

# **LOCAL GOVERNMENT COMMITTEE**

Tuesday 23 April 2002  
(*Afternoon*)

Session 1

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## LOCAL GOVERNMENT COMMITTEE

### 11<sup>th</sup> Meeting 2002, Session 1

#### CONVENER

\*Trish Godman (West Renfrew shire) (Lab)

#### DEPUTY CONVENER

\*Dr Sylvia Jackson (Stirling) (Lab)

#### COMMITTEE MEMBERS

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

\*Tricia Marwick (Mid Scotland and Fife) (SNP)

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

\*Elaine Thomson (Aberdeen North) (Lab)

Ms Sandra White (Glasgow) (SNP)

\*attended

#### THE FOLLOWING ALSO ATTENDED :

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

#### WITNESSES

James Andrews (Society of Local Authority Chief Executives and Senior Managers)

Joe Di Paola (Unison Scotland)

Gordon Edwards (Chartered Institute of Public Finance and Accountancy Directors of Finance Section)

Graham Hope (Society of Local Authority Chief Executives and Senior Managers)

Bill Hughes (Chartered Institute of Public Finance and Accountancy Directors of Finance Section)

Alex Linkston (Society of Local Authority Chief Executives and Senior Managers)

Councillor John Pentland (Convention of Scottish Local Authorities)

David Sawers (Society of Local Authority Chief Executives and Senior Managers)

Grahame Smith (Scottish Trades Union Congress)

Councillor Pat Watters (Convention of Scottish Local Authorities)

Norie Williamson (Convention of Scottish Local Authorities)

#### CLERK TO THE COMMITTEE

Eugene Windsor

#### SENIOR ASSISTANT CLERK

Irene Fleming

#### ASSISTANT CLERK

Neil Stewart

#### LOCATION

The Chamber



## Scottish Parliament

### Local Government Committee

*Tuesday 23 April 2002*

*(Afternoon)*

[THE CONVENER *opened the meeting at 14:02*]

### Item in Private

**The Convener (Trish Godman):** Okay comrades, let us get this show on the road. Agenda item 3 is a draft plan, which includes information on legislative proposals that are not yet in the public domain. Do members agree to take the item in private?

**Members** *indicated agreement.*

## Budget Process 2003-04

**The Convener:** We move now to further consideration of the budget process 2003-04. Our first witnesses today are from the directors of finance section of the Chartered Institute of Public Finance and Accountancy. Bill Hughes is the chairman of the Scottish branch and Gordon Edwards is the secretary. I have to declare an interest because I know Bill. He was commonly known as the poll tax man when I worked with him in Greenock. He will speak for a few minutes, after which I will open up the meeting for questions.

**Bill Hughes (Chartered Institute of Public Finance and Accountancy Directors of Finance Section):** Thank you.

I thank you and the committee for the opportunity to comment today. I intend to give just a brief summary of the submission. I imagine that members will be keen to question us and have us clarify various points.

I would like to put on record our appreciation of the improvements that the Executive has made in presenting budget information. Having said that, I think that there is still some way to go. Members will see from our submission that we are concerned about the level of detail in the information on local government. The committee will have interesting questions to ask about why the information is so limited, given its importance to the Executive's spending plans. We can debate such issues in relation to the joint planning framework, because the better the dialogue between local government and the Executive, the better informed both sides will be when it comes to budget consultations.

We feel that the importance of non-domestic rate income should be emphasised. We are concerned that the investment that councils require to allow them to generate additional rate income is not reasonably reflected in the yield that is returned to them through the non-domestic rate pool. There should be a better relationship between individual councils' efforts to grow the non-domestic rating base and the return that they get through the present arrangements.

Our main concern is to do with what we regard as a significant funding gap, on the revenue and capital sides. In our submission, we confirm our support for the position taken by the Convention of Scottish Local Authorities. I understand that the committee will hear from COSLA later this afternoon. The section was very much involved in putting together the evidence that COSLA has submitted. The revenue and capital gap is significant—£1.5 billion in revenue and £4 billion in capital. That gap has to be addressed.

Our discussions on the details of the budget plans are necessarily influenced by our views on the gap. Our ability to deal with issues effectively is severely constrained by the pressure that is already on local government to deliver services. Therefore, we would encourage the Executive to consider a bottom-up approach rather than a top-down approach. We sometimes feel as if we are picking the crumbs off the table after the costings of national initiatives have been dealt with. We stress to the committee that the Executive should give greater priority to the delivery of local services and the funding required for that. On the issue of services, we should throw back to the First Minister his concern to "do less, better". We feel strongly that core local services should be of fundamental importance to the Executive when it considers the citizens of Scotland.

What the Chancellor of the Exchequer said last week about national insurance charges means that local government faces a significant increase in burden—we estimate that it will be about £40 million. The First Minister has already indicated that the extra resources generated will be spent on health. We hope that that is being done for the right reasons. It seems quite perverse that gains for the health service should be at local government's expense. We urge the Executive to ensure that the £40 million that we estimate is required is added to the settlement for next year, to avoid more cuts in local services.

The committee asked about efficiency savings and the potential for increasing income. At the beginning, I emphasised the fact that the size of the funding gap means that councils have explored fully the opportunities for efficiency savings. We want to dissuade the Executive from assuming in future spending plans that councils have opportunities to achieve further significant efficiency savings. The spending pressures that councils have been under have forced them to explore every avenue for generating income. That came through in the committee's inquiry into local government finance. Councils' only recourse is to consider increasing charges for services above the level of inflation, which would create an obvious political concern about social exclusion—it might price the poor out of local services.

My final point is on our concern about the influence of ring fencing. I know that the committee shares our view that there must be a move away from ring fencing. The spending plans give an indication of movement, but the Executive's approach has been rather timid. We urge the Executive to be more radical and to put more trust in councils to deliver services using the totality of their resources. We agree with our colleagues from the Society of Local Authority Chief Executives and Senior Managers and COSLA that there is a need to develop sensible

outcome agreements that do not burden us with bureaucracy, but which focus on the requirements of delivering the shared agendas.

I will stop there. I am happy to respond to questions, but perhaps Gordon Edwards wants to add something.

**Gordon Edwards (Chartered Institute of Public Finance and Accountancy Directors of Finance Section):** I have one point to add. The year 2003-04 will be pivotal because it is a transitional year. It will be the final year of the existing three-year grant settlement and the first year of the new three-year settlement. It is important that there is a smooth transition between the present three-year settlement and the next one. Given that, there is an urgent need for the Scottish Executive to confirm the existing base funding totals that form the 2003-04 Scottish Executive grant settlement and to take account of the additional cost pressures that will arise during 2002-03, but which will have an impact in 2003-04. The Executive should fully fund any additional burdens or transfers of responsibility that it identifies and that might feed into the 2003-04 budget.

**The Convener:** Before I catch members' eyes, I want to ask a general question. We have several submissions, one of which states that local authority services should be

"founded on the principle of realism, not idealism."

The committee wants to have an overview of local government finance. How realistic are your proposals, given what the Executive has outlined in the budget for 2003-04? Are we coming at the issue too late? Should we have considered and consulted on the matter earlier?

**Bill Hughes:** A lot could be gained from earlier consultation. It says something that we are talking about the Executive's consultation and spending plans for 2003-04, which is the third year of a spending review period. You mentioned the realism of our approach. We would welcome the opportunity to talk to the Executive about what is affordable, given the resources that are available. Our submission was designed to reinforce our claim that there is a significant funding gap. Members will be aware of constituents' views on the quality of local services. Those views are related directly to the funding that is available to local councils for services. It is significant that we are being drawn towards new funds and initiatives and away from the costs of services, which are equally important.

The sums in our submission are intimidating, but they are meant to emphasise local government's view of the scale of the problem. We are realistic, but given that we are unaware of the amount that is available for negotiation, we do not apologise for

putting forward a case that we believe represents the genuine needs of local government.

**Gordon Edwards:** Greater realism could be achieved by focusing more on core services rather than on new initiatives. If a greater focus were placed on core services and on the funding of those services, the balance of realism against idealism would be addressed.

14:15

**Dr Sylvia Jackson (Stirling) (Lab):** I want to ask about your involvement in joint planning for the 2003-04 budget. What would you want to happen in that respect?

**Bill Hughes:** In our submission, we identified a number of new burdens that will impact next year. From experience, we know that disagreements can arise about the costs of such new burdens. It would be ideal for sensible dialogue to take place between local government and the centre about the costs of those new burdens. The burdens have been imposed on local government, so we would expect their costs to be fully funded.

If we could negotiate funding as part of the 2003-04 settlement, we would like a proportion of whatever headroom the Executive has after it has funded fully new burdens to include a share for local core services. The majority of that share should be earmarked for local core services and a margin left for national priorities.

**Dr Jackson:** I also want to examine the process by which you enter into that dialogue. Can improvements be made to the process?

**Bill Hughes:** Yes. We are only just beginning to engage with the Executive's officials in the process of considering the 2003-04 settlement. As Gordon Edwards rightly said, we are concerned about the transitional arrangements between the third year of the present spending review and the first year of the next review—they are the same year. At the moment, no joint planning framework is in place, which has led to a hiatus.

I am sure that SOLACE, representatives of which are to give evidence next, will go into more detail about our ideas. More dialogue is needed on the joint planning arrangements between local government and the Executive. We also need to have a more formal framework, in particular at officer level. We welcome the recent steps that the minister has taken to engage with COSLA on common issues. That process needs to be underpinned by a more constructive dialogue at officer level, so that exchanges between members can be as well informed as possible.

