what the level of depreciation is?

David Dorward: I could not give that information off the top of my head.

Mr Gibson: Can you give us a rough percentage? I will not press you if you do not have the figures.

David Dorward: The £8.4 million is roughly 5 per cent. I think that depreciation would be more than that.

Mr Gibson: Is not £8.4 million more like 2 per cent of £428 million?

David Dorward: I am sorry; I beg your pardon, that is correct.

Mr Gibson: I will move on to paragraph f) on page 7 of your submission, which says that

"Dundee City Council has been allocated £3m ... in addition to the £2m allocated for"

this year from the better neighbourhoods fund. You are concerned about a lack of flexibility. What flexibility would you look for to make best use of the resources?

David Dorward: At present, the criteria for better neighbourhoods funds are reasonably restrictive, in that they cover social inclusion partnership areas, and there is a community limit of £10,000. We need more flexibility to deal with particular sectors, groups or themes so that, for example, we can deal with children or elderly people throughout the city. Under the present criteria, we do not have that flexibility. These are early days—I do not think that anyone has made a submission for better neighbourhoods funds yet. We certainly have not, but the criteria have been issued. At this time, they are far too restrictive and do not allow local authorities to take better

neighbourhoods spending to as wide an audience as possible.

Councillor Regan: For some years we have run the social inclusion partnerships system with some success. However, because the boundaries that we have to deal with are not natural—they are artificial—the perception in areas that immediately adjoin improved areas might be that the exercise has not been balanced. The system has worked well, but the lack of flexibility has caused resentment in some communities, because they see money being directed to specific areas, albeit bad ones, which reflects on adjacent areas. There is not sudden change from estate hell to a lovely neighbourhood; there is a blending. To direct the system along false geographical and developmental lines can result in restrictions and it can cause friction, as well as inequalities.

Mr Gibson: On section 4 of your submission, Iain Smith raised the issue of secure and residential care for children. The GAE of £0.5 million compares with an actual expenditure of £2.6 million—that is a massive differential. How could the GAE be so wrong, and is there any indication that that will be addressed in the not-too-distant future?

David Dorward: It is not a new burden as per the definition of a new burden. We will make representations to COSLA, which will make representations to the Scottish Executive. What happens thereafter is in the lap of the gods. We have given figures for 2000-01 because the GAE for secure and residential care for children has been subsumed into a wider social work GAE, so it is impossible to tell how much of that element the GAE is dealing with. If there is no increase in the GAE, we definitely will have to increase our budget in 2002-03, because we will get no corresponding increase in grant to reflect that increase in budget. We will be back to the gearing effect and the council tax, because every pound that we add to the cost of secure and residential care will be added to the council tax, the increase in which we have committed to keep within 2.5 per cent. We have a serious problem, which can be addressed only by additional grant or by making cuts in services.

Councillor Regan: As well as the number of referrals increasing, the duration of referrals is increasing, which has a direct effect on cost. Previously a kid would be sent away for four weeks, but now they are being sent away for seven weeks. You can imagine the effect that that has on the cost. This area is demand-led and we have no means of controlling it. We must just spend the money as it is demanded.

Mr Gibson: Why is the GAE so out of kilter with the realities?

David Dorward: In the past three or four years, we have seen a dramatic rise in the number of placements. It might simply be that the GAE is an historic figure that goes back further than three or four years. The mechanism for GAE is continually reviewed. A work programme is in place to review certain areas, but I do not know whether that programme, when it has examined residential and secure accommodation for children, has ever reflected the actual spend on the ground. Currently, it does not. The low GAE is an historic issue that we have inherited.

Mr Gibson: So, are you saying that the GAE system is totally inadequate in this regard and that it is not flexible enough?

David Dorward: That is very general—

Mr Gibson: But on secure and residential care?

David Dorward: On that, the GAE does not reflect the current level of spend in our council.

Mr Harding: What impact have the budgets had on staffing levels over the past four years?

David Dorward: If we go back to 1996-97—the first year—there was quite a large effect because establishments closed, obviously. We therefore had to let staff go through voluntary redundancy and so on. More recently, budget savings have not had the same effect. I do not think that we have reduced staff numbers because of budget savings in the past three or four years.

