

MEETING OF THE PARLIAMENT

Wednesday 22 November 2000
(*Afternoon*)

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Scottish Parliament

Wednesday 22 November 2000

(Afternoon)

[THE PRESIDING OFFICER *opened the meeting at 14:30*]

Time for Reflection

The Presiding Officer (Sir David Steel): Our time for reflection leader today is Mrs Maryanne Ure, the national secretary of the Scottish Catholic Justice and Peace Commission.

Mrs Maryanne Ure (National Secretary, Scottish Catholic Justice and Peace Commission): Tomorrow in the United States of America, millions of families and friends will gather together to celebrate thanksgiving. The first pilgrims gave thanks to God for their survival after their first and quite devastating year in the new world, that survival being due, in no small measure, to the generosity of local native American tribes. Four hundred years later, rich and poor, black and white, people of all faiths and none—indeed all Americans—will give thanks in some way for what they have been given during the past year. Those who have very little and those who have nothing will come together in soup kitchens to celebrate each other and enjoy a meal of turkey and pumpkin pie. Thanksgiving is, without doubt, the most widely celebrated feast in the USA. So perhaps this afternoon, all of us might reflect on what we have to be thankful for as we near the end of this millennium year.

First, let us give thanks for this glorious country, for its green and fertile land, its magnificent hills, its clean air and seas. May we intensify our efforts to preserve Scotland's natural resources, and to care for her animal and plant life and her rivers and streams, so that we may hand them on in all their glory to our children and grandchildren.

Let us give thanks for the diversity of our nation, for the variety and richness of races and cultures that strengthen and enrich our country. Let us promise ourselves that we will work ever more closely together to end prejudice, arrogance and pride, and increase a spirit of sympathy, understanding, tolerance and good will for all our people.

Let us give thanks for the harvest, for the food that fills and sustains us, but let us never be satisfied until all our brothers and sisters in Scotland and throughout the world are filled with good things and free from hunger and thirst.

Let us give thanks for our freedom from fear of oppression, violence, war, hatred and exclusion. Let us not forget those who do live in fear, and who are caught up in the violence of poverty, of physical, emotional and sexual abuse, and of hopelessness. Let us welcome and support asylum seekers, who are often terrified of being returned to an uncertain and perhaps terrible future in the countries from which they have escaped.

Gathered today in this hallowed place—law makers and decision takers, who have been elected to power and authority—we give thanks for all that our Creator has bestowed on us in love. Let us resolve to put all our energies into transforming our society and our world into one that recognises the dignity and respect that are due to all of us as children of an all-loving God.

May we who live gently and securely not adhere to a God of the status quo, a God of the comfortable. May we instead strive with compassion and understanding to reflect in our lives a challenging God to bring about a truly just and peaceful world for all our sisters and brothers, not just for us privileged few.

Parliamentary Bureau Motions

14:34

The Presiding Officer (Sir David Steel): Our next item of business is consideration of three Parliamentary Bureau motions. I will put the question on each motion after it is moved. I call Tavish Scott to move the first motion, S1M-1381, on the suspension of standing orders.

Motion moved,

That the Parliament agrees that Rule 5.6.1(c) of the Standing Orders be suspended for the duration of the Meeting of the Parliament on Thursday 23 November 2000.—[*Tavish Scott.*]

The Presiding Officer: The question is, that motion S1M-1381, in the name of Tom McCabe, be agreed to.

Motion agreed to.

The Presiding Officer: The second motion is S1M-1380, on the change of decision time.

Motion moved,

That the Parliament agrees under Rule 11.2.4 of the Standing Orders that Decision Time on Thursday 23 November 2000 shall begin at 3.30 pm.—[*Tavish Scott.*]

The Presiding Officer: The question is, that motion S1M-1380, in the name of Tom McCabe, be agreed to.

Motion agreed to.

The Presiding Officer: The third motion is S1M-1379, in the name of Tom McCabe, on the Parliamentary Bureau business programme.

The Deputy Minister for Parliament (Tavish Scott): It is important to note that the Conservatives have yet to intimate their business for next Thursday. It would help if the bureau could hear of that business by close of play tonight, because that would allow it to be published in tomorrow's business bulletin.

I move,

That the Parliament agrees

(a) the following revision to the Business Motion on 16 November 2000:

Thursday 23 November 2000

after Stage 1 Debate on the Salmon Conservation (Scotland) Bill, delete all for that day and insert:

followed by Financial Resolution in respect of the Salmon Conservation (Scotland) Bill

followed by Parliamentary Bureau Motions

followed by Members' Business - debate on the subject of S1M-1218 Margaret Jamieson: Tinnitus

2.30 pm

Question Time

3.10 pm

First Minister's Question Time

3.30 pm

Decision Time

(b) the following programme of business:

Wednesday 29 November 2000

2.30 pm

Time for Reflection

followed by

Oath Taking

followed by

Ministerial Statement

followed by

Executive Debate on Domestic Abuse

followed by

Parliamentary Bureau Motions

5.00 pm

Decision Time

followed by

Members' Business - debate on the subject of S1M-1189 Mr Adam Ingram: Mental Health Carers

Thursday 30 November 2000

9.30 am

Scottish Conservative and Unionist Party Business

followed by

Business Motion

2.30 pm

Question Time

3.10 pm

First Minister's Question Time

3.30 pm

Executive Debate on the Framework for Economic Development in Scotland

followed by

Parliamentary Bureau Motions

5.00 pm

Decision Time

followed by

Members' Business - debate on the subject of S1M-1347 Mr Mike Rumbles: Access to NHS Dental Services in Grampian

Wednesday 6 December 2000

2.30 pm

Time for Reflection

followed by

Ministerial Statement

followed by

Stage 3 Debate on the Abolition of POUNDINGS and Warrant Sales Bill

followed by

Parliamentary Bureau Motions

5.00 pm

Decision Time

followed by

Members' Business - debate on the subject of S1M-1286 Tommy Sheridan: Glasgow Light Rail Scheme

Thursday 7 December 2000

9.30 am

Ministerial Statement

followed by

Executive Debate on Sea Fisheries

followed by

Business Motion

2.30 pm

Question Time

3.10 pm

First Minister's Question Time

3.30 pm

Executive Debate on Development of a National Alcohol Misuse Strategy

followed by

Parliamentary Bureau Motions

5.00 pm Decision Time
followed by Members' Business

and, (c) that the Equal Opportunities Committee reports to the Justice and Home Affairs Committee by 11 December 2000 on the Advice and Assistance (Assistance by Way of Representation) (Scotland) Amendment Regulations 2001 (SSI 2001/draft).

The Presiding Officer: I endorse Tavish Scott's comment, as I am sure all members do.

The question is, that motion S1M-1379, in the name of Tom McCabe, be agreed to.

Motion agreed to.

Local Government Finance

The Presiding Officer (Sir David Steel): The main business today is a debate on motion S1M-1373, on renewing local government finance, and two amendments to that motion.

14:36

The Minister for Finance and Local Government (Angus MacKay): The Executive is committed to working in partnership with local government, to renewing local democracy and to improving services to the people of Scotland. This morning, I announced the Executive's plans to give councils a power of community initiative and to support community planning. During this afternoon's debate, I will describe the most radical reform of the local government finance system for 20 years.

The spending review announcement in September provided for a further £1.2 billion increase in support to local government in the next three years. That will support record levels of spending on key services and will offer the potential for sustained improvements across the full range of local authority responsibilities.

Devolution has given us the opportunity to reconsider how we fund local government and to consider new ways of supporting and working with local authorities to deliver people's priorities for modern and effective local services. I am pleased to reaffirm that we have agreed with the Convention of Scottish Local Authorities a historic renewal of the system of local financial partnership between central and local government. We will put in place a modern framework for supporting local government, and we will move away from the annual arguments about funding. Instead, we will focus on how local authorities can plan better the way in which they use their resources.

The spending review process allows us to consider our spending priorities and how best to deliver our policy commitments over a full three-year period. Local government should have the same certainty in planning its expenditure. Next month, we will announce the first ever firm revenue and capital grant allocations for each local authority, for the next three years. We will have the flexibility to increase allocations when new burdens or policy commitments arise.