**Iain Smith (North-East Fife) (LD):** You have said quite a bit about the balance in the funding settlement between central Government priorities

and local government's core services. On the surface, the settlement for next year seems generous. It represents a 6.6 per cent increase in revenue terms, which is £438 million. I accept that the figure includes money for a number of additional burdens on local authorities. Have you estimated how much of the increase will be taken up by the new burdens and how much will be left for core services?

**Bill Hughes:** It is helpful to have the opportunity to clarify what the extra money means to local government. New burdens are involved—that terminology is well known in local government. Transfer arrangements are also in place for pre-five funding and other arrangements with the Department of Work and Pensions. When my council discounted the new burdens, less than 1 per cent of new moneys was left to fund increased inflationary costs and other spending pressures on local services, and I have no reason to believe that our council's position is different from that of other councils. That forced us to re-examine our core services and redistribute resources to fund the gap.

**Iain Smith:** By how much would the aggregate external finance have to be increased in order to prevent further cuts in local government? I am not talking about an increase to restore cuts, but one that would prevent further cuts next year in what local government calls core services. How much more Government support would be required?

**Bill Hughes:** £1.5 billion.

**Iain Smith:** I am not sure that I agree with that figure. Surely that goes beyond restoring cuts.

**Bill Hughes:** With respect, that is the way in which the process has to go. We are not having a dialogue about that kind of difference of opinion. Some benefit has to result from having a healthy exchange of views about our belief in the value of local services and what is affordable to the centre.

**Gordon Edwards:** The figure of £1.5 billion was arrived at by taking a bottom-up approach, as we described earlier. All the professional associations were involved in the process, which means that a fair degree of experience was used to reach the figure. It is not an aspirational figure; it covers the range of local authority services. I have reviewed the figures in detail and confirm that that figure is robust and accurate.

**Iain Smith:** It may be robust and accurate in terms of the aspirations of local government, but I asked how much would be required to prevent further cuts, not how much needs to be spent. I am not encouraging that nor am I arguing about whether £1.5 billion needs to be spent. I asked how much of an increase you require to prevent further cuts. That question is different from the one you answered.

**Bill Hughes:** The question presumes that cuts have been made to balance the gap—

**Iain Smith:** I am not making any such assumption. I want to get a clear picture of your views on what appears, on the surface, to be a generous settlement—a 6.6 per cent increase. You said that, once everything is stripped away, the settlement comes to about 1 per cent in real terms. I want an estimate of how much additional money is required to prevent further cuts. I accept that a discussion is required about the spending review, but we are not discussing that today. We are discussing the budget documents that are in front of us. I would like to have a bottom-line figure that will give us an idea of the starting point, not where we might wish to go.

**Bill Hughes:** My best estimate would be somewhere between 1.5 and 2 per cent of total expenditure.

**Iain Smith:** That is very helpful. How much of an increase in council tax would that mean? I understand that councils have indicated that the figure will be somewhere around 4 per cent.

**Bill Hughes:** The council tax forecasts for next year will be based on what is known about the settlement that has been announced for 2003-04. Since the announcement was made, issues such as the increase in national insurance have arisen. Our estimates suggest that the increase will add a further 2 per cent to the increase in council tax.

**The Convener:** Before I call Keith Harding, I welcome Jamie Stone to the committee. He used to be a member of the committee, but he is here as a reporter for the Finance Committee. He should feel free to catch my eye if he wishes.

**Mr Keith Harding (Mid Scotland and Fife) (Con):** I thank the witnesses for their informative and helpful submission. Which local authority services face the greatest spending pressures? What scope is there for councils to re-order local priorities to deal with services that face the greatest difficulty?

**Gordon Edwards:** The answers to those questions will vary from council to council. To a large extent, the answer depends on individual councils' priorities. The main issue is that, in the past six years, since reorganisation, local authorities have strived continuously for year-on-year efficiency savings. All councils have embraced the best-value agenda and are trying to squeeze efficiency savings out of the system. Councils will continue to do that across the entire range of services.

A number of councils now find it difficult to squeeze further efficiency savings out of the system. There is scope for further spend-to-save initiatives if councils can invest to rationalise

services to generate efficiency savings in future years. It is difficult to find that initial spend within what are limited budgets.

That is the reason why, to some extent, we welcome initiatives such as the modernising government fund, which offers local authorities additional funding to try to deliver more effective services using electronic means.

We would welcome additional pump-priming funding from the Scottish Executive, which may help to deliver further spend-to-save initiatives. In general terms, where the main pressures on budgets will arise next year will vary from council to council.

**Mr Harding:** Let us take that further. What budgets do you think the Executive should cut to give more to local government? Last week, when the minister gave evidence to the committee, he pointed out that local authorities are already receiving 1.5 per cent more of the cake than they were last year.

**Bill Hughes:** With respect, that is a difficult question to answer. It presumes that we are aware of the spending needs of the centre. What we are clear about are the spending needs of local government. We see it as our job to present to the committee what we regard to be the effects of the spending plans that are in place. Local government suffers as much from the problems of trying to balance budgets as the Executive does. Each council has difficult decisions to make to address any funding gap.

We are also aware of the Executive's commitment to health, to which there is a significant block allocation. We would encourage the Executive to open its books—as this process is attempting to do—and show us which national and local priorities are discretionary and which can be negotiated. We believe that resources must exist in the block that could be transferred to local government to support valuable local services.

**Mr Harding:** You acknowledge that the Executive would have a difficult decision to make about which budget to cut if it was to give you more. However, at the same time, councils appear not to be prepared to reconsider their budgets to determine where they could make cuts to address their priorities.

**Bill Hughes:** I hope that the fact that, despite the £1.5 billion gap, council tax increases for this year and last year have been limited to 4 or 5 per cent—less in many councils—convinces the committee that councils act responsibly and make difficult decisions to balance their books. There is no evidence of councils getting into difficult funding positions and not balancing their books because of the limited resources that are available to them. I am surprised that the member seems to



be saying that councils are not doing enough to cut their cloth to suit the resources that are available to them. We have a statutory position that forces us to do exactly that.

**Mr Harding:** There was no criticism of councils in my question. I fully understand the situation—I am still a councillor. My point is that you are not prepared to answer my question about what the Executive should do to give you more money—which budgets it should cut. My question was, why do not councils reconsider their budgets to identify where savings can be made? That is what you are asking the Executive to do to give you more money.

**Bill Hughes:** I understand why the member is concerned. Resources seem to be available annually to fund initiatives that are important to the Executive. We think that there is an opportunity for the Executive to plan better to acknowledge the importance of local services and make resources available for initiatives to recognise and place importance on local core services. To date, that has been missing.

**Mr Harding:** I totally agree with you. Thank you.

**Tricia Marwick (Mid Scotland and Fife) (SNP):** The committee has said that it would like the Executive to make clearer what outputs it expects from its local government budget. Would it be appropriate and feasible for the Executive to provide the Parliament with output information for local authority services, such as the number of teachers and home helps in authorities? That would make it easier for the committee to assess whether the situation is improving or standing still.

14:30

**Bill Hughes:** Yes. That is where local government and the centre can agree on what is important, regarding public interpretation of the delivery of local services.

We hope that bureaucracy does not burden the process. Things must be tested to see what problems emerge. The early examples of local outcome agreements were unnecessarily complicated. Although it is important to agree on outputs, the arrangements that are put in place to monitor the delivery of those outputs are also important. We hope that such arrangements would not present themselves as ring-fenced initiatives, with authorities getting additional resources to increase or maintain the number of, for example, teachers or home helps. We can manage our resources well and deliver service improvements without getting tied up in outcome agreements. That is not to say that there is no room to agree output measures. There is an opportunity to develop those. SOLACE is arguing exactly that point—that there is room for much clearer

expressions of outputs from local government, which will satisfy the centre's expectations.

**Tricia Marwick:** I am frustrated by the fact that so much of the committee's discussion with organisations such as yours and with the Executive focuses on who is saying what—"We are giving you enough money," "Oh no, you aren't," "Oh yes, we are." In such exchanges, we lose sight of what local government is delivering and what the outcomes are. Would it be unduly bureaucratic for the Executive to provide such information? Or should specific service outputs be provided by individual councils, taking into account their individual spending priorities? If we received that information from the centre, would that cause difficulty for local authorities?

**Bill Hughes:** I return to my opening remarks about the detail in the spending plans for local government. The member is absolutely right about how meaningless—in some respects—the information is regarding the delivery of local services. A joint planning framework could be put in place, whereby we could agree what the important output measures should be. Having agreed them, local government would then be expected to deliver those output measures, however they were described. The measures must be the result of a joint discussion. I do not think that the member was suggesting that outputs should be imposed on local government. We are arguing that there is a need for early and constructive planning arrangements so that we can agree the output measures that matter to both the Executive and local government.

**Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD):** I thank the committee for allowing me to attend the meeting and ask a question. This morning, the Finance Committee—of which I am a member—questioned the Minister for Finance and Public Services, Andy Kerr, about the private finance initiative and public-private partnerships, which are connected with capital consents and section 94 of the Local Government (Scotland) Act 1973. Some years ago, before reorganisation, Scottish local authorities were opting for capital from current revenue—CFCR—but there seems to be a slight lessening in the use of that as a tool. Are you able to give an overall Scottish picture of what has been happening on that front?

**Bill Hughes:** I do not think that I can give any specific figures.

**Mr Stone:** A trend would suffice.

**Bill Hughes:** The ability of councils to supplement their capital resources through CFCR is increasingly limited because of the funding gap that I identified. If the committee is interested, we could relatively quickly put together confirmation of

the provision for CFCR in revenue budgets. I would be surprised if the sum were material. In our paper, we argue that there is a £4 billion gap in respect of capital need. That gap forces councils to look to whatever alternative arrangements are available to address that gap. The interest of councils in PFI/PPP schemes is well known, because of the funding arrangements that are in place to support such schemes.