Mr Harding: You have not reduced staff numbers?

David Dorward: I do not think that we have as a result of budgetary issues.

Mr Harding: Staffing accounts for about 70 per cent of the local government budget, so how can you reduce services but not reduce the number of staff?

Councillor Regan: We have said that we are struggling to maintain services; we do not want to reduce them. Demand is increasing in many services. With an increasingly elderly population, demands on social work are increasing. We are managing to keep services steady and not expand the number of staff. Dundee is a city in a regional setting. The amount of money coming in is not increasing, but the demands are increasing. The figures are often misleading. Efficiencies have been made, but I believe that there are no means of reducing the present staffing levels without seriously affecting the quality of services. With the high demands on social work and education, it would not be desirable to attempt to reduce staffing levels.

Mr Harding: I am sorry, I misunderstood. I thought that, in your response to Iain Smith, you had said that you were reducing services, so that

is why I took up the issue.

The Convener: Gil?

Mr Paterson: Thank you, convener—and I am sorry that I was so rude to you earlier. I really did not mean to be.

Page 7 of the council's submission talks about the impact on the council of the loss of the trunk roads contracts to the private sector. Can the witnesses quantify that loss? I am not sure what the paragraph actually means.

David Dorward: Within Tayside, we have Tayside Contracts, which has a joint committee involving the three local authorities in the area. Previously, the three authorities' roads maintenance—including trunk roads maintenance—was done by Tayside Contracts. Any surplus that was generated by Tayside Contracts was disbursed back to the three authorities in proportion to the work loads that were generated. In the previous three financial years, profits in excess of £1 million have been returned to the local authorities. I have spoken to the managing director of Tayside Contracts and he expects that those surpluses will diminish, but he cannot tell by exactly how much they will diminish. The three councils have all set their 2001-02 budgets on the assumption that there will be an overall surplus of £1 million. If the trunk roads factor comes into play, and if the managing director's information is correct, all three councils will have to reduce their estimates of income from Tayside Contracts in 2002-03. That will obviously have an effect on the budget and council tax.

The Convener: Thank you for a very clear presentation, which makes things easier for us. This is a very complex subject. We are looking at the budget process—not the budget itself. One or two of us were, in a past life, councillors in Glasgow. We understand the points about the continuing impact of boundary changes on the council tax. Perhaps once the committee has finished its deliberations on local government finance, we will find time to have at least an overview of the boundary changes and where they should take place. That issue will come up in the Parliament at some point before 2004.

I thank the witnesses very much for attending and apologise that they have had to sit in a very warm room.

Before you go, I would like some clarification. When you were asked what the difference was between the budget and the GAE, you said £700 million—that was Norie Williamson's figure. A Dundee City Council figure would be helpful. If you do not have one, you can write to us.

David Dorward: The figure will be around £18 million, £19 million or £20 million. It is about 10 or

11 per cent. I think that that is the highest figure in Scotland. It is not a situation to which we aspire—it is down to the calculation of the GAE.

17:00

The Convener: I welcome witnesses from Orkney Islands Council. I apologise for the hoarseness of my voice.

Councillor Hugh Halcro-Johnston is the convener of Orkney Islands Council and David Robertson is the director of finance.

Councillor Hugh Halcro-Johnston (Orkney Islands Council): I thank the convener and the Local Government Committee very much for allowing us to give evidence. I also want to thank the committee for allowing us to present our evidence today, rather than next Tuesday, when there is a key council meeting at which the chairs of the committees and other appointments will be made. I should be there.

Largely for that reason, we have not been able in the available time to submit a written statement ahead of the meeting. I apologise for that, but David Robertson will be very happy to answer questions. We will answer questions to the best of our ability and provide detailed information immediately after the meeting.

I will set the scene. Obviously, Orkney Islands Council is a very different council from that which the committee has just heard from. Orkney Islands Council is the smallest local authority in Scotland. It represents and attempts to care for a total population of fewer than 20,000 people. The population is scattered over a very wide area that includes 18 inhabited islands. That presents problems in the provision of local authority services. The review of the special islands needs allowance has largely recognised such problems and lumped them under the heading of islandness. Islandness can be used to cover a multitude of issues, probably the most important of which are transport and the provision of services to a scattered community.