Phil Gallie (South of Scotland) (Con): What representations has the minister received from South Ayrshire Council on services for the elderly, which the council has been obliged to cut this year? It says that it is keen to restore those services, but that depends on the minister's generosity.

Angus MacKay: Local authority budget decisions are a matter for local authorities, not for ministers in the Scottish Executive. Once the announcement is made, it is for the local authority to decide how to cut its cloth. I have met representatives from South Ayrshire and discussed a range of concerns with them. I made it clear that the new financial regime that we are putting in place will provide flexibility and stability over a three-year period, in the context of which the reshaping and improvement of services should be far easier to plan and execute.

In addition, the allocations that we will announce in December will ensure not only that the financial framework will be stable but that it will be considerably more generous in real terms than in past years. South Ayrshire, as well as other Scottish local authorities, should be looking forward to making difficult decisions not about budget cutbacks but about how and where to spend the extra money that the Executive is putting in place.

As I have just said, we will have the flexibility to increase allocations when new burdens or policy commitments arise. However, councils will have the confidence to plan their budgets, knowing that their grant allocations will not be subject to the current annual fluctuations. That is a key point for South Ayrshire Council and for other councils.

Our citizens, who depend on local services, expect to benefit from the substantial additional resources that we are providing through the spending review. We want to get away from the annual round of winners and losers to ensure that all councils receive a real-terms increase in grant over each of the next three years. In order to ensure that no local authority is left behind, we will introduce a floor, to provide all councils with a guaranteed minimum increase in grant.

Of course, Scottish Executive grant is only part of the income available to local government.

Mr David Davidson (North-East Scotland) (Con): The minister referred to a basic move forward—an increment—but what about councils that start from a particularly low base? Will an allowance be made for that?

Angus MacKay: I am not sure that I fully understand the member's question. However, the floor to which I alluded will guarantee that each council will have a minimum real-terms increase in its budget for each of the next three years. That should give some comfort.

Mr Davidson: I will clarify my question.

It is fine that there is an increase, but if councils start from a low base, will that minimum increase bring them into line with other councils?

Angus MacKay: It is a question of where the individual increases will move the individual councils from their starting positions. The critical point is that councils will receive a real-terms increase on their current grant funding, which represents additional money that they can use to expand existing services or develop new services. Local authorities will receive real-terms increases in both capital and revenue grant.

As I was saying, Scottish Executive grant is only part of the income that is available to local government. When councils plan their budgets, they must also consider the income that is available to them from local taxpayers. In the past, councils argued that they faced too many uncertainties to be able to project council tax income forward, with the major uncertainty being the level of Government grant that they would receive. We have removed that uncertainty with this move forward. On the basis of a stable funding settlement over three years, next year local authorities will publish specific council tax levels for the following three years. That will provide local electors with a clear indication of their council's budget plans and their council tax commitments over the next three years. Therefore, citizens will be able to hold their councils to account on those plans and on any substantial changes to them during the three-year period.

The distribution of grant among authorities has been a central and thorny issue over recent years. That was particularly true in the years when the aggregate level of resources was static or falling. The only option open to authorities wishing to improve their financial position was to argue for a greater share of the cake. However, that could not work to the benefit of all and the competition between councils for a bigger share was both damaging and destructive.

We have transformed the financial environment of councils. The spending review increases mean that by 2003-04 there will have been five consecutive years of real-terms growth in support for councils, and the three-year settlement will mean the end of worrying distribution reviews within that period.

Those two factors—the spending review increases and the stability produced by the three-year settlement—will be the most important influences on the allocations that we will announce for each council in December. We are underpinning the position of each council further with a floor under the grant increases, which I mentioned earlier.

The distribution arrangements for the three years will take account of the various reviews that have been undertaken jointly this year and will consolidate the sophisticated work that has been undertaken over the years based on councils'

need to spend.

We will ensure that councils that need to provide additional services for growing populations will have the resources to do so. The floor will ensure that councils with declining populations will not suffer decreases in grant. All councils will receive real-terms increases in grant over the three-year period.

Local authority expenditure and borrowing count towards total public expenditure. However, three-year council tax figures will allow the Executive to consider the implications of local authorities' spending plans for public expenditure and the assigned budget over the full spending review period. We have therefore reviewed the requirement for specific controls on local authority spending. After this year, we propose that no explicit expenditure guidelines should be issued for council spending. Local authorities will have the flexibility to set the spending and council tax levels that they consider appropriate to their local circumstances and which their local electors are willing to support.

Bruce Crawford (Mid Scotland and Fife) (SNP): What does the minister think will happen in regard to percentage increases in council tax? Is there a rule of thumb or average that he would use to say that a council should not raise its council tax by a given percentage?

Angus MacKay: I note that the member is not making a value judgment as to whether it would be a good or a bad thing to give such rule-of-thumb guidance to individual local authorities. However, although he is not making a value judgment, he is implying that such guidance is a prerequisite of budget setting for the years ahead. If that is what he is implying—although I see him shaking his head—he is essentially asking me to reinvent guidelines by the back door, having abolished guidelines precisely so that we could give flexibility to local authorities. We certainly do not want to reintroduce such a rule of thumb at this stage.

For councils that have exceeded their guidelines in the current year, we will not hold them to their previous commitments to return to agreed spending limits. However, we will expect all councils to continue to show restraint in their council tax and budget decisions. Very much as a reserve, we will retain the power to cap councils, or to reimpose expenditure guidelines, where we think that councils' proposals are excessive. I hope that, in our new partnership with local government, which I was discussing this morning with the community leadership forum of COSLA, those powers will not be needed.

Alasdair Morgan (Galloway and Upper Nithsdale) (SNP): Can the minister define "excessive"?

Angus MacKay: That is a question which has been posed to me by at least three representatives of local authorities in the past two or three days. The point that I have made in response is that, if local government wants to be genuinely accountable to its electorate, wants to be flexible and wants to be genuinely local government, it must be allowed to define its own level. It must be allowed to define its own expenditure level and its own council tax level. If I attempted to define "excessive" or if I attempted to set a guideline or rule of thumb as to what would be an appropriate percentage increase or decrease in council tax or in expenditure, I would be going back to guidelines. That is against the whole notion of local accountability and democracy and is something that I want to avoid.

The important debate is not the debate that has taken place during the past 20 years between local authorities and central Government, but the live debate between local authorities and their local electorates about appropriate levels of council tax and services. I hope that these measures will not only allow that debate to take place, but will encourage genuinely different political approaches in local authority areas. There must be a real debate about the political differences between the various parties that are seeking to run Scotland's local authorities, and about their approach to service delivery.

Alasdair Morgan: Will the minister give way?

Angus MacKay: I would like to make progress with my speech. I might give way later.

In the longer term, we need to find better ways of linking our policy commitments to the delivery of specific outcomes at local level. We have been discussing with local authorities the potential for introducing local outcome agreements. Those discussions suggest that there is merit in exploring that issue further. We therefore propose to establish by April next year a number of pilots to develop and test outcome agreements.

Satisfactory outcome agreements would allow the scope to reduce reporting requirements and the need for ring fencing or hypothecation of resources, although that accounts for a very small proportion of total grant support to local government. Outcome agreements can reflect the partnership approach that we are seeking to develop with local government, and can move us to a position in which we can end ring fencing. Although, as I said, ring fencing applies to only a small proportion of local government finance, it provides a disproportionate level of grief to local authorities and to the Executive.

The renewal of local government is just part of our broader ambition to provide modern government.

Dr Richard Simpson (Ochil) (Lab): I have a question about hypothecation or ring fencing. Local outcome agreements are a welcome step. However, at a meeting of the Finance Committee, I asked Councillor Murray what would happen if a local authority did not move on a trend basis over three years towards the objectives that had been set jointly with COSLA or that the Executive wished to see met. Will the minister address that issue?

Angus MacKay: That will form part of the discussions that we intend to have with COSLA about the nature of the pilots for outcome agreements. However, it is not difficult to envisage a hypothetical agreement that included a sliding scale in relation to the flexibility attached to ring fencing or hypothecation, depending on the movement towards or the achievement of specific outcomes.