**Elaine Thomson (Aberdeen North) (Lab):** Good afternoon, gentlemen. I want to pursue the question of capital consents. A £4 billion shortfall was mentioned. Gordon Edwards said that there is perhaps limited scope for more efficiency savings by some councils, but there is scope for spend-to-save-type schemes if adequate initial capital expenditure could be made. The Chancellor has proposed that prudential borrowing could apply from 2004-05. Will that give councils adequate scope to increase significantly their levels of capital expenditure?

**Gordon Edwards:** It will give councils some scope, but not adequate scope to meet all their capital investment backlogs. The prudential regime is based on a number of prudential indicators, which are based on affordability. One of the main measures of affordability is the impact on the revenue budget and on the council tax payer. If capital investment were increased considerably, that would have a knock-on effect on capital financing charges, which have an impact on already tight revenue budgets. We welcome the prudential regime, but we do not see it as a panacea for all ills. There would still be considerable pressure on the overall capital budget as a result of affordability impacting on the revenue budget. We welcome the flexibility and movement, but the prudential regime will not solve all the capital investment problems that have been stored up in councils.

**Elaine Thomson:** When I was a member of the Finance Committee it visited Glasgow, where there has been significant PFI investment in schools. The committee talked about impacts on revenue budgets and the future projection of what revenue costs would be was welcomed. The revenue proposals seem to be similar. Is there beneficial scope for councils in allowing better financial planning, while constraints are recognised? It is obvious that there are limits to the extent to which councils' revenue budgets can be taken up by repayments.

**Bill Hughes:** The point that any capital spend must be paid for is at the core of the problem. As Gordon Edwards said, the prudential framework creates an opportunity for councils to get into capital funding arrangements while recognising the affordability of the repayment terms of any loan arrangement that they get into. They are not

necessarily constrained by separate capital control limitations. Therefore, a council that sees a proposal with future savings potential can go ahead with it whereas, at the moment, it is constrained because of its other capital plans.

It must be remembered that the current capital framework is underpinned by grant support and that the prudential framework will need to be oiled by similar grant support if it is to be effective. If it is not underpinned by grant support, councils will have to consider opportunities for investment that will deliver future year savings, which helps affordability, or they will have to pass a burden on to council tax payers or look for other cuts in services.

As Gordon Edwards said, the prudential framework is a helpful move away from the constraints of the current systems, but it is not the panacea that will solve local government's problems. Certainly, it is a step that we want to take, as we prefer its flexibility and freedom to those of the present system.

**Dr Jackson:** I want to follow on from the previous question. Your paper refers to the prudential framework starting in 2003. Is that a realistic starting date?

**Bill Hughes:** Yes. As a director of finance, I would not commit my council to spending that I thought was not affordable. I believe that we could agree a framework for a prudential approach with the Executive that could start much earlier than the current plans suggest.

**Dr Jackson:** Okay. My real question was about burdens. I raised that with the minister last week. I was pleased that you included road and bridge maintenance in your list—the minister did not have them in his list. On the £1.5 billion gap, what percentage of the backlog in road and bridge maintenance is included in the £1.5 billion?

**The Convener:** You can reply in writing to that question.

**Bill Hughes:** I would prefer to give you an informed answer rather than an inspired guess.

**Dr Jackson:** That would be useful.

**The Convener:** The more you come to the committee, the more you will learn that Dr Jackson always asks questions about roads and bridges. You can come prepared the next time.

**Tricia Marwick:** I have a question on the chancellor's budget announcement about national insurance costs. In your introduction, you said that the rise in NI will cost local government £40 million. Will the Executive increase the grant settlement to local government? If not, will local services be cut to fund the rise in NI contributions?

**Bill Hughes:** Local government has a difficult choice because there might be no increase in the grant settlement for next year, there is an unavoidable rise in employers' national insurance contributions, and there is a requirement for local government to balance its budget. The straightforward answer to your question is that there would have to be cuts in services.

**The Convener:** Thank you. I would have asked that question. I think that your paper states that 2 per cent would be added to council tax if there were no increase in the grant settlement. If that occurred, council tax payers, who will pay increased national insurance if they are employees, would be faced with a double whammy. We must ensure that that does not happen.

The minister gave evidence to the committee last week. We discussed new burdens, but he did not like that expression. He refers to new investment. Perhaps you could consider that.

In your introduction, you said that the national health service is getting extra money from Gordon Brown at the expense of local government. However, local government deals with community care. In addition, I know that, because of new requirements in registration and inspection, local government is making changes to its residential homes—for example, having individual rooms with en-suite bathrooms. I also know that many local authority residential homes are closing. I wonder, therefore, whether local government will indirectly receive money from the NHS budget.

There is also a dispute between the Executive and COSLA about the percentage figure for ring fencing. What do you think that that percentage is?

**Bill Hughes:** The percentage is much higher than the spending plan's figure, which is about 9 per cent. I think that the figure is about 19 per cent. However, depending on the view that is taken on the police budget, that figure could be higher.

On the minister's interpretation of new burdens: they feel like burdens to the local government side. That is why most directors of finance walk about with a bit of a stoop. It is a burden when one must find money. I welcome the convener's recognition that local government has a role in the delivery of the health service. We have a community planning agenda that we hope that the First Minister recognises when he decides on the share of budgets.

The list of burdens that we included in our evidence illustrates the common agenda between us in health and the benefits of health education for prevention. That is a welcome recognition of views shared in the Executive. Perhaps we have

been too narrow minded in our interpretation of the First Minister's remarks and I look forward to what might emerge from the spending plans.

14:45

**The Convener:** Thank you very much for your attendance. You said that you would provide written information in response to requests from Sylvia Jackson and Jamie Stone and we look forward to receiving that.

I welcome our next set of witnesses, who are from SOLACE. I welcome Alex Linkston the finance spokesperson, James Andrews, the chief executive of Glasgow City Council, David Sawers, the director of finance of Angus Council and Graham Hope, the head of financial management for West Lothian Council. I must declare an interest, because I know Jimmy Andrews.

**Alex Linkston (Society of Local Authority Chief Executives and Senior Managers):**

Everybody knows Jimmy Andrews. Thank you for the invitation to address the committee and for your continued interest in local government finance. It is reassuring to local government that the committee takes a keen interest in the matter.

We listened to the presentation by the directors of finance and we agree with the comments that they made. I would like to highlight three main points. First, we are keen that there should be a joint planning system between the Executive and local authorities. We made a presentation to the committee during the review of local government finance in which we made the point that we now have a system where there is no strategic capacity in the Executive—spending areas and priorities are determined in a vacuum. We are required to join those up at local authority level. That is very difficult, particularly when money comes in different pockets. An example of that is the social justice agenda, which is a high priority for the Executive and for councils, but which is driven entirely by initiatives. There is very little scope for councils to determine how to deliver national priorities. It is a top-down approach, which is unhealthy. We need to be able to adapt national priorities to local circumstances.

We desperately need a proper planning system in which the Executive fully understands the pressures on local government. We are all serving the same communities and if we can join up in doing so, we will achieve much better public services. The Executive has moved towards a joint planning system and we are in dialogue with it on that point. However, anything that the Local Government Committee can do to encourage the Executive in that approach would be much appreciated.

Secondly, although you have concentrated on

2003-04, we view the pass as having been sold for that year. We have a three-year settlement at the present time and 2003-04 is the third of those years. The new three-year settlement will start in 2004 and although there will be some discussion about 2003-04, we are more interested in the two years following that, because the Executive will determine its priorities for the next three years later on this year. We hope that there will be a smooth transition from the current three-year settlement to the new one; that is, that there will be no surprises in the first year. A number of councils now do three-year budgets and if we hear of major changes in December we would have to tear up the few strategies that we have.

Thirdly, I want to emphasise output agreements. The initiative culture is killing public services. There must be more scope for local decision making to meet national priorities. Local government is more than happy to be accountable and we believe that it would be healthier if there were some sort of output agreement rather than detailed ring fencing and direction from the centre.

I could go on to cover a lot of the material that was covered by the directors of finance, but I am more than happy to answer questions.

**The Convener:** To start off, I will ask a question that I asked of previous witnesses. You say that local authority services should be funded on the principle of realism, not idealism. How realistic do you think that that proposal is, especially in view of the fact that the Executive has already outlined its proposals for the local government budget for 2003-04 in this year's annual expenditure report? Are we coming at this discussion a bit too late?

**Alex Linkston:** As I said in my introduction, the focus should be on the two following years. There might be some money available for next year in addition to that which has been announced and it is important that there is dialogue about that. Other than that, however, I would not want the figures for next year to change from those which have already been intimated to us. There has to be proper planning if we are to get value for money from services and sudden changes in direction are not helpful.

**David Sawers (Society of Local Authority Chief Executives and Senior Managers):** What came across from the statements of the directors of finance was that there is a lack of clarity and transparency in the Executive's budget and the material that local government is presenting to you. The local government budget, as submitted by the Convention of Scottish Local Authorities, is a joined-up budget that covers all local government services. The Executive's spending plan has local government expenditure dotted about it and I think that it would aid transparency and help this committee if the Executive were to

produce a local government budget within its overall budget so that we could address priorities. We would have a better idea of what the Executive wants to deliver and of what is affordable in that context, and local government could explain in more detail what the problems are with provision.