I would like to refer briefly to the special islands needs allowance. As the smallest authority in Scotland, we are possibly less concerned with issues of total provision—which the committee heard about in the last two submissions—than we are about how that provision is distributed, particularly in authorities such as ours. SINA was introduced to address that problem in particular. The need for the allowance was recognised long before reorganisation in 1994. At that time, the distribution formula appeared to work adequately for the nine large regional authorities but it was recognised that it did not work for the three unitary island authorities. A compromise was needed to deal with that issue.

The special islands needs allowance was reviewed last year by the distribution committee using a panel of experts, who identified the islandness factor but also mentioned two other important factors that they believed that the SINA addressed: supersparsity—the scattered population—and the diseconomies of scale. As those factors were not addressed in the review, its findings were not implemented in relation to the present three-year settlement. That has caused us considerable concern, mainly because the islandness issue went only a very small way to addressing the total amount of funding that was available through SINA.

Supersparsity is fairly easy to understand, especially in relation to a place such as Orkney. If we include the sea areas, the total area we cover is greater than that of East Lothian. At the same time, we suffer from remoteness in that the nearest real commercial centre, Inverness, is 150 miles away and involves a two-hour sea journey.

Diseconomies of scale are perhaps even more of an important issue for us. As a local authority we are expected to provide—and indeed we seek to provide—for all our inhabitants the same levels of service as might be expected in the larger conurbations; yet some of those services have to be provided in very small island communities where, for example, the school population could be in the single figures.

That problem has been compounded by the increasing tendency to ring-fence funds so that, where those funds are made available to individual authorities on a per capita basis, the amount of money we receive for a special service is often small compared with the amount received by other authorities. Indeed, it may not be enough to employ a full-time person to deal with that special service. Sometimes we are simply unable to take advantage of those funds to provide services in our authority area.

I want to address what I hope is a misconception but which is certainly a perception—that Orkney can be seen as a rich authority. That is largely the result of the financial reserves that we have built up as a result of our involvement with the oil industry over the past 20 or so years and the fact that we have the second lowest council tax in Scotland. My authority's position is that those two issues are separate and should not be allowed to impinge on each other.

To deal with the oil-related financial reserves first, those have two purposes. The first purpose is to develop businesses and an economy within the islands to replace the oil industry, which is seen as having a finite duration and which will create just as many problems when it leaves as opportunities when it arrived. The second purpose of those reserves is to handle the difficult transitional

arrangements for the harbour, which has to continue to operate for an oil industry that is running down in terms of throughput, and to help us to face the problems of decommissioning the terminal at the end of the lifetime of the fields that it serves.

That is on the one side; on the other side we have the general fund. We have managed to build up fairly substantial reserves in the order of £22 million. Those reserves are separate from the oil-related financial reserves. They have been built up as a result of prudent budgeting over a long period and are used to support the council tax to the tune of about £180 on a band D property. If that support were not available, our council tax would be above the Scottish average.

Historically, Orkney has been a low-spending authority in terms of capital and that, in itself, is creating some problems for us with the level of loan support that we now receive. PFI and PPP have been tried, but they do not work in our community. The private sector is not interested in the schemes with which we would like its help. We are entirely dependent on what we can do for ourselves.

As for section 94 consents, we welcome the 20 per cent increase in the current round, but unfortunately it is not adequate. For example, over the next seven years, we shall be facing a cost of £34 million to replace our inter-island ferries. At present, we do not know where that money will come from unless our consents can be improved.

I shall end my remarks on a positive note. Orkney has great natural advantages. We have the great port of Scapa Flow and an enterprising economy, an example of which is the highest concentration of jewellery manufacturers outside of Birmingham. We are pursuing enthusiastically community planning and partnership with our partner agencies in Orkney and we believe that that will deliver considerable savings. It is not all gloom and doom.

The Convener: Thank you. I shall now take questions.

Mr McMahon: My question is not so much about the presentation, but about what David Dorward said earlier when he referred to the process of discussing individual councils' circumstances. He said that he had to rely on COSLA to negotiate for the Dundee City Council and that matters were then in the lap of the gods. If that is how matters operate, do you agree that there must be a fundamental flaw in the system?