This morning I announced our plans for a power of community initiative and for community planning. A power of community initiative will give councils more scope to engage in activities that can deliver better services for their communities, more quickly and in more innovative ways. It will encourage them to think about what they can do for their communities, rather than what they cannot do. In that way, it will help authorities to be responsive to their partners and to develop cross-cutting approaches to service delivery. We also intend to introduce a statutory underpinning for community planning, which will help each council and its local partners to develop and deliver a shared vision for their community.

Far from undermining local government, the development of the Scottish Parliament has given us the opportunity to review and strengthen the contribution made by local authorities. The spending review announcement provided local government with substantial additional resources—a 10.5 per cent increase in real terms in councils' funding over the next three years. The proposals that I have set out today will give councils the certainty and flexibility that they need to use those resources to deliver real improvements across the range of their responsibilities.

I am delighted that, after 20 years of neglect and failure, this Labour-led partnership for Scotland is delivering real change and qualitative improvement for local government.

I move,

That the Parliament welcomes the improvements in the local government finance system proposed by the Executive and agrees that this will provide greater stability and improve accountability and will contribute to the Executive's aims of revitalising government and ensuring better local services and tax stability for the citizens of Scotland.

The Presiding Officer: I thank the minister for taking less than his allotted time. I call Kenneth Gibson to speak to and move his amendment.

14:52

Mr Kenneth Gibson (Glasgow) (SNP): I welcome this debate and the many positive comments that the minister has made, for example on the community planning initiative and the power of community initiative. We have long supported a power of community initiative, and we welcomed it when it was mentioned in the McIntosh report and when some months ago Wendy Alexander brought it before Parliament.

As members will see from my amendment, this afternoon the Scottish National Party is not opposing the coalition. Like all parties represented in the chamber, we see the benefits for planning and accountability of what the minister has outlined. Later in my speech I will seek a number of assurances from the minister on the specifics of his proposals, but for the moment I would like to concentrate on the amendment.

Although it is supportive of the coalition's position, our amendment raises the issue that Mr MacKay and his predecessor have been anxious to avoid—a comprehensive and independent review of local government finance.

Angus MacKay: Far from being anxious to avoid that issue, when I was asked about it at my first appearance before the Local Government Committee, I responded that at that time the Executive was working on a range of reforms to local government finance, some of which we have now announced and some of which are still to be brought forward. I thought that there would be merit in waiting until late December or early January, when we will have an opportunity to take stock of the new terrain of local government finance, before deciding whether a review is necessary. I think I told the committee that I would not set my face against such a review at this stage.

Mr Gibson: I thank the minister for indicating that he is giving positive consideration to the sort of review that we are suggesting. He will be aware that not only the four Opposition members of the Local Government Committee, but the seven members from the coalition parties, along with the Convention of Scottish Local Authorities, the Society of Local Authority Chief Executives and General Managers, Unison and others, all support such a review. I hope that he will progress that as soon as possible. Our amendment is designed to gee up the process somewhat.

Our amendment welcomes the inquiry that the Local Government Committee has started. I hope that the Parliament, by supporting our

amendment, will give credit to the Local Government Committee where it is due—for making progress on this issue while acknowledging the sensible and progressive measures that the Executive has introduced, such as three-year budgeting, which the SNP has long supported.

It is important to acknowledge that the central issue in Scottish local government remains outstanding. The minister's predecessor set his face against the tide of local government opinion in this matter. I am glad that Mr MacKay has shown himself to be his own man on the issue. I hope that he will emphasise that by accepting our amendment. That would send the clearest possible signal that the Scottish Government is prepared to be flexible in this regard. At the least, we would be telling the Local Government Committee that its work will be listened to and acted upon when and where appropriate.

I hope that we will achieve some consensus today. We believe that our amendment is sympathetic and offers an opportunity to the coalition parties to correct the errors of the previous regime.

I will now discuss the substance of the matter that is before us today. The announcement made at COSLA and confirmed by the minister covered four key matters: introduction of three-year revenue budgeting, three-year council tax figures, a simplified distribution formula and the relaxation of expenditure guidelines.

On the three-year revenue settlements, I understand from what the minister has said that in December he will announce a grant allocation for each local authority for each of the next three years. That is welcome. I will ask several questions, which I hope he can answer in summing up. Will the minister clarify what contingency planning there will be in the settlement? I am thinking of eventualities that cannot reasonably be foreseen by the Government, COSLA, or the authorities concerned. They include not only natural disasters, such as floods, for which there is a mechanism, but events such as rapid rises in interest rates or inflation. It might be reasonable to expect everyone to stick to a three-year deal on funding in a stable economic climate but, in the event of economic instability, what provision is there to react to changing circumstances?

Will the minister clarify what plans there are to pay for new burdens that are announced within the three-year period? What happens to an authority's settlement when Her Majesty's Government, or the Executive, place on councils additional burdens that were not taken into account when the budget was set? There will always be a dispute about what has and has not been provided for

when the settlement is struck. I am specifically talking about measures that are introduced after the settlement: new burdens that were not accounted for previously. What guidance will the minister issue on that matter? What measures will he put in place to control ministerial colleagues who may wish to impose new responsibilities and burdens on our councils?

Will the minister clarify what flexibility there is in the settlement? I will give an example. I understand that there will be provisions in the new housing bill for local authorities to increase the level and quality of support and housing advice that they give to homeless people, which is in line with the recommendations of the homelessness task force. The SNP supports that welcome move. In its response to the housing bill consultation document, COSLA estimated that considerable costs are associated with those new duties. I understand that there is a commitment that the Government will meet those new costs. Given that those are new statutory responsibilities that local government will be required to carry out, what happens if the cost of providing those services is far greater than the resources that are provided to do so?

If both the Executive and the councils acknowledge that the new burden will outstrip allocated resources, what provisions are there to amend the moneys given to local authorities to take that into account? What flexibility will be incorporated into the new system where a case can be made for it?

Will the minister detail what discussions have taken place with COSLA to ensure that the new-found stability that is offered to local authorities through three-year funding is passed on to the organisations that local authorities fund? I am sure that the chamber will agree that if three-year funding gives planning stability to local authorities it only makes sense for that stability to be passed on to the thousands of voluntary organisations across Scotland that are dependent on local authorities for their funding.

The minister has again produced a sensible solution in respect of settling council tax over three years. It is a reasonable quid pro quo to say that stability that is given to authorities should be passed on to their council tax payers. People will appreciate knowing what their council tax will be over three years. My one concern is that outgoing administrations will try to tie the hands of incoming administrations with regard to council tax levels.

It is important to emphasise that the levels of council tax are indicative. The exercise that starts next year will cover the period to the end of the financial year 2003-04. There will be local authority elections at the end of the first year of the new arrangement. We must emphasise that the

decision to stick to the council tax level indicated for year three is a political one on which parties fighting local authority elections have a right to seek a mandate from the people.

It would be unfortunate if the message that went out was that the level of council tax was a fait accompli, as council tax levels and spending had already been fixed. It is important for the electorate to understand that politicians who are seeking their votes at election time have it within their power to raise the level of council tax to pay for additional services or to lower it to relieve the burden of taxation if they so wish.

I understand that the current method of calculating distribution will be used for the next financial year and that the new distribution formula will be introduced for the following two years, but that to set a three-year budget and to iron out any differences that are thrown up by the change in formula, the grant that local authorities are to receive will be guaranteed. Any changes in the formula will also be self-financing. The minister may correct me if I am wrong, but I take that to mean that increases in funding as a result of changes in the distribution formula will be balanced by decreases in other council departments. If a local authority's grant is guaranteed, any increases in funding will come from within that local authority's budget. For example, an increase in Glasgow City Council's schools allocation might come from a relative decrease in its roads budget.

It is not clear how the minister intends to square the circle of guaranteeing a local authority's grant while changing the distribution formula on which that grant is based. Clarification of that would be appreciated. Equally, clarification is required of the precise way in which the Executive intends to operate capping according to the criteria under which capping will be imposed. From his response to Alasdair Morgan, I understand that the minister takes the view that local authorities should decide that themselves. I do not know whether he meant that it would be up to a local authority to decide whether it should be capped. I hope that the minister will return to that in his summing up.