**Iain Smith:** We are dealing with stage 1 of next year's budget, so we have to concentrate on 2003-04, but there are issues about central Government priorities in the settlement. On the surface, the increase in the settlement looks generous at 6.6 per cent, but appendix 1 of your report, which deals with previous years, indicates that once new burdens are taken out of the equation the amount of what you call residual increase is not that great. Have you estimated how much of the 2003-04 settlement will be residual increase and how much will be new burden?

**Alex Linkston:** COSLA, whose representatives will be speaking later, has costed the additional pressures on local government over the next three years, and they stand at £1.5 billion for next year.

**David Sawers:** I would emphasise that that figure is based on the assumption of keeping existing service provision going. The Executive wants to introduce new initiatives in the context of the money that it is introducing into local government, but there needs to be a better understanding of what can be afforded in the sense of keeping core services going while developing new initiatives. I get the impression that, at committee meetings such as this, we put across the local government point of view and the minister puts across the Executive point of view, and it may be difficult for the committee to know where those views should meet.

**Alex Linkston:** Core services means having teachers working in schools that do not have leaky roofs; roads that do not have—or at least have fewer—potholes; roads that are as safe as we can make them for motorists and pedestrians; and police officers in communities. We are not talking about something abstract, but about such core services as education, social work and fire and police services. We have now had seven years of cutbacks in the funding of basic services, and there is a limit to how long that can continue before it really starts to hit individual communities. We cannot keep pushing the state out into new and better things at the expense of our basic infrastructure.

That is not to say that things should not be reviewed and refreshed, and we are more than happy to have a joint examination with the Executive, but we cannot keep pushing the state out without having regard to the cost pressures on existing services. If we do so, and if public conveniences are closing; if community centres are disappearing; if the appearance of schools is

deteriorating; if teachers do not have the basic materials to do their jobs; or if the school computers that have been installed cannot get updated because we do not have the money to replace them, we will end up with less and less connection between services. A balance has to be struck. What we are looking for in planning is a greater understanding of what it costs to provide the services that I have mentioned, which communities expect and demand.

**James Andrews (Society of Local Authority Chief Executives and Senior Managers):** In that regard, and in support of what has been said, of the 65-page Scottish budget document for 2003-04, only three pages are devoted to local government, with no mention of service objectives or targets, whereas the other 14 programmes contain those objectives or targets in great detail. It is that lack of clarity and transparency about what local government should be delivering that is the problem.

**Iain Smith:** I do not think that any of us are disputing that. The committee is trying to get through the quagmire of the figures and establish the current position. My question was how much of the £438 million of additional aggregate external finance for next year is tied up in meeting the additional costs of bearing the burdens that the Executive is putting on local authorities, including year two of the McCrone settlement? Free care for the elderly is not included yet, so we can exclude that. How much of that additional money is left to provide core services after those new burdens are taken into account?

**Graham Hope (Society of Local Authority Chief Executives and Senior Managers):** We would expect the figures to be similar to those in the current year. I do not have the national figures to hand, but I have a local example from West Lothian Council, where AEF is increasing by 6.3 per cent for next year. If we subtract the new burdens from that, the increase reduces to 0.6 per cent, so more than 90 per cent of the new funding is related to centrally directed new burdens and cost pressures.

**Iain Smith:** Is that likely to be typical of local authorities, or might West Lothian be an extreme example? Given the way in which settlements work, some authorities do better than others in some aspects of funding.

**Graham Hope:** We have the fastest demographic increase, which is taken into account. However, I would not expect the figure for the proportion of new funding used to cover new burdens to be much lower than 80 per cent in other local authorities.

**Alex Linkston:** Of the 6.3 per cent increase in AEF that has been cited, we can assume that 80

per cent of it will be taken up by new burdens, which leaves a maximum of 20 per cent—10 per cent in our case—for continuing to fund services. That has been the pattern for the past three years. If the pattern in the next spending round is similar, there will be real cutbacks in the services available to communities.

**Iain Smith:** I would like you to expand on that point. I ask you to ignore the £1.5 billion shortfall that is identified in the COSLA submission. That is an important point for the spending review, but is not at the core of what we are currently discussing. How much more would you need to ensure that there are no further cutbacks in core services? What would be needed to ensure a standstill?

15:00

**David Sawers:** We cannot give the committee a figure for that today. We are trying to get across the message that core services are being crowded out by new initiatives. The Executive needs to improve the way in which it balances those initiatives against core funding.

**Iain Smith:** I am trying to get a ballpark idea of how much money is needed. I accept the point that you are making, but I am trying to get some indication of what is needed so that we can provide the Finance Committee with informed comment on the financial situation for local government. We want to be able to indicate how serious the shortfall is and what is required to prevent further cuts. We can then consider the longer term and the bigger picture of local government's aspirations. At the moment I am not clear about where everything fits in. The figures are baffling.

**Alex Linkston:** We would be more than happy to have a stab at providing the information that the member requests. The figures for individual councils will vary, depending on the pressures to which they are subject. As Graham Hope said, West Lothian is affected by the fact that it has the fastest-growing population in Scotland. A council's base budget is affected by its circumstances.

In West Lothian the amount needed would probably be in the order of 4 per cent, because under our three-year wage agreement next year there will be an increase in wages of 4 per cent. We must also make superannuation contributions. Because of the financial position of pension funds, we have to make higher contributions to those. We will try to supply the committee with a figure next week.

**Iain Smith:** That would be helpful.

**James Andrews:** The point that Iain Smith makes is highlighted by the changes to national

insurance. It will cost local government about £40 million to carry the extra burden that has been imposed. Unless the Executive provides that money, we will have to do one of two things: either we will have to reduce services or we will have to increase council tax. I do not want to sound too pessimistic, but even if central Government delivers the £40 million that is required, that money will not produce any gains in service delivery. It will simply allow us to deliver the same level of services that we provide at the moment.

**Dr Jackson:** In your introductory remarks you spoke about dialogue with the Scottish Executive. How do you think that the dialogue can be improved as we continue to debate the budget for 2003-04? How could a more formal arrangement for dialogue between the Executive and local government be established for future years?

**Alex Linkston:** The Minister for Finance and Public Services has agreed to meet local government, through COSLA, on a quarterly basis. In our submission, we advocate the establishment of a number of themed groups to discuss the pressures on individual services. We think that the Executive is making decisions in a vacuum; it does not really know what is happening. The Executive sees only its priorities; it does not see the cost pressures to which councils are subject. For example, one of the Executive's objectives is to raise educational attainment—to get more kids sitting exams. That means our paying higher fees to the Scottish Qualifications Authority, an additional cost that is not taken into account. Funding for those fees should be part and parcel of the Executive's strategy.

We seek a dialogue around the main services, so that we can indicate better the pressures to which those services are subject. Ministers would then be able to take into account what we have said when they fix their priorities. We accept that it is the Executive's role to determine priorities and we are prepared to work within that system. However, if the Executive is to make good decisions, it must be well briefed. At the moment ministers are briefed by civil servants, who do not deliver services or run detailed budgets as we do.

We are saying, let us create space on the agenda for that, so that when ministers make decisions they have a better understanding of their effects, and it is not left to us to try to balance the books through the famous efficiency savings, which have run out. I am not saying that there is no scope for technology to enable things to be done differently, but the time scales to deliver efficiencies are now longer. We are not into cutting services that our communities want and value.

**Mr Harding:** Thank you for your submission. The committee as a whole agrees with your point on transparency. In fact, we raised it last week

with the Minister for Finance and Public Services, who acknowledged that there is a problem and said that the Executive will examine the situation to see whether it can be improved.

I will ask the same question I asked CIPFA: which local authority services face the greatest spending pressures, and what scope is there for councils to reorder local priorities to deal with that?

**David Sawers:** It varies from council to council. I return to our original point: until what the Executive wants to be achieved from local government budgets is clearer, it will be difficult to say which budgets will have to be cut in order to balance the books. We advocate an approach that is in line with the Welsh approach. In Wales, outcome agreements that mix national and local priorities were agreed with individual councils. Those agreements did not employ a one-size-fits-all equation. It would be easier for the Local Government Committee to understand the different pressures on different local authorities if we moved to such a system. For instance, in my local authority in Angus, there is considerable pressure on our roads budget, which will suffer if the Executive continues to do what it is doing. However, there will be different problems in Glasgow and in West Lothian.

**Mr Harding:** So, you support the initiative in Wales, where all ring fences have been removed.

**Alex Linkston:** Yes. I add that 80 per cent of our expenditure is on education, social work, police and fire services. Those are basic core services that communities expect. The scope for us to pull out of services is marginal. If we are to school people, we must provide classrooms, teachers and so on. Most of our expenditure is demand led and is backed up by acts of Parliament that place statutory obligations on us to provide particular services. It is difficult for councils to withdraw from such services unless there is a change in the law to support such withdrawal.

**Mr Harding:** You say that there is a shortfall of £1.5 billion. If that were provided, it would represent an increase in excess of 20 per cent in the local government budget. What budgets should the Executive cut in order to give local government more?

**Alex Linkston:** We are looking for greater transparency and greater efficiency. Money is not being spent in the most efficient way because of the centre's attitude that it needs to control and decide everything. Iain Smith said that next year's settlement represents an increase of 6.6 per cent, which is good money in anybody's terms, but the Executive's priorities must be paid for out of that. I am not saying that local government does not agree with those priorities, but we have made no input to them and we have been talked down to.

The priorities involve big and small initiatives. For example, given the amount of money that has been put into education in the past few years, I would expect all my head teachers to be happy, but they complain to me about lack of resources. Why should that be? It is because they have made little input to the priorities; they are somebody in Edinburgh's priorities.