Councillor Halcro-Johnston: I should like David Robertson to answer that question as he is a member of the distribution committee.

David Robertson (Orkney Islands Council):

We do not rely completely on COSLA. All councils have the opportunity to approach the Executive individually as we did last year. However, although we were listened to sympathetically, nothing much happened when the settlement was finally announced.

Mr McMahon: I accept that the system is not exactly the same as that outlined by Dundee City Council, but there are still flaws within it.

David Robertson: We must accept that there are rules to play by in every system. Orkney Islands Council plays by the rules in that we raise issues through the distribution committee. However, if it were felt that such action was not going anywhere, issues would be raised politically, which is what we did last year.

Mr McMahon: Is it a one-way negotiation process? Do you consider that there is a genuine dialogue and that you know exactly what the Scottish Executive expects from you, but that it does not know what you expect from it?

David Robertson: It is a difficult position. We have our own problems. As we heard earlier, Dundee has its difficulties. We consider that ours are paramount, but we accept that, when looked at in the round, other issues could take precedence.

Mr Paterson: Everyone complains about ring fencing, but I was interested to hear that your complaints were different in that, because of the scale of numbers, you lose out. Can you quantify that statement with figures? It sounded as though that happened frequently because you have low numbers.

Councillor Halcro-Johnston: On several occasions, we found it difficult to take advantage of the excellence fund because the amount of money that we would receive under a particular heading was not enough to warrant setting up the administration for that fund. Small authorities such as Orkney face such problems. Because we are so small, we need—perhaps more than larger authorities—the flexibility to move resources between funds to take maximum advantage, while not in any way, I hope, necessarily moving against the Executive's targeted ideas.

Mr Paterson: Is there any light at the end of the tunnel? Always losing out because the authority is so small is a horrendous situation to be in.

Councillor Halcro-Johnston: We hope that the representations that we are making directly to the Executive—a fairly influential MSP helps us in such matters—and COSLA, of which I am a vice-president, will eventually produce sanity and sense at the end of the tunnel.

17:15

Iain Smith: Councillor Halcro-Johnston expressed his concern that the full SINA improvements have not come through. Is the current arrangement sufficient in circumstances when, for example, proposals such as the McCrone recommendations take account of the special needs of the islands and money is allocated? Or does it create the same problems as those encountered with the excellence fund?

Councillor Halcro-Johnston: I shall pass that question to David Robertson.

David Robertson: The review of SINA is incomplete. Until the review of supersparsity and economies of scale is finished, the Executive has decided to freeze the level of SINA. That means that there will be no increase in a certain element of our aggregate external finance. In 2001-02, that will cost us about £322,000; in 2002-03, it will cost us £257,000; in 2003-04, it will cost us £191,000 simply because the review is not complete and the SINA element will not be increased within the grant-aided expenditure system.

Iain Smith: That takes me back to my specific example of McCrone. How will Orkney and the island councils in general come out of the McCrone settlement? Will they receive sufficient to meet their needs, or does the current distribution problem mean that they will lose out?

David Robertson: The current distribution system under the McCrone settlement means that we lose out. It is based on pupil numbers. Teachers' salaries are increasing. We have smaller schools, so we need more teachers.

Iain Smith: Councillor Halcro-Johnston mentioned in his presentation that Orkney is currently subsidising the council tax from its reserves to the tune of £180 per annum. How long can the council continue that level of support? How do you plan to deal with it when you can no longer afford to subsidise the council tax?

Councillor Halcro-Johnston: Fortunately, at that level, we can continue indefinitely. We are using the interest on a £22 million fund to support the council tax and, as a prudent council, we have made it a deliberate policy to ensure that the fund increases in line with inflation.

Mr Gibson: I am pleased to hear how the Orkney Islands Council operates. Small councils are often innovative councils, and Orkney is certainly that. Small can be beautiful in local authority terms. Councillor Halcro-Johnston touched on several disadvantages—I accept that all local authorities believe that they are disadvantaged—but are there any other major worries that you consider should be dealt with?