I welcome the relaxation in spending limits, but the minister seems to be saying that the Executive will not cap unless it is forced to do so by a local authority. The Parliament must be told, in greater detail than it has been given so far, what the definition of unreasonableness is. In what scenario does the minister envisage the Government stepping in? That is of interest to councils throughout Scotland, from Aberdeenshire and Angus to East Dunbartonshire. Will the minister allow council tax levels in those authorities to rise to the levels in their urban neighbour authorities in Glasgow, Dundee and Aberdeen?

Will the minister allow councils that were punished for their prudence under the last settlement to set budgets that reflect the wishes and aspirations of their electorates, as he hinted in his opening speech? It is not clear whether councils will be judged on their merits. I suspect that, faced with the political need to keep council tax levels down in the Labour-controlled authorities in Glasgow, Aberdeen and Dundee, he will end up restoring a crude national council tax ceiling that will punish councils that have been prudent in their past budgeting and which can sustain future rises in council tax if that is what their electorates support. Will councils enjoy flexibility on that issue, or will subsidiarity remain a chimera?

I seek an assurance from the minister that national capping has definitely gone from the political agenda. The need for the Labour Government to protect the public from Labour local government still exists, but capping is not the way to do that: reform of the electoral system is. Proportional representation would guarantee fair electoral outcomes and would end the need for central Government to play Big Brother by imposing capping.

The other reason for capping is council tax benefit. As the minister is aware, under the Scotland Act 1998, rises in council tax that are above the UK average will result in a reduction in the amount of council tax benefit that is paid by the Department of Social Security, leaving any gaps in funding to be filled by money from the Scottish block. The minister may want to explain that to the chamber today, although I suspect that it will not be part of his summing up. He may want to tell us what the consequences of such an eventuality would be for the Scottish block and what discussions have taken place with his counterparts at Westminster. I await his response with interest.

Much of what the minister has said today relates to revenue. Capital allocation is also important, and I note that the minister is actively considering abolishing section 94 control arrangements, possibly to replace them with a self-regulating, prudential safeguards regime. That would be welcomed. Under the principle of subsidiarity, we must trust our local authorities to determine their own capital spending needs and allow them to borrow to support those needs according to a standard set of indicators that are subject to audit and public scrutiny. Both COSLA and the Scottish Executive development department's local government group are keen for progress to be made on that this year, so I trust that the Executive will bring the issue to the Parliament at the earliest possible opportunity.

This debate has been positive and I welcome

much of what the minister has said. I hope that he will welcome the SNP amendment that is in my name.

I move amendment S1M-1373.1, to leave out from "and will contribute" to end and insert:

"and believes that an independent and comprehensive review is essential to the renewal of local government finance and further welcomes the inquiry currently being conducted by the Local Government Committee."

The Presiding Officer: I thank Mr Gibson for finishing within the time limit.

15:05

Mr Keith Harding (Mid Scotland and Fife) (Con): I am intrigued, as always, by the Executive's choice of topic for debate and by the length of the debate. The motion says very little and consists of the Executive welcoming its own decision to move to three-year budgeting. It is not even as if we have had a major ministerial announcement, given that the recent discussions with COSLA have been widely publicised. Why, therefore, are we having a two-and-a-half-hour debate? Despite my concern about some aspects of three-year budgeting as proposed by the Executive, I do not see how we will fill the time. Even the minister and Mr Gibson did not use their allotted time. The only logical conclusion is that the Executive wants to have a much wider debate on council finance, but is reluctant to say so.

Trish Godman (West Renfrewshire) (Lab): Is the member honestly saying that he does not think that it is important to discuss local government finance?

Mr Harding: It is important, but I think that we should have a much wider debate, which is what I propose to do. The Executive congratulating itself for two and a half hours is not sufficient.

Let me start by considering the Executive's three-year budget proposals. The Scottish Conservatives broadly welcome the concept of three-year budgeting, but I am concerned that there may be a number of flaws in the scheme that the minister proposes to introduce. I raise these in a constructive manner, so that we may clarify the minister's intentions and, perhaps, improve the proposals.

First, while I understand that the new distribution formula is supposed to be simpler, I am concerned that it may lead to inconsistencies and unfairness. The only reason the previous system was so complicated was to ensure that needs were properly assessed and addressed. I am all for simplification, but the real test will be in the detail that the minister publishes and in the final settlement, when it is announced. I will reserve judgment on whether the new system is better

until we see the figures.

My second concern is that three-year budgets will remove much needed flexibility for councils to deal with changing circumstances, some of which Mr Gibson mentioned. For instance, how will a council resolve the problem of interest rate changes increasing its debt repayments? How will it fund the need to deal with unforeseen emergencies, such as flooding? What happens when inflation is not what the Government predicts? Perhaps most important, how does the Executive intend to deal with new burdens in a three-year budget period? After all, any council leader in Scotland will say that new burdens have been consistently underfunded since Labour came to power. This year, Scotland's councils must fund pay and price increases. This is the third year in a row that that has happened under Labour.

Iain Smith (North-East Fife) (LD): Will the member give way?

Mr Harding: COSLA estimates that pay increases alone amount to £100 million a year. [MEMBERS: "Give way."] No, thank you.

The result of the failure to recognise the nationally agreed pay rises, including those for teachers, in which the Government has a hand, has meant job losses and service reductions. Labour is not funding councils' needs and council taxes have risen. The average band D council tax has risen 25 per cent in cash terms since Labour came to power. Central Government support for local authorities dropped from 40 per cent of the Scottish block in 1997 to 36 per cent today. In 2000-01, council tax has increased by up to 10 per cent, while inflation runs at 2.5 per cent. Labour's local government settlements for Scotland are another example of Labour's broken promise not to increase the tax burden and are a stealth tax on hard-working families.

My third concern is that the system that the minister proposes takes no account of future changes of Administration. How does the Executive intend to deal with a new council Administration that wants to spend much more or much less than its predecessor? How will it deal with an Administration that has entirely different spending priorities from its predecessor or from the Executive? Much more detail is needed of how transition can be achieved over an election period if the minister wants Scottish Conservative support for the system that he proposes.

All those issues are minor problems, which can be resolved in the implementation if the minister takes heed of our views when he addresses the fine print, but one huge problem remains. The new system does not resolve the problem of central Government control of spending priorities and it does nothing to increase accountability to the local

electorate. While Labour's expenditure guidelines are to be removed, the lack of accountability is amply demonstrated by the fact that council tax capping remains as an ultimate deterrent to disobeying the will of the Executive. Each year, under Labour, the local government financial settlement has concentrated spending in particular priority areas, which has led to service reductions and council tax rises.

Nationally, Labour is keen to force its priorities through for dogmatic and electoral reasons. In doing so, it attacks local democracy by stifling councils' ability to provide services and to spend in line with local priorities and the manifesto of the councils' ruling groups. Labour's election pledges concentrate council funding on four priority services, which means that less is available for services such as road repairs, recreation and cleansing. Labour and its Liberal Democrat allies are directing local spending by setting priorities in the grant settlement and by issuing funds that are available only by following central Government priorities, such as the excellence fund for schools.

We welcome the removal of guidelines. While I do not agree with Norman Murray, the president of the Convention of Scottish Local Authorities, that people want tax increases, I agree that that is a matter for local people to decide through the ballot box.

Mr Frank McAveety (Glasgow Shettleston) (Lab): I thank Mr Harding for a year-zero speech that denies the Tory party's past. I ask him to address the fact that three-year flexibility allows for a negotiation between the Executive and councils on broad priorities to make a difference. That is in marked contrast to the experience that local government had under the 18 years of Conservative rule.

Mr Harding: That might be Frank McAveety's interpretation, but the proof will be in the pudding. We will see what the situation is like when we get the financial details.

Dr Simpson: What is Mr Harding's interpretation?

Mr Harding: It is time the Labour party accepted that, now it has been in power for four years, it should stop blaming the Conservatives. The Labour party has spent a long time pointing out where we went wrong; I am pointing out where Labour has gone wrong.