There is a lot of scope for increased efficiency. For example, the social strategy is driven by initiatives, so I asked one of my senior staff for a list of all the initiatives that we and the health service in West Lothian have in relation to the Executive's 29 social justice milestones. I was told that we need a computer database to record them all. That cannot be an efficient way to spend money. Is the issue about spending money, or about adding value? We must get back to the adding value agenda.

The issue is not about the amount of money per se, although that will always be a factor; it is more about how we can get best value—the best bang for our buck. We are heavily into community planning and a number of councils have established elaborate arrangements with their community planning partners. If things are tightly bundled up—if we are told, “This is how you will do it”—effective community planning will face another barrier. I am more than happy to sit down with our community planning partners in West Lothian and to involve the community in discussing how we use resources in the area to meet national objectives, but that approach is missing.

The Executive uses circulars to tell us things, such as that it undertakes a lot of consultations. However, it has a silo mentality. It might pull some people in for a discussion to hear their views, give the impression that it is allocating new money and then say that it has consulted. The main problem that we face is lack of a strategic joined-up approach. For the past three years, 90 per cent—or 80-odd per cent—of our additional resources have been packaged in line with someone else's menu. There is no real community involvement in that process. We should concentrate on the efficiency of spend, rather than on the amount of spend.

**James Andrews:** I hope that I understand fully the point that is being made—if my understanding is correct, I agree with it. The Scottish Parliament and the Scottish Executive have extremely difficult decisions to take and those of us in local government recognise the Executive's absolute right to determine the allocation of the block and what should be spent. However, we would like transparency and clarity at the local authority end, so that we are not asked to continue to deliver services that are not being funded.

**Mr Harding:** Thank you for those helpful

answers.

**Tricia Marwick:** I want to go back to the question of outputs—what the Executive expects from local government—and how local government achieves those outputs. I asked the witnesses from CIPFA whether they thought it would be helpful for the Executive to provide Parliament with output information for local authority services, such as the numbers of teachers, kilometres of road maintained, home helps and the like. The CIPFA witnesses suggested that a joint planning committee should be set up to consider that point. Do you favour that suggestion? Should we go down that road?

**Alex Linkston:** Yes, certainly. Clear measures should be part of the output agreements. Local government is not a black hole—we are transparent about what we spend money on and what we achieve. Audit Scotland, COSLA and SOLACE are doing joint work on developing that agenda as part of the best-value culture. We are fully signed up to that agenda and would be more than happy for the work to be accelerated.

**Tricia Marwick:** I will ask one more question about outputs and initiatives. We discussed the amount of money that is being provided for initiatives, most of which are short term and may exist only for about three years, during which money is available for them. How successful are those initiatives? Are their outputs monitored properly? Do you find it difficult to retain them within core services? Is there a problem with initiatives and how their success—or lack of success—is measured?

**Alex Linkston:** That is a big question. We need initiatives in order to experiment and to evaluate, but short-term funding streams are being used more and more to support our core services. There is a major problem if, at the end of three years, there are no resources to continue an initiative that has been built into core services. We must move away from initiatives, which should be used only for areas in which we want to experiment and conduct testing. They should not be used as a way of funding core services.

**Elaine Thomson:** It has been suggested in some submissions that there is a shortfall of about £4 billion in capital expenditure. It is proposed that a new prudential framework that will allow councils to increase their capital expenditure should be introduced in 2004-05. Will such a framework give councils the scope to increase significantly their capital expenditure? What impact might that measure have on your revenue stream?

15:15

**David Sawers:** We welcome anything that would allow us to allocate more to capital

expenditure. Although we support the prudential indicators, we emphasise that any additional flexibility to borrow must be covered by revenue support for capital charges, given the gearing effect on council tax. In other words, if we reach a situation in which the whole revenue cost falls on the council tax, that will not give us much flexibility to increase our capital expenditure. The prudential framework is welcome, but if it is not supported by additional Government grant or revenue support for capital expenditure, it will not have a significant effect in addressing our capital investment problems.

**Dr Jackson:** I want to clarify what you said about efficiency savings. Did you mean that to pursue any more efficiency savings, you would have to consider much more realistic community planning by bringing agencies together and having more control over what happened? In your submission, you mentioned that the spend-to-save type of investment was useful. Am I correct in saying that if we do not move towards those alternative methods in the present regime, not much will be left on which we can make efficiency savings or increases in fees and charges?

**Alex Linkston:** Fees and charges are always a matter of choice—choices about how much one charges for a burial or for a sports facility, for example. Those choices must be made against the background of one's overall priorities. What is politically unacceptable one day might become a good idea a couple of years later.

I do not want to give the impression that no scope exists for efficiency savings. Councils are investing heavily in such savings to keep current services afloat. My council is investing heavily in technology, which is opening up tremendous opportunities. Such efficiency savings are being ploughed in simply to maintain services—we do not have the chance to use the savings to improve services, such as schools and roads. There will always be scope for efficiency savings, but the easy opportunities are long gone. A reasonable lead period is required now to achieve most savings. We officials are always looking at how we can learn better ways of doing things.

**David Sawers:** I support what Alex Linkston said. We have been carrying out efficiency savings for five or six years. If the Executive sets unrealistic targets for efficiency savings, we have to build in cuts to core services. Setting unrealistic targets represents a stealth measure for cutting back core services. It is important to set realistic targets for efficiency savings.

**The Convener:** You said that the figure of £1.5 billion was based on the estimated cost of keeping existing services going. Does not that figure represent the estimated cost of restoring cuts in earlier years?

**David Sawers:** You can ask the COSLA spokespeople about that, but I am sure that you will find that the figure of £1.5 billion is based on the estimated cost of keeping existing services going. That estimate does not address matters such as the backlog in road maintenance.

**The Convener:** A couple of things in your submission caught my eye. On ring fencing resources, you say that the McCrone agreement has not been fully funded, but ministers would argue that it has. How do you account for that difference?

**Alex Linkston:** McCrone was quite a complicated settlement, which had many aspects. The allocation for funding the teachers' pay award was based on the number of teachers. Although the funding was sufficient for my council to meet the additional costs, it was not sufficient for councils that had more rural schools, which have a particular problem. COSLA made a submission that stated that about eight councils should get additional funding, so that they were fully funded. Probationary teachers are another issue on which we challenge the settlement.

Some aspects of funding McCrone are still to be addressed. I am not an expert on it; I am picking up comments that my colleagues in education have made. Part of the McCrone settlement was about keeping teachers in the classroom and moving to chartered teachers. However, there is no provision for training teachers to become chartered teachers. Several aspects of McCrone require to be funded and there is an on-going dialogue with the Executive. If the committee wants more detailed information on that, I will be more than happy to provide it.

**James Andrews:** As I understand it, the national calculation was based on the number of teachers, but the allocation to individual authorities was based on pupil numbers.

**The Convener:** You have mentioned ring fencing. What percentage of funds should be ring fenced? COSLA says one thing and ministers say something else. What is your position?

**Alex Linkston:** I have told them both that I think they are wrong. The percentage of funds that should be ring fenced is not the issue; rather it is the amount of additional money that is coming to local government that is being directed centrally. That figure is in excess of 80 per cent. It does not really matter whether 20 per cent or 30 per cent is ring fenced; it is additional money. Each year, we are going further down. The time will come when we will sink.

**David Sawers:** The issue of how much should be ring fenced just adds to the fog. We want to get through the fog and reach a common understanding of the figures. We ask the Local



Government Committee to take that on board. If we can get nothing else from this process, we should get greater clarity.

**The Convener:** One of the points that comes out of your submission and others is the effect that the financial settlements have had on core services. In reading the submissions, I wondered whether the Executive and groups such as COSLA and SOLACE agree on what are core services. The SOLACE submission said what it thinks core services are. Have you ever gone right back to basics with ministers by asking them what they think core services are and stating what you think they are?

**Alex Linkston:** The definition of core services is different in different council areas and at different times. For example, after the foot-and-mouth outbreak in Dumfries and Galloway, one of its core services was to restore its tourism industry, because it is a major source of employment. My area has experienced massive unemployment since we lost the Motorola factory and the NEC factory in one year. We have lost 40 per cent of our manufacturing capacity in the past two years. We want to get our economy back to where it was. Jimmy Andrews will give the committee examples from Glasgow.

Some core services—schools, roads and so on—are common to all councils. However, others reflect the times or the circumstances of an area. The Executive is not looking across local government. It has developed its set-up in silos. It is now apparent that in the previous spending review money was dished out to various spending areas and broken down under the various heads. Councils received that as if it was new money and then had to go to ministers with new spending proposals, which did not take account of the day-to-day pressures that we face.

We are cutting services. The cut in revenue budgets in real terms started in 1994-95, the year before local government reorganisation, and has happened every year since. My authority has made cuts of about £5 million a year for the past seven years. We have to date made cuts that have cropped £45 million from a budget of about £200 million. We have shifted a lot of expenditure. We have still spent more during that period, but we have had to shift considerable amounts of money about. We are now down to closing public conveniences and community centres. Communities take that very hard. They ask why they can no longer have a public convenience in their area, when they have had one for the past 30 years. National surveys are done that are tied to the health agenda and so on.

If the Executive truly wants us to move out all local services, it should say so. However, I do not think that it does, because that is not what MSPs

say to me. They ask us why we are moving services out and they tell us that we are well funded. Local government finance is very complicated and not many people understand it, but because it is so complicated, people choose not to understand it. The system is being badly abused. I feel that my council is like an elastic band that is being stretched and stretched. At some point it will break and people who need the essential services that we provide will not get them.

**The Convener:** Members agree that local government finance is complicated. I will not tell you how many years ago it happened, but I remember asking James Andrews for an idiot's guide to local government finance, although I do not know that I learned very much.