Councillor Halcro-Johnston: I did not want to

add to the presentations made by COSLA and Dundee City Council, but we share many of their concerns. Our particular worry is that of an increasing aging population. Our key political priority is caring for our old folks and, wherever possible, caring for them at home, which sometimes means providing services for small island communities. It will come as no surprise to people here that that is becoming a more expensive process. We are struggling with it at the moment and if we do not generate the resources to enable such a service to be provided satisfactorily, we will let down those whom we represent and contribute to the great social malaise in the islands of depopulation.

Mr Gibson: Is your main argument about the distribution of resources or the size of the entire cake?

Councillor Halcro-Johnston: Our main argument is about distribution. That may be very glib and easy for a small authority because we take only a very small bit of the entire cake. We are on the edge in every sense: geographically and in terms of our ability to provide services to some of those communities. We are asking for those special issues—the sort of issues that we hope that the SINA review will address—to be addressed.

Donald Gorrie: I wonder whether you have had any dealings with the Executive about agreed measurement of outcomes or outputs. You seem to be saying that you do not fit at all with what a prominent gentleman in England referred to as bog standard council arrangements. Have you discussed with the Executive the possibility of being a leading light in getting the new arrangements up and running?

Councillor Halcro-Johnston: Thank you. We certainly want to avoid being a bog standard council—and we have not been accused of being such so far. We have not had any direct discussion with the Executive. However, that is a key element of the community planning process, which, as I have indicated, we consider to be central. Orkney has already set up active dialogue with the different agencies. We see the measurement of outcomes as a key element in determining the way in which community planning progresses. Rather than asking the Executive to set outcomes for us, we would consider the process as one in which we would identify outcomes with our partners, and then ask the Executive to fund them. We believe that that would give us a stronger case.

The Convener: I have two points of clarification. Is your general fund used to reduce the council tax from your oil revenues or from the balance?

Councillor Halcro-Johnston: No. We have

tried to make a clear distinction between the general fund, which does not contain oil revenues as such, and the financial reserves that have been created as a result of the oil business in Orkney. The financial reserves are kept quite separate and are used for economic development. The reserve fund, which sometimes gets confused, even in Orkney, is a contingency reserve, built up through the general revenue fund. All councils have such a fund, but we happen to have quite a good one.

The Convener: Thank you. You heard the evidence from Dundee City Council about the large numbers of children coming through the children's panel, who had to be put into some form of secure accommodation, sometimes costing as much as £100,000 per child. Is that a problem for Orkney? Do you have a significant figure in your social work budget to address that?

David Robertson: That causes huge problems for small authorities such as ours. Just one child costs £100,000 and £100,000 as a percentage of our budget is much larger than £100,000 as a percentage of Dundee City Council's budget. It throws the whole budget into chaos.

The Convener: Do you have a significant number of children for whom that is necessary?

David Robertson: No. We do not have a significant number of children in secure accommodation at the moment. Earlier on there was discussion of the savings that certain authorities were making. This year we were quite fortunate in that one of the children that we had in an off-island placement—as we call it—was no longer required to stay there, so we could cut back on that element of the budget. There is no guarantee that that will continue for years to come.

Councillor Halcro-Johnston: It is fairly well known that we have not been without our children's problems in Orkney.

The Convener: I appreciate that.

In your opening statement, you said that there were no rich authorities. Having listened to the evidence, we agree with that—or if there are rich authorities, they are not telling us. As a member of the committee who visited other island councils, I understand the difficulties that such councils have with an aging population who will always wish to remain. If that is what people choose, that is what should happen. I am sure that there will be difficulties with that budget line.

Thank you for coming today. I am sorry that we kept you so late. We have had a marathon session.

Councillor Halcro-Johnston: Thank you.

The Convener: I am sure that we will think up some excuse to visit Orkney.

Councillor Halcro-Johnston: You will be very welcome.

Iain Smith: I was interested in the comments made by Dundee City Council on the variation in council tax levels in Dundee. Perhaps Professor Midwinter could give us a comparison of average council tax bills, rather than simply band D council tax.

The Convener: Professor Midwinter has agreed to prepare a paper on that for next week.

17:25

Meeting adjourned until 17:29 and continued in private until 18:00.

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