I will be attacked by those who say, "Ah, but was it not the Conservatives who introduced capping?" Such people are right, but they miss the point—*[Laughter.]* It is right to say that we introduced it. We want to free councils to do as they please, but they must act with the consent of their local electorate. The problem at the moment is that there is little or no accountability in local

government. Until we ensure accountability, we cannot progress to the genuinely autonomous local government that we want to have.

I want to respond to the four policy proposals that the minister announced at the community leadership forum this morning. The Scottish Conservatives are not averse to the power of general competence that the minister proposes. However, it will have to be accompanied by appropriate safeguards if it is to work in the interests of the communities that the councils serve and not be an excuse for big government by the back door. I wonder what councils want to do that they cannot already do, but the principle is acceptable.

Community planning is a useful concept that can inform the work of a number of agencies and ensure strategic direction. My concern with the concept is the element of central control that it brings from purse holders—central Government and local authorities. For that reason, the Scottish Conservatives are happy that the system is available but we would oppose its statutory imposition, which would stifle innovation and seems to be simply another method for the Executive to ensure that independent and voluntary efforts are colonised by the state to its own ends. It would ignore the valuable work done by the voluntary and independent sectors as a direct result of their ability to act on their founding principles and values, which are sometimes religious and moral, rather than the politically correct views of the Executive. That can bring benefits and should not be stifled.

We will consider the responses to the minister's consultation on council employees standing for election. If any genuine reason for change can be identified which would not introduce a conflict of interests for senior officers in that position before, during or after an election, we will consider it.

On licensing and the review of the Civic Government (Scotland) Act 1982, the minister is aware that I have proposed a bill to extend local authorities' powers to address dog fouling. I agree that a review of the act is overdue and we welcome the minister's decision to consult a wide variety of interests to inform future proposals.

The minister seems to be saying that he wants a wider review of local government finance and accountability but that he is, so far, frightened to go down that road. Rather than tinker at the edges, I want to give the minister and Parliament a vision for local government to ensure that it meets the needs of modern Scotland. It will bring the accountability that is required to implement the proposals and make them workable in democratic terms. I hope that he will consider carefully what I say.

The Conservatives have always believed in real devolution and in handing power to individual citizens and local communities. [*Laughter.*] I did not think that members would sit there sniggering. We believe that individuals, rather than politicians, acting with their families and local communities, are best placed to solve problems and take action to improve their daily lives. Handing powers to communities, families and independent institutions is the best way of making Scotland a better place in which to live. That would bring innovation, commitment and flexibility that monopoly, statutory provision and central direction cannot deliver.

Unlike Labour, Conservatives understand that decisions should be taken as closely as possible to the people they affect. Our manifesto lays out our policies on education, which would give parents real choice by devolving responsibility for managing schools to local groups of schools within their communities.

Andrew Wilson (Central Scotland) (SNP): Will the member give way?

Mr Harding: No. I am sorry; I do not have time.

Devolving responsibility would improve standards, increase diversity and provide the flexibility to meet local employment and community development needs.

Similarly, on community care, we plan to combine the health and social work aspects in a unified budget. That would provide clear accountability for care and funding decisions; reduce bureaucracy and duplication; and remove blockages from the system to ensure that people receive the care they need. Interestingly, that, like the proposal that there should be free personal care, is a recommendation of the Sutherland commission.

In practice, those two proposals would make a vast difference to councils. They would lead to a fundamental examination of what councils do and would reallocate responsibilities. They would introduce much clearer accountability for services. No longer would there be arguments between central and local government about funding responsibilities and about who is to blame when systems fail. There would be only one paymaster and one provider. Schools would be funded by block grants from the Executive that were based on pupil numbers and assessed capital needs. Community care would be funded directly by the Executive through the national health service and it would fall to the Executive to address any lack of resources or failures in care.

Iain Smith: Will the member give way?

Mr Harding: No. I am nearly out of time.

Removing those services would drastically alter the nature of local government for the better and

give us a huge opportunity to increase accountability and make the public's decision at council elections directly relevant through its impact on finance. The quid pro quo of losing service functions would be that local authorities would be responsible for raising a higher percentage of their budgets. Consequently, they would have greater independence.

The gearing effect would be reduced as 46.6 per cent of council spending would be funded by local taxation. That would lead to accountability through the ballot box as people's decisions at elections would have a much greater effect on the nature of the council that they would get, especially if capping were removed. Over time, the proportion of tax raised locally through council tax could be increased still further by gradually reducing central Government grant. After all, Labour has been doing that since 1997.

The Scottish Conservatives have drawn together a coherent approach across those three policy areas. On their own, they are not new policies, but today I have outlined them in more detail to make clear to Parliament how our approach is cross-cutting and would produce real change and genuine devolution throughout Scotland.

We believe that our policy would lead to councils providing better services. Councils would engage better with their communities and ensure better value for their communities. Services should improve and councils could concentrate on their core services and reason for being. Those are services that people constantly tell us are being neglected but that have a huge impact on the quality of life, such as road and pavement repairs, street lighting, litter collection and the maintenance of parks and public spaces. People could once again be proud of truly autonomous local government, which would meet local needs that were determined by local people and their councillors rather than on high by the Scottish Executive.

I move amendment S1M-1373.2, to leave out from "welcomes" to end and insert

"notes the changes in the local government finance system proposed by the Scottish Executive but recognises that further changes and considerations are necessary with regard to the funding and powers of local government to ensure that a truly democratic, responsive, inclusive and accountable system of local government is put in place in Scotland."

15:18

Donald Gorrie (Central Scotland) (LD): The steps that the Executive is taking are very welcome. They represent some progress to putting right 20 years of continuous destruction of local government. It is a huge way back, but at least we are taking steps.

Despite any rhetoric to the contrary, it is the case that successive Conservative Governments—I am sure that there were some worthy Conservative councillors—conducted a sustained campaign of undermining, denigrating, underfunding, rubbishing and destroying local government. They very nearly succeeded in doing that.

Liberal Democrats regret that the Labour Government at Westminster, due to overcaution on financial grounds, continued the Tory policy. I found it profoundly depressing to listen to a Labour minister making a Tory speech about why Oxfordshire or wherever had to be capped. Labour continued with the policy that it inherited.

I welcome the fact that we have done something different here. We have to draw a distinction: Scotland has not had a Labour Government for three and a half years; it has had a partnership Government for a year and a bit—and we have made some encouraging progress.

Our group and a lot of Labour back benchers felt that we mishandled the local government settlement earlier this year. We recognised all the problems, but the settlement was not done well. However, we have made serious efforts to put that right, and we are witnessing that now.

Within the partnership, the Liberal Democrats said that rescuing local government finance must be the first call on the available funds. We support the three-year funding package and the ending of guidelines. There must be an increase in funding for local government. Enforced cuts on local councils must not continue. Councils must try to make efficiency savings, but we must move away from enforced cuts. We hope to achieve all that, as well as a considerable increase in capital spending. There again, we are trying to put right not just 20 years but a longer period of neglect. It will take a huge amount of time to get schools and other buildings, roads and public services to a decent state.

Mr Davidson: Mr Gorrie has criticised the Labour party for following Tory patterns of behaviour with regard to local authorities. He went on to mention the very poor local government settlement last year. Is he apologising to the chamber for the fact that that settlement was approved only because of Liberal support?

Donald Gorrie: No, I am not apologising. I voted against the settlement. Most of my colleagues felt that it was a bad deal, but that it had to go through in the circumstances and that we had to work from then on to put the matter right. I think that we are doing that.

If we inherit a ghastly position in our first year, we will not get it all quite right. That was the position, and there was no point in pretending that

we did get things right—but we are now making serious efforts to do so.

I and my colleagues on the Local Government Committee are keen on ending ring-fencing. I welcome the minister's remarks on that, but I hope that he will be bold and make further progress. The odd trial here or there is not adequate; we need a real effort to replace ring-fencing through sensible discussions between the Executive, the Parliament and councils on what can be achieved with the money that councils are accorded. Councils will then have reasonable targets and can be measured against them.