The Executive has a right to implement its manifesto. We have to agree with that. However, it seems from the information that we have received from groups such as SOLACE that after that is done we must consider how to get movement in the financial settlement to ensure that councils can deliver the services that legislation states they must provide, such as education and certain elements of social work. Thank you for coming along. You will have to respond in writing to Iain Smith's questions. We look forward to hearing from you and I am sure that we will see you again.

15:26

*Meeting suspended.*

15:37

*On resuming—*

**The Convener:** I welcome representatives of the Scottish Trades Union Congress. Grahame Smith is the deputy general secretary of the STUC and Joe Di Paola is the senior regional officer of Unison Scotland. Alex McLuckie is late, but he will be very welcome if he turns up. I have to declare that I know both the witnesses. I am having a good day today—my reputation will be ruined. I understand that Grahame Smith would like to speak for a few minutes before I open the meeting up for questions.

**Grahame Smith (Scottish Trades Union Congress):** I begin by apologising for the fact that my colleague Alex McLuckie is not here yet. We expect him to join us before too long.

I welcome the opportunity to speak to the committee about the Scottish Executive budget and its implications for local government and STUC members who work in local government. Committee members have copies of the submission that was prepared by Unison on behalf of the STUC and our local government affiliates.

Members should also have copies of a letter from me that refers to some additional points, in particular to implementation of the McCrone agreement. Ian McKay from the Educational Institute of Scotland was also supposed to join us, but unfortunately he is unable to do so and sends his apologies. If there are any questions about the McCrone settlement that Joe Di Paola and I cannot answer, we shall follow them up with the EIS and ask it to respond to you.

We have considered the bulky budget information from the Executive but, disappointingly, it is not very detailed, especially about its underlying assumptions. The Executive must consider how it presents information—especially on the detail of the budget—if people are to be able to make comprehensive responses. It would certainly be helpful for us if the documentation identified specific additional spending requirements on local government-related Scottish Executive initiatives. The documentation should make it clear whether all such initiatives are to be fully funded and where the resources will come from.

Over the past year or so, the Executive has provided for certain entitlements in a number of areas, such as nursery education and off-peak local bus travel for pensioners and people with disabilities. It is not possible to specify the precise level of demand for such entitlements, but the Executive should commit to underwrite funding for those entitlements. If that does not happen, either the entitlement will become meaningless because it is not properly funded, or cuts will have to be made in other services. That is one point of principle that we would like to be taken on board in the budget.

Our submission is set in the context of existing arrangements for local government finance, which I do not expect members will want to discuss today. After the committee's recent inquiry, I imagine that members are sick of talking about that, but our submission identifies a number of additional spending requirements on councils and some specific employment issues that councils will have to face in the coming period. Joe Di Paola and Alex McLuckie engage daily with local government workers and they have information about how current and impending financial issues are likely to impact on councils. That information might assist the committee in reaching a view on the implications for local government of the Executive's budget proposals.

**The Convener:** I shall ask the question that I have asked other witnesses. COSLA's submission says that local authority services

"should be founded on the principle of realism, not idealism."

How realistic do you think the proposals are, especially in view of the fact that the Executive has already outlined the proposed local government budget for 2003-04 in this year's annual expenditure plans? In other words, are we coming to the matter too late? Do you agree that we already know how much money there is and that how we will spend it seems to be the difficulty?

**Joe Di Paola (Unison Scotland):** We are concerned about getting involved in the issue of redistribution rather than the amount that is available. I think that that is the point that you are making, convener. If the money is already committed—and it is—there is also a commitment, not only this year, but next year, to fund such things as the pay increase for local authority staff. We have already had indications from a couple of councils that, although a 4 per cent increase will be paid in 2003-04, they will be lucky if they can get 2 per cent from the current allocation from the Executive, so there is already a shortfall.

There are issues about money that has been committed, hypothecation and the question of ring fencing. We must ask whether the amount of ring fencing in the budget sits well with the proposals in the forthcoming local government bill about councils' ability to use the power of well-being to fund services according to local democracy. I think that there are difficulties in that area.

**The Convener:** I apologise because I might have to leave before this evidence session is finished, but I would like to ask a couple of quick questions that I have picked up from your paper. On new burdens for councils, you say that new initiatives and specific programmes have been announced and that delivering those initiatives is down to local authorities, with public sector workers at the front line. Would it help if the minister made statements on funding when such initiatives are announced?

**Joe Di Paola:** Yes, that is one of the real problems. Unison represents the local authority work force, so we are fully committed to some of the Executive's excellent initiatives, but we have to know what the impact will be on councils and—consequently—on the work force. For example, the joint future agenda is massive and could affect up to 100,000 workers in local government and health, but we do not know what will be the likely impact of that agenda on local government finance.

We know from the documentation that budgets can be either pooled or aligned, but that prompts the question whether the money that is being aligned or pooled is new money or existing money. If the money is existing money, where do we get the money to train, develop and regulate the new type of work force that we are creating? That is a

core issue. When new initiatives emerge, we should know what funding and new money have been placed against them and whether authorities will be forced to find money from their existing resources.

15:45

**Grahame Smith:** That sort of information is key if organisations such as ours are to make sense of our engagement in the budget process and if we are to be able to comment on proposals. As I said, an indication of where the money to fund initiatives will come from would be most welcome.

**The Convener:** With my social work hat on, I want to pick up on your comment on sickness absence. Most councils have high percentages of absence in social work—that has been the case for a long time. Where are we at in addressing that? It is a big issue, because some people are off for a considerable time either on full pay or half pay. I do not argue about that—I am happy about that—but the level of absence is a drain on resources.

**Joe Di Paola:** The absences are a drain on resources. We raised the issue in our submission because we believe that it needs to be dealt with. In our view, the increasing work loads on staff coupled with the inability of authorities to recruit and retain staff, especially for social work, mean that we get into a vicious circle of fewer people having to do more work. That has a consequent impact on sickness levels.

**Iain Smith:** In your presentation, you mentioned that, once the new burdens are taken out of the equation, not enough money will be left to meet the expected increases and maintain the levels of service. You mentioned that something like 2 per cent might be left to fund pay increases, which are expected to be around 4 per cent. Do you have an estimate of how much the shortfall will be for local authorities in Scotland? The COSLA submission suggests a shortfall of £1.5 billion. What is required simply to maintain the existing level of services and meet the cost of the new burdens?

**Joe Di Paola:** We did not look at the global figures in that sense. I shall not name the council, but a big council in Scotland has said that it thinks that the allocation will be 2 per cent short because of its pay bill commitment. That pay bill is not an estimate, because the council is committed to paying staff 4 per cent next year as part of the four-year agreement. A big authority has told us that, as staffing accounts for about 66 to 67 per cent of its costs, there would be a problem if the allocation were 50 per cent short—that is, if it was given 2 per cent to cover 4 per cent. The authority did not know how it would fund that. However, I would not like to speculate beyond that.

**Grahame Smith:** It is difficult for us to provide the figures because, as I pointed out, the information is not available. We support the Executive's initiative of consulting on the budget—we think that that is progressive—but unless the information is available and the whole process is transparent, organisations such as ours will find it difficult to make assessments. We do not have access to the sort of information that is available to councils.

**Joe Di Paola:** However, we can provide one other example, which concerns the Sutherland report's recommendations on free personal care. One authority has said that the cost of implementation will be £450,000. To pay for that, the authority would need to increase charges for home care and community alarms or to review the services that are provided by other departments such as social work. The authority commented that free personal care is not fully costed. We all want to see free personal care, but it is another example of something that creates a difficulty for everyone if it does not have an appropriate and quantifiable cost against it.

**Mr Harding:** In your opinion, which local authority services face the greatest spending pressures?

**Joe Di Paola:** The greatest pressure will probably be on personal social services such as personal social care. There will also be pressures on the core services, even right back to refuse collection and housing services. Those services do not get any ring-fenced money.

Although the new burdens are not funded fully, they are at least being funded to an extent. Year on year, authorities need to find correspondingly more money to fund the core services, which are the big services and those most under pressure. They have taken the hits over the years and continue to take hits.

**Mr Harding:** Is there any scope for councils to reorder local priorities to deal with services that face the greatest difficulty?

**Joe Di Paola:** One of my colleagues, knowing that we were coming to the committee, sent me a note that says:

"New burdens are having to be met by efficiency savings and we are now scraping the barrel. Whilst there are no compulsory redundancies or major staffing implications"

in that council,

"you will see that services continue to be cut to fund new developments."

**Mr Harding:** According to COSLA and other organisations, there is a £1.5 billion shortfall, which is in excess of 20 per cent of the present local government settlement. What budgets should the Executive cut to give more to local councils?

**Grahame Smith:** We should not be cutting. We should think about how to fund services properly. I have been at the committee before and we have had that debate before. The debate should be about how we raise the income to fund an appropriate level of public service rather than about where we should cut to fund other priorities.

**Mr Harding:** We are talking about next year's budget. No legislation will be passed to change the situation. The Scottish Executive has the same problem as local councils: it has a fixed budget to allocate. If it is going to give more to local government, it will have to make cuts in another area. Do you have any views on which area it should make cuts in?

**Joe Di Paola:** That is a matter for the Executive, not for us.

**The Deputy Convener (Dr Sylvia Jackson):** I am aware of the agreement that was signed at the recent STUC conference. Will you say a little about how the more detailed joint planning arrangements between the STUC and the Scottish Executive ought to operate? I am thinking specifically about issues such as those that you and previous witnesses have outlined—lack of clarity, detail and outcomes.