We welcome the idea of a simplified formula. The complexity of the formula has been notorious. It is better to have something that people roughly understand—even if there is a bit of rough justice about it—than to have something so complex that everyone feels diddled. Going round the country, I found that to be the case. I am sure that colleagues on the Local Government Committee felt the same: that everyone felt that they had a raw deal, whether they were representing rural areas, urban areas, Edinburgh, as the capital city, or Glasgow, with its deprived areas. A simplified formula would help to alleviate that.

The other announcements that have been made today are welcome. We and other parties—and the Local Government Committee—have strongly supported the power of general competence, now referred to as community initiative. That is a great step forward. I am personally very pleased that the Executive is examining the issue of council employees being able to stand for councils. There is not unanimous agreement about that—not even in our party—but there is a lot of support for it. In large rural areas, especially on the islands, a huge section of potentially good councillors is excluded from standing for office. Local government must lose a lot thereby, so I am happy that the Executive is pursuing that matter.

The wording that SNP members want to add to the motion is splendid but, for some reason, they knock out part of the motion. They cannot seriously expect the Executive parties to delete the part of the motion that says that the proposed improvements

“will contribute to the Executive's aims of revitalising government and ensuring better local services and tax stability for the citizens of Scotland.”

I will give SNP members some advice. I have done so before. They never pay any attention. If they had proposed to tack their amendment on to the whole Executive motion, other members would have found it very hard to vote against.

There is a good deal of difference between the mild wording of the Tory amendment and recent press releases that say that the Tories would

remove schools from local government control, so we have to look behind the words of their amendment. I do not think we can take the Tories too seriously on this issue.

Kenny Gibson mentioned support for the voluntary sector. I know that the Minister for Finance is sympathetic to that. I hope that we can get together to make a sustained effort to support the voluntary sector. There is a difficulty over the Executive giving money to councils and ensuring that it is passed on to the voluntary sector. That must be discussed in a mature way that will ensure local democracy. Perhaps groups of councillors and representatives of voluntary bodies could co-operate to divvy up money, or something like that. There must be a sustained effort because over successive years, as well as almost destroying local government, the Tories almost destroyed large sections of the voluntary sector, which now must be rebuilt.

On behalf of the Liberal Democrats, I express our strong support for the Minister for Finance and Local Government's measures. I hope that he will continue to work with us in improving them still further.

The Deputy Presiding Officer (Patricia Ferguson): We now move to the open part of the debate.

15:26

Bristow Muldoon (Livingston) (Lab): I admire the brass neck of the Conservatives in taking part in the debate today. However, Keith Harding was having difficulty in delivering his lines; he seemed to find some of them quite humorous, particularly when he was talking about the Tories' belief in "real devolution". I was amused when he accused Labour of taking a dogmatic approach to local government. I invite Keith Harding or any other Conservative member to explain what the imposition of the poll tax or the 1996 reorganisation of local government were if not examples of a dogmatic approach.

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): They are not rising to the challenge.

Bristow Muldoon: I did not expect that they would.

In the past year and a half, it has become clear that there is a widespread feeling in local government that the systems of finance should be reviewed. As Kenny Gibson said, there has been a good deal of cross-party consensus in the Local Government Committee on that. Although the Executive decided not to take up the McIntosh report recommendation that there should be an independent inquiry into local government finance,

I am encouraged by the open-minded approach to that that the Minister for Finance and Local Government showed in his intervention on Mr Gibson's speech.

Today's announcements show considerable movement and improvement in the systems of local government finance. That has been achieved not through Executive imposition but by a long period of discussion with COSLA and other interested bodies. It is a radical improvement to the system of local government in Scotland.

We should welcome the fact that the Executive took the opportunity provided by the second comprehensive spending review to announce local government spending figures that give local government financial stability for three years. That will allow local government to plan service developments rationally and to debate with staff long-term stability in pay settlements.

I welcome the three-year council tax settlement that has been proposed as part of the overall package. Most progressive, responsible local authorities will welcome it, too. Many local authorities have already given long-term council tax pledges to their local electorate. The successful Labour administration of my local authority, West Lothian Council, pledged not to increase council tax by more than inflation plus 1 per cent over its current term of office.

Andrew Wilson: Will Bristow Muldoon confirm that, since Labour came to power, West Lothian Council has increased council tax by 31 per cent? That is the fault not of the council only, but of the strictures of the local government settlements by the Executive and Administrations prior to the Scottish Parliament. Does he see that as a matter for regret?

Bristow Muldoon: I do not have the exact figures to hand, but there have been significant improvements in the council tax in West Lothian, where a responsible Labour-led local authority has been trying to balance local needs with the resources that it has available. The irresponsible SNP opposition in West Lothian wanted both to increase expenditure and to decrease the amount of money raised through taxation. The SNP cannot have it both ways: it cannot want to spend money and not to raise taxes.

The distribution formula is important. In the past, it has depended on an obscure set of calculations; it was not transparent and often resulted in bizarre variations in financial support. I therefore welcome the efforts to simplify it. However, in the simplified formula, it is important that the impact on individual local authorities is taken into account. In recent years, there have been problems in some areas because population growth has not been taken into account in the distribution formula. I

emphasise to the Executive that areas with increasing populations experience new demands for school places; they require extra expenditure for infrastructure, better transport systems and a range of other services to support the increased population. In his speech, the minister recognised that local authorities in such a position would receive an adequate settlement.

The Deputy Presiding Officer: Wind up, please?

Bristow Muldoon: I will have to skip some issues that I had wanted to cover.

We should recognise that the Executive has proposed an improved system of local government finance. The level of support has improved in the local government spending plans, as outlined in the document that Jack McConnell introduced as Minister for Finance. All that demonstrates the advantages of a Labour Government at Westminster working in partnership with a Labour-led Scottish Executive. I trust that the people of Anniesland will recognise that in tomorrow's by-election.

15:32

Mr Adam Ingram (South of Scotland) (SNP): I welcome the minister's announcement, which serves both to improve the relationship between central Government and local government and to enhance local accountability. The SNP believes that the measures that have been announced should signify not the end but a new beginning to the process of financial reform of local government.

The soundness of that view was confirmed as recently as Monday of this week when my colleagues and I on the Finance Committee took evidence from Aberdeen City Council and Aberdeenshire Council. Both councils confirmed that the severity of the squeeze on their spending was a direct consequence of the tight constraints put on their funding by central Government. The assumption that efficiencies would pay for increased salary costs, and the growing use of hypothecation, the ring fencing of funds and special grants for special purposes have resulted in real and significant cuts in services. Revenue spending plans by Aberdeen City Council have been reduced by £75 million over the past five years; in Aberdeenshire Council, the figure is £57 million. That scenario has been replicated in many local authorities across Scotland. Invariably, repairs and maintenance programmes have borne the brunt of the cuts, resulting in an all-too-evident deterioration in our schools and roads.

Efficiency savings have proved to be a euphemism for redundancies—more than 13,000 jobs have been lost over the past few years. Local

government has had its hands tied because of the restrictive regime that has been imposed by central Government. Until the mid-1980s, a reduction in central Government support could realistically be compensated for by shifting the burden on to local taxpayers. When 50 per cent of local government funding came from the local tax base, a 1 per cent cut in central Government support could be repaired by a 2 per cent rise in rates. Today, when less than 20 per cent of local government funding is raised locally, excessive hikes in council tax are required to compensate for reductions in central Government support. Council taxes have shot up by no less than 25 per cent across Scotland since Labour came to power three years ago. The so-called gearing effect has profoundly debilitated councils' ability to respond to local needs, which, together with expenditure guidelines and capping limits, means that local administrations are effectively hamstrung.

Notwithstanding the relaxation of the regime that the minister has announced, the case for an independent and comprehensive review of local government finance is overwhelming. In the absence of such a review, the Local Government Committee is to be congratulated on taking on its own inquiry.

I do not doubt Angus MacKay's sincerity in his desire to stabilise and improve the financial settlement for local government. However, he is in grave danger of damaging his credibility if he does not deliver on statements such as the one that he made to the Local Government Committee. He said that

"local authorities can look forward to operating in a transformed environment with increased budgets in real terms."—[*Official Report, Local Government Committee*, 31 October 2000; c 1254.]