**Grahame Smith:** One of the immediate products of the memorandum of understanding is a commitment from the Minister for Finance and Public Services to engage with the STUC and its affiliated unions on the Scottish Executive's budget. We will make the same point to him that we have made to you: if we are to have realistic and productive engagement, it must be based on full transparency and we must have access to the information that will enable us to conduct the debate seriously. There are also issues about how we take engagement beyond the Executive and become involved in discussions about budget arrangements and service planning at a local level. The engagement with the minister is a direct product of the understanding that we agreed last week.

**The Deputy Convener:** Will you also say a little about local outcome agreements, the prudential framework and whether the timetable that the Executive has set might be changed to bring those initiatives further forward?

**Joe Di Paola:** On the prudential framework, we were keen to welcome the change on capital consents, particularly the abolition of the section 94 consents. We want the prudential framework to be brought forward. However, as we have said a number of times, we want a level playing field on capital finance, particularly where capital consents or their successors are used to fund local authority building of schools or infrastructure. That does not mean a predilection for PFI or PPP. I must admit

that I am not fully familiar with the local outcome arrangements.

**The Deputy Convener:** I would like to add a point that the convener would have made had she not had to leave. What information on outputs should be made available to make the budget report more transparent? For instance, should there be information on the number of teachers employed or the number of kilometres of road that are to be maintained or laid? Would that be useful?

**Grahame Smith:** Yes, I think that it would be useful. To be honest, we have not given a lot of consideration to the kind of information that we would like to see in the budget report. We should have done so and we will do so in future. Much more information is required on the expenditure plans and on how resources are to be spent. Information on how resources are raised and allocated is important.

**Joe Di Paola:** The number of staff employed in a particular area is one consideration. Another consideration, when we are talking about the number of miles or kilometres of road that we look after, for example, is the outturn figures, which perhaps lead us into the area of performance indicators. There is nothing wrong with performance indicators as long as they are not crude and are based on agreed levels of finance. The measurement of outturns has to be fair and must take into account the amount of resources that have been provided.

**Grahame Smith:** Quality is hard to quantify but, unless the quality of outputs is measured, we are simply number crunching. We have to maintain appropriate standards for the services that local government delivers.

**The Deputy Convener:** Which takes us into the best-value agenda.

**Grahame Smith:** Absolutely.

**The Deputy Convener:** I do not know whether this is good or bad news, but after a tartan week visit with a cross-party group, I gather that the state and federal Governments have similar problems. I thank the witnesses for coming along today.

15:57

*Meeting suspended.*

16:02

*On resuming—*

**The Deputy Convener:** Our next witnesses are from the Convention of Scottish Local Authorities. Councillor Pat Watters, the president, will be the

lead speaker. Councillor John Pentland is COSLA's finance spokesperson, Norie Williamson is the director of finance and Brenda Campbell is the head of finance. I know that the witnesses have been at such meetings before. I invite Pat Watters to begin.

**Councillor Pat Watters (Convention of Scottish Local Authorities):** I will start by saying how much we appreciate the opportunity to come along to the committee today to give evidence.

The year 2003-04 is the first year of the spending review process and it is important that we start on a sound footing. Our submission is a basis for negotiations. It is not the end of negotiations; it is the starting point for them. It is not a bidding document; it is information to allow us to talk in an informed way. We did not want to state to the committee or the Executive that this was our position and we would not draw back from it. This is only a start and we hope that people will acknowledge that.

It is important to recognise that we have done a lot of work on behalf of local government. Our submission contains a number of key agreements and messages. Delivering high-quality services is a priority for local government and central Government. We are determined to drive that agenda forward. We want to ensure that we have citizen-focused services that meet the needs of local communities.

We would argue strongly that the right balance of priorities must be struck. The balance must reflect the fact that there are local priorities as well as national ones. We will have to sit down together and consider how to strike that balance.

It is also important to recognise that different communities have different priorities—priorities will not be the same in all authorities the length and breadth of Scotland. Councils are committed to improving services continuously and to finding new ways of tackling service provision. We are investigating how we could work better with partner organisations and central Government in delivering tangible improvements to services.

We intend to put in place a series of meetings with ministers between May and June in order to drive home our message on the spending review. I do not want to anticipate or undermine those discussions, but I hope that they will drive forward the evidence that we have put to the spending review.

**Councillor John Pentland (Convention of Scottish Local Authorities):** Thank you for allowing us the opportunity to give evidence. As Pat Watters said, our submission should be used as a basis for negotiation. I hope that the spending review exercise will provide a better basis for constructive dialogue with the Executive and the

Parliament. We hope to have an opportunity to sit down with the Scottish Executive and discuss and agree the priorities and their funding, rather than having a disjointed approach, which is in no one's interests. The process must recognise the importance of local priorities and flexibility in the system. Everyone agrees that one size does not fit all.

Our proposals are founded on realism rather than on idealism. That is not just a clever phrase; it is an absolute must if we are to ensure the delivery of quality services. It is important that we prepare core services using a bottom-up approach, through effective dialogue. In recent years, there has been a tendency for new initiatives to displace essential funding for core services. We need to turn that around.

The spending review should focus not only on pounds and pence, but on the delivery of quality services on the ground. Our submission tackles ring fencing and emphasises the need to move the focus to outcomes and the delivery of quality services to the public. That is what local government is about. We do not want to get tied up in the red tape of challenge funding and so on. I am here as COSLA's finance spokesperson, but I am clear that the review is not just about finance—it will have an impact on every aspect of local government and service provision.

**The Deputy Convener:** Your submission says that you would like proposals to be based on realism rather than on idealism. How far can the current proposals for the 2003-04 budget be affected?

**Councillor Pentland:** It is never early enough for COSLA to influence the process. Most of our submission is about taking a partnership approach to the way in which the spending review process should work. It is important that COSLA has an influence at an early stage. We must emphasise that core services should be funded before any new initiatives are introduced.

**Councillor Watters:** This is probably the first time that we have had the opportunity during the make-up of the spending review process to discuss with ministers what the effect on local government services will be, how we want those services to be delivered and how local government and the Executive can take that forward jointly. We have been given an opportunity to do that and we do not want to miss it. We believe that this may be a new way of structuring the process and we welcome the opportunity to be involved in it.

**The Deputy Convener:** I have a question about joint planning. Earlier SOLACE indicated that its main concern was to introduce joint planning arrangements for the final two years of the spending review—for 2004-05 and 2005-06 rather

than for 2003-04. Is that also your position?

**Councillor Watters:** As part of the previous three-year spending review, we were given indicative figures for 2003-04, so we know the position for that year. SOLACE is right—the bigger game will be the settlements in 2004-05 and 2005-06, which we believe we will be able to influence more. However, that does not stop us trying to influence how the settlement for next year is put together.

**Mr Harding:** Thank you for your very comprehensive report. What local authority services face the greatest spending pressures?

**Councillor Watters:** The pressures affect a range of services. There is great pressure on children's services, and there is pressure on services for the elderly because of the increase in the elderly population. The Executive recognises those pressures and has discussed them. However, there are pressures affecting other services. Few authorities spend less on roads than they have in their roads budget, and many of them spend a great deal more on roads than they have in their roads budget. Even then, we are unable to deal with the problems affecting pavements and roads in our communities. We need to pay considerable attention to that.

Litter is a major problem in communities and is one of the issues that people bring to our attention when we ask them about their concerns. Local authorities do not always have the ability to solve such problems. Much of the litter that we see in our communities is brought in from the trunk road network, for which we are not responsible. The standard of that service, which is delivered from somewhere else, must be improved.

**Mr Harding:** Is there scope for councils to reorder their local priorities to deal with the services that are facing difficulties?

**Councillor Watters:** That is part of the bread and butter of councils' work. Over the past 20 years, we have been required continually to refocus, reorganise and examine how we deliver services. That was one reason for us taking the opportunity to consider the cost of core services. We know that there is a shortfall and we appreciate the opportunity to examine that. At this point we do not want to anticipate a shortfall in funding. We are only at the start of the process. We hope that, by the time it ends, it will be recognised that, even if we cannot deal in one go with all the ills affecting services, we can start to bring about an improvement.

**Councillor Pentland:** Our submission emphasises the importance of costing in full core services—the traditional services that councils provide. Before new burdens are imposed or new initiatives are introduced, it is important that

consideration be given to core services—unsexy services such as street cleaning, fixing roads and ensuring that repairs are done. We must fund core services fully before developing new burdens.

**Mr Harding:** Your submission refers to a £1.5 billion shortfall, which amounts to more than 20 per cent of the existing budget. What budget do you think the Executive should cut to give more to local government?

**Councillor Pentland:** As I said in my introduction, this is not about pounds and pence. It is easy to focus on the figure of £1.5 billion, but that is part of the discussion and dialogue that we need to have with the Scottish Executive. During the committee's inquiry into local government finance, the Executive claimed that 10 per cent of funds were ring fenced, but we claimed that the figure was 30 per cent. We have probably come together on that matter. I hope that when we consider our figure and the Executive's figure, they will also come together. That is why early discussion and debate with the Executive is important.

**Mr Harding:** The witnesses from CIPFA implied that ring fencing is closer to 80 per cent because core services such as education and environmental services must be delivered. Has the Executive reacted to your submission?

16:15

**Councillor Watters:** No. We submitted the document a week ago on Friday, so we have not had a reaction yet. We are setting up a series of meetings, the first of which is a meeting of the COSLA housing executive with Iain Gray. That will take place in the next two weeks. The process has started, but we have not had an initial reaction from the Minister for Finance and Public Services, although we were pleased to hear that he welcomed our submission.

**Mr Harding:** What will COSLA do if the Executive rejects your claim that local government is substantially underfunded?