An extra £1.2 billion certainly looks like a lot of extra money. However, much of that will be eaten up by wage and salary rises unless the minister intends to find more money to fund the McCrone proposals.

What about new burdens? How much is the national concessionary fares scheme going to cost? I know that the minister does not know the answer, because the Executive has commissioned consultants to find it out. Let us say that a reasonable guess would be that it would cost the same again as local authorities have spent on their concessionary fares schemes over the past three years—£126 million. That is the cost of only one burden, but it would eat up more than 10 per cent of the new money.

I urge the minister to recognise that the current system for financing local government is unsustainable in the long term. The need for root-and-branch reform is urgent. The new minister should get rid of old baggage.

15:37

Mr David Davidson (North-East Scotland) (Con): The minister made an interesting speech, but members have been left with more questions than answers. I expect that to be the tenor of the debate, which places a great burden on Mr Peacock in his response.

I welcome at least one part of the minister's speech—the recognition, at last, that old statistics have been used for population-base calculations. I welcome that recognition for some of the rural areas of Scotland in particular.

I was disappointed that there was no mention of infrastructure support, because local authorities are deemed responsible for their infrastructure. I have had a lengthy correspondence with Sarah Boyack about the Montrose bridge—a lifeline project that the local council cannot afford to implement. At the Finance Committee meeting on Monday, we heard evidence about the need to sort out the infrastructure around the city of Aberdeen. That is another burden that is being placed on the local community.

I welcome the principles of three-year funding, which will enable better financial planning. However, local authorities have asked me whether there will be rolling or fixed end-year arrangements and whether there will be end-year flexibility. The minister has not yet told us about that.

Earlier, in one of his erudite comments, Frank McAveety mentioned unions. It is quite possible that the rest of the chamber did not catch that comment, although at the time I could hear little else. Does the minister intend to deliver three-year binding wage settlements on local government workers in advance of each three-year settlement period or is there a plan B—as Baldrick would say—that we have not yet heard about? [*Interruption.*] It would be helpful if Mr McAveety would quieten down for a couple of minutes.

We have heard comments about the implications of McCrone. Will the minister give a commitment on that in the local government settlements? How will his scheme allow for cost inflation? What deflators will he use and what is his estimate of interest charges? Where will the uncollected tax charge feature in the formula? Will there be a presumption of recovery within the settlement or will the sums simply be wiped out for councils that cannot cope?

Will the minister detail the real cost to councils of the European Union employment regulations? If new regulations are to be introduced, will he fund those too? What flexibility will be delivered by the Executive—others have asked the same question—for new burdens that arise directly from new burdens in the Executive's policies?

Andrew Wilson: Mr Davidson has asked Labour members a few questions; I have one for him. Mr Harding said that the Conservative grand plan for local government was that 46.3 per cent of the funds for local spending would be raised through local taxes. Will Mr Davidson confirm that and explain where the figure comes from?

Mr Davidson: I did not come up with the figure, but the explanation is simple. The question of who is responsible for what in Scotland needs to be reassessed, as I have said for long enough. If we moved services such as the community care aspects of local government to the primary care trusts, where they would be better delivered, and implemented our education policy, the existing tax base would increase proportionately and, as a result, the accountability of the council to the local people would increase.

Iain Smith: Will the member give way?

Mr Davidson: No, if Mr Smith does not mind; he has had a couple of goes already.

All the witnesses who gave evidence to the Finance Committee on Monday mentioned the eight factors and weightings. It would be helpful to know what is meant by factors and weightings. Will they produce equity for non-central belt councils? For example, we cannot carry on having deals such as the one in which Aberdeenshire Council gets only £200 per pupil for school transport while Glasgow City Council gets £500.

I have heard councillors of different persuasions, including Labour, ask all the questions that I am asking. Will the minister hasten convergence? Over what period will he be able to remove the variance of as much as 28 per cent in funding per head across our councils?

Simplistic, badly thought out edicts by the Executive have already proved to be flawed. Members may remember Henry McLeish's much-trumpeted three-year indicative budget commitment for the resourcing of area tourist boards. Barely a year in, that commitment is in tatters and is being reviewed. What strength does the Executive have to support such arguments, unless it gives us sufficient details?

Other members have mentioned the voluntary sector, which is an important aspect on which I would like to hear the minister's comments.

If we have slimmed-down, effective councils that are totally focused on their agreed responsibilities, with the council tax representing a greater percentage of income, that will lead to greater democratic accountability, which the Government seems to want. However, the new community leadership forum smacks of domination by the few, with the removal of the voice of opposition. That is barely democratic. Is the forum a new way

of replacing COSLA? It is certainly not a new idea. Is the Executive holding firm on keeping councillors directly accountable to their electorate?

The minister must define what controls or sanctions he will retain and how they will be triggered. The changes that he wishes to make must reward prudent councils, discipline the profligate and the failed, and openly demonstrate equality across Scotland, in particular for the south, the Highlands and the north-east. The ball is in the minister's court; he must play it well. I support the Conservative amendment.

15:43

Fiona McLeod (West of Scotland) (SNP): Along with my SNP colleagues, I welcome the minister's announcements, but I want to draw members' attention to the mess that we have got into with local government finance over the past 20 years and why, as the SNP amendment says, we need a thorough review of the financing of local government. All 32 local authorities, in submissions to the Local Government Committee, called for such a review.

I will give an example from my constituency—indeed, from the council area in which I live—of the mess that we have got into and why that thorough review is essential. East Dunbartonshire Council could be described as a potpourri council: until 14 months ago, it was Labour controlled; since then, it has been Liberal Democrat controlled; and its budget this year was passed only with the support of the Conservative councillors. East Dunbartonshire can lay the blame solidly around the parties—except for the SNP, which is not represented there. With proportional representation, of course, we would have a quarter of the seats and could bring some sense to local government in the area.

East Dunbartonshire has one of the richest tax bases in Scotland. It encompasses areas such as Bearsden and Bishopbriggs, but it also includes areas of need such as Kirkintilloch. Despite that rich tax base, East Dunbartonshire Council is crumbling, like its roads and its buildings. The council estimates that it needs to spend £20 million to bring the schools up to a tolerable standard.

East Dunbartonshire is also failing. It is failing its pupils, as there is a 29-week wait for special educational needs assessments. It is failing its old people, because in this year's budget, in order to save £380,000, it decided to make fewer nursing home placements. That means leaving old folk in hospital when they should be in a nursing home, or leaving old folk in their own homes without the care that they need in order to have a decent and comfortable existence.

East Dunbartonshire is failing its communities. It took the decision to close Twechar recreation centre, leaving that community to go for lottery money and take on the responsibility—

Bristow Muldoon: All that we have heard from Fiona McLeod is about the problems in East Dunbartonshire. She says that the SNP has some of the solutions. Can we hear those solutions?

Fiona McLeod: I said that if our 25 per cent vote had been reflected in the number of seats, we would have had some of the solutions.

The community of Twechar has been left to take on the responsibility of looking for lottery money in order to have a recreation centre, but the council has said that, even if the community takes on that responsibility, the centre will still be liable for a rates bill of £3,000 per month. That is not a commitment to communities. Volunteers in East Dunbartonshire have been told that hall lets will rise, which means that the council is taking money away from the voluntary sector.

I am seeking assurances from the minister for East Dunbartonshire and its residents. I want an assurance that the removal of guidelines will relieve East Dunbartonshire of the nonsense of having to make cuts of £12.3 million over the next three years. I want an assurance that the loan repayments, amounting to £400,000 per annum over the next 20 years, for the long-awaited flood prevention scheme that was announced last week will be taken into consideration in future grant allocations to East Dunbartonshire.

I mostly want to know what the minister thinks—he has not addressed this yet—is a reasonable rise in council tax and how that equates with an electorate's reasonable demand for services. For example, in East Dunbartonshire, this year's 0 per cent rise meant a 2 per cent cut in its budget. If there had been a 3 per cent rise, the cut would have been 1 per cent; a 7 per cent rise would have meant a standstill budget. I would like the minister to tell us what a reasonable rise would be.