**Councillor Watters:** It would be wrong to consider what the situation might be in the future. The discussions have not started, so it would be wrong to say that they are doomed to failure. We have put in our submission and we are setting up a round of meetings. We hope that everyone will want to strive to ensure that local services are not only maintained, but improved. It is in everyone's interest to do that and it is in our interest to ensure that the improvements are made with best value. We do not want to anticipate or undermine the discussions; we must allow them to take place before we comment. If we feel that our voice has not been heard, we will take a different approach.

**Mr Harding:** That is a good approach. My question arose because last week, when we suggested to the Minister for Finance and Public Services that local government should probably receive a larger share of the cake, he pointed out that local government already receives 1.5 per cent more than it did last year.

**Iain Smith:** I realise that the witnesses' submission relates to the spending review, but the committee is charged with examining the budget for 2003-04. I want to go behind the figures and get some clarification of local government's perception of the 2003-04 budget. On the surface, the £438 million increase in aggregate external finance—which is about 6.6 per cent—seems fairly generous. However, it is accepted that a large proportion of that money is earmarked for new burdens or new initiatives such as the teachers' pay agreement. Does COSLA have an estimate of how much of that £438 million will be used to meet additional burdens and how much will be available for the normal increase in funding for local government?

**Norie Williamson (Convention of Scottish Local Authorities):** I will skirt round the issue, rather than commenting on the figures. I want to reinforce what Councillor Watters and Councillor Pentland said about the budget being the start of the process. I know that the committee's purpose is to examine the budget for 2003-04, but that is only stage 1 of the process. That is why we want to focus on the process rather than on the figures, although we could get into a debate about the adequacy of the figures.

In our submission, we tried to cost from the base up and to use that as a starting point for negotiations. As Councillor Pentland said, we do not regard our submission as our only contribution to the negotiations. Rather than commenting on figures, councils are going through their budget process. There has been a turnaround in the arrangements, which relates to 2003-04 being the last year of the present spending review process. We see the spending review process as an early stage in the Government's budgetary planning. Lessons can be learned from that process. In our submission, we tried to propose a new approach, rather than getting hung up on the figures.

**Iain Smith:** That is all very well, but unfortunately, we are stuck with the old approach. We are at stage 1 of the budget process, in line with the Parliament's rules. We are not considering the spending review per se. That would be a different exercise. I am sure that it would be interesting, but it is not the exercise that we are undertaking.

The bottom line is that I want to know how much local government needs, in addition to the amount that the budget proposes, to prevent additional

cuts next year—to have a standstill budget—taking account of the new burdens. How far short is the Executive's proposal from preventing local government from making additional cuts next year?

**Norie Williamson:** Table 2 on page 17 of our evidence details our costing submission, which is about £9.3 billion for 2003-04. That is our starting base. In some respects, we acknowledge that we have costed the local government requirement in isolation. A broader outlook is needed in the Executive's budgeting to prevent a compartmentalised approach. We must consider the whole budget provision, particularly the additional resources that have been announced for health. We consider ourselves health improvement authorities. We want to discuss local authority aspects of that.

**Iain Smith:** I do not dispute what you say. I am just trying to clarify what the figures mean. I happened to be looking at table 2 before you mentioned it. Table 2 says that local authorities need £9.32 billion and it provides the Scottish Executive's assessment of spending need. What is the source of the Scottish Executive figures?

**Norie Williamson:** Those figures were reached by using the Scottish Executive's figures from its settlement announcements as part of the spending review and adding money such as the additional resources for free personal care and the better neighbourhood services fund. The Executive has announced those figures. If they are taken as a broad comparison, table 2 shows what could be identified as a shortfall. We want to discuss with the Executive how to address that shortfall.

**Iain Smith:** The figures in the table do not reflect the expenditure that local authorities make. The shortfall is the difference between what COSLA thinks should be spent and what the Executive bases its funding on. The figures do not take account of the amount of money that local authorities actually spend and raise in council tax. Given local authorities' indicative council tax figures for 2003-04, how much of the £731 million shortfall exists at present?

**Norie Williamson:** At present, there is a shortfall of about £400 million. It could be argued that the difference between £400 million and £730 million is the figure that must be identified.

**Iain Smith:** That is helpful.

**The Deputy Convener:** I would like that to be clarified, to ensure that I have understood too. Are you saying that the shortfall of £400 million must be met to have a standstill budget that takes on the new burdens for 2003-04?

**Norie Williamson:** That is right—that includes the commitments that are being phased in during that year.

**The Deputy Convener:** In response to Iain Smith, you said that other moneys might be added to that, because of the additional health moneys.

**Norie Williamson:** Yes.

**Councillor Watters:** Improving health in Scotland is not a matter for only the national health service. Local government can play a role in that, in partnership with the health service. We should tackle at primary school level young people's fitness and their attitude to becoming involved in exercise. If we do not tackle dietary problems at as young an age as possible, and if we do not use the excellent facilities that exist in local communities, the future of Scotland's health will be a sad one. I am referring to such services as swimming pools and sports centres, which the NHS could be using in partnership with us to tackle some of its problems. That would allow us to deliver a far better service, not just now but in the future. We need to tackle such problems in the round, and not just when people get sick.

**The Deputy Convener:** I have a final question before bringing in Elaine Thomson. Would you agree that, in order to tackle the backlog of issues such as those affecting roads, we would have to extend the funding way beyond £400 million?

**Councillor Watters:** Yes.

**Elaine Thomson:** I want to ask about capital expenditure. You indicated in your written submission that you think you have a shortfall of some £4 billion. One new way of helping to finance capital ventures will be the prudential framework, which I understand is to apply from 2004-05. To what extent will that give councils the scope that they need to finance capital requirements? To what extent will it impact on your revenue budgets?

**Councillor Watters:** There are various possible answers to that. I will hand back to Norie Williamson in a second, but I will first say that some of the suggestions that we made in our submission would certainly increase the flexibility of local authorities. That will not cure the problem with capital expenditure, but will make it easier for us to deal with short-term and long-term problems that we face. It is important that we get that on the table.

We have been arguing for the abolition of section 94 consents. That will not cure the problems of capital expenditure, but it will ease the problem and will make it easier to be flexible. If we then spent as much as we thought was necessary, the burden coming on to revenue would be far too much for us. We need to get the balance right.

I will hand over to Norie Williamson, who can probably deal with the question in a bit more detail.

**Norie Williamson:** If I have picked up your question correctly, Elaine, you indicated that the prudential framework will provide additional finance. The framework itself does not provide finance; it provides a different way in which to finance capital expenditure. It would impact considerably on revenue budgets if we were even to try and address the £4 billion shortfall.

As Councillor Watters indicated, the prudential framework gives councils the flexibility to consider maintaining their asset infrastructure and to take forward a modernising agenda. More important, it provides flexibility with spend-to-save initiatives, through which one-off capital investments might result in efficiency savings on the revenue side in later years.

I would emphasise that local authorities are committed to the golden rule that the Chancellor of the Exchequer set out when the Labour Government came into power, which related to a commitment to capital investment. It is not being suggested that if that freedom was given to councils capital investment would somehow reduce. It comes back to the partnership discussions that need to take place between central and local government.

**The Deputy Convener:** I wish to ask two further questions. First, how far do you think we can go in terms of efficiency savings and of increasing fees and charges to get more income? Secondly, would it be helpful, particularly for the committee, if the Executive were to provide the Parliament with more output information, for example on the number of teachers and of home helps, so that we could ascertain whether improvements were happening on an annual basis?

**Councillor Watters:** Your first question related to efficiency savings. I was first elected to council as a boy, in 1982, and I have been carrying out efficiency savings ever since. Some of them have been stringent and hurtful. At times, we called them cuts—we were cutting services. Under best-value reviews and over the past three or four years, local authorities have made tremendous strides to change how they deliver services and to consider how they manage services.

That will continue. However, we are not looking into a bottomless pit. Eventually, we must get to the situation where we do not need to make efficiency savings. Then there will have to be real cuts in services. That could be damaging to local communities, many of which depend heavily on the services that we provide. We have to decide how much we can truly save by making efficiency savings.

16:30

Part of that is how we deal with our partner



organisations. Community planning will come into play more and more. In my community, the situation is ideal for a public sector campus. We know that the health sector is going to have to spend money on providing a new surgery and health centre in that area. We are having to provide office space in exactly the same area. Why do we not consider doing that together? The post office is right across the road and it is taking up a space.

We need to develop new and better ways of working and perhaps to provide a one-stop shop for public services in communities. That may take the issue beyond where we are at the moment, but we certainly need to reconsider. We need to reach a point where we stop talking about efficiency savings and consider new ways of working and delivering services.

**Councillor Pentland:** I have a point about fees and charges. Since reorganisation, councils have been considering carefully fees and charges. There is a feeling that the capacity to increase significantly fees and charges is limited. Although councils are following quite closely the Accounts Commission for Scotland guidance "The Challenge of Charging" and have put in place strategic methods of considering setting fees and charges, there is a limit to how far they can go. There are economic and supply-and-demand buffers and that starts to impinge seriously on the social inclusion agenda.

My second point is about improvements in output information. We welcome the five more focused priorities that the Executive has identified. We want more focused indicators to underpin that. Although local outcome agreements and the focus on outcomes rather than inputs is the way forward, that needs to be more strategically based and give councils more flexibility. We have to demonstrate that we are delivering on priorities, so those priorities need to be more focused and strategic.

**The Deputy Convener:** There do not seem to be any further questions. Thank you for coming along and spending time with the committee.

I now close the public part of the meeting.

16:33

*Meeting continued in private until 16:37.*



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