15:48

Dr Sylvia Jackson (Stirling) (Lab): I welcome the details that the minister gave in his opening speech and on which I think there is general agreement across the chamber. I will make four points. First, I hope that the extra resources of £1.2 billion will address some of the points that Fiona McLeod outlined. Secondly, I welcome the commitment to community planning and the partnerships that will come from that. Thirdly, I particularly welcome the need to examine and develop outcome agreements, on which Richard Simpson commented. Fourthly, I welcome the fact that population projections will be taken into account in the distribution formula, which will be

important for fast-growing areas such as Stirling and West Lothian.

The minister's announcements clearly show an appreciation of a number of key underlying principles, which I will go through. I will also make a few comments based on evidence and discussions that the Local Government Committee has had and on my own experience and feedback from Stirling.

The first principle is to work towards modernising the local government finance system, and in doing so securing best value. It is important that we define what we mean by best value. According to a statement that Jack McConnell made a few months ago, there were going to be best value reviews and a best value board. I would like to hear from the minister about progress in that area, because although we talk about efficiency and effectiveness, I would like us to put back some of the quality aspects into service delivery.

Another underlying principle is stability. We welcome the three-year budgeting, which will provide that.

I hope that the review of the distribution formula will bring some much-needed simplicity to the system. I have never seen a committee so amazed as the Local Government Committee was when it saw the distribution formula that had been used. I think that none of us could truly say that we understood it. The formula must be made more simple and transparent and must take account of needs, whether they occur in urban or rural settings.

In some areas, such as my own, the primary school population has increased by 5 per cent. In present circumstances, our school buildings and school transport cannot take account of that increase, as Bristow Muldoon identified. That is an important issue.

There is widespread support for having less ring fencing and hypothecation to ensure the other underlying principle of flexibility. However, such measures leave local authorities with the responsibility for taking decisions about local needs. We must ensure that effective local democracy goes hand in hand with today's announcements.

One of the most important underlying principles in today's announcement is partnership—not only that between the Scottish Executive and COSLA to reach the agreement, but between the Scottish Parliament and local authorities in the future. Partnership between councils and the electorate is also important. Another issue that has been raised is that councils should work more productively with the voluntary sector through community planning.

The Local Government Committee is committed to undertaking a more wide-ranging review of local government finance. That is well described in the recent Scottish Parliament information centre document that suggests that we will be examining not only council tax but the more extensive use of alternative and additional sources of local revenue.

Today's announcement should be welcomed as a step in the right direction. SNP and Conservative members should stop making their mealy-mouthed comments.

15:53

Nora Radcliffe (Gordon) (LD): Up to a point, I am happy to welcome the Executive's announcement that central Government funding of local authorities will be dealt with differently. Liberal Democrats have long advocated more flexible, fairer and longer-term settlements, and I welcome the fact that funds are now to be allocated on a three-year basis.

What gives me considerable cause for concern is whether the three-year basis of funding means that, even if it can be demonstrated how unfair the current distribution formula is, there will be no opportunity to do anything meaningful about it for at least the next three years. That is unacceptable to anyone at the receiving end of the unfairness of the formula.

Some of the outcomes of this year's allocation demonstrate how much cause there is for concern. For example, is it not strange that Glasgow's allocation of grant-aided expenditure money for school transport last year was £1 million more than that for Aberdeenshire? Aberdeenshire, a rural authority, was transporting 8,000 more pupils and, in some instances, daily transporting pupils with special educational needs over long distances. I reiterate that: £1 million more for 8,000 fewer pupils. To use an old catchphrase, that does not compute.

I have another interesting statistic. Last year, Aberdeenshire Council would have received £26 million more if it had received the same grant per head of population as Stirling Council received. I repeat—that does not compute.

Des McNulty (Clydebank and Milngavie) (Lab): Is Nora Radcliffe aware that £16 million of business rates revenue collected in Glasgow was transferred to Aberdeenshire as part of the general settlement? Is not that part of an overall financial framework?

Nora Radcliffe: I do not accept what Des McNulty says, although I will stand to be corrected if he can prove it to me after the debate. However, from what I have seen on the ground in

Aberdeenshire, I find it hard to believe that he will be able to do so.

I welcome the fact that the distribution formula is to be simplified and revised—not before time. However, I would like an assurance that the revised formula will be incorporated into the allocation of grant-aided expenditure as soon as possible, not three years down the line, when the people whom I represent will have been disadvantaged for that much longer. That is my main concern.

There is much to be positive about, however, and I am delighted that the guidelines are going. They were arbitrary and unfair—good riddance to them. I congratulate the minister responsible for their long overdue demise on taking on board the strong arguments that were made against them by the Liberal Democrats.

It looks as though there is more money on the way for local government, which is a most welcome reversal of the sustained squeeze on local authorities in recent years that was begun by the Tories. The proposed increases in funding for local government mean that, for the first time, central Government support for local authorities will be, in real terms, at the level that it was at when the Conservatives left office. That is good news, because good local government requires two things: first, that councils have the freedom to fund and deliver the services that their communities require; and, secondly, that they are democratically elected and accountable. The Executive is moving in the right direction to meet the first of those requirements and now we must deliver on what is needed for the second—a proper system of proportional representation for local government.

15:57

Brian Adam (North-East Scotland) (SNP): I see that we have managed to lose most of the members of the public from the gallery. I suspect that that is because many people do not find that local government is the most exciting of subjects. Before anyone says so, I am quite sure that they are not leaving just because I got to my feet.

It seems to be difficult to find areas of major disagreement between the parties. This must be the first occasion on which I have found it possible to agree with one of the Administration's self-congratulatory motions. The motion says that the Parliament welcomes improvements, and they are indeed welcome.

It is to the credit of the Parliament, the Local Government Committee and, on this occasion, the Executive that we are making a significant change to the climate of local government—we are putting the local back into local government. It is clear that

those folk who have the good fortune, or the misfortune, to be councillors will be accountable, as their decisions will affect what happens locally. That is a major change from what happened over the past 10 to 20 years.

I would like to offer a suggestion on what we should do with the first significant rise in capital allocations for many years. Like Mr Davidson, I suggest that we should not use additional taxation, such as congestion charging or tolls, for funding major capital expenditure in the north-east, including the development partnership proposals for transport. Rather, we should use the opportunity offered by capital allocations so that the two major councils in the area are able to fund their part of the local transport plan. I hope that the minister will respond positively to that suggestion in his summing-up speech.

Elaine Thomson (Aberdeen North) (Lab):

Does Brian Adam accept that a major consultation has just been carried out on the transport infrastructure to which he refers and on which there is general agreement across the north-east? We want to go ahead with those plans and to consider all funding sources, and there is no expectation that they will be funded in total by central sources.

Brian Adam: Capital allocations are not from central sources. I accept that there is a general agreement that we should go ahead with those plans, but I do not agree that the survey showed in any way that there was a willingness to pay for it with additional charges. Capital allocation means that local people will ultimately pay through council tax. That is how it actually works. The council merely gets permission to borrow the money, which means that local people have to pay it.

The problem in the past has been that those capital allocations or permissions to borrow have not been granted. That is how local people should make their contribution—across the board and not just as a new, innovative tax that people have clearly rejected in almost every survey, including the most recent one. That is not the route that we should take, but I do not want to have a major disagreement on this point.

I would like the minister to address how we deal with capital. We have considered lots of the issues surrounding the revenue problems that exist, and many positive things have emerged from those discussions. In recent years, however, much of the repairs and maintenance that ought to have taken place in the public sector, particularly in local government, have been neglected. There is a distinction between that and major capital investments.

We must consider the distinction between repairs and maintenance and the capital

investment that is required for new developments. We should perhaps also consider the relationship between capital and revenue. A number of things end up being capitalised in budgets, and various creative mechanisms are used by local councils to bypass central control. We have to get the balance right between repairing the fabric that we have and providing the new infrastructure that is genuinely required to replace it. I am not aware that that is addressed in today's motion.

16:02

Des McNulty (Clydebank and Milngavie) (Lab): I was pleased with today's announcement and with the previous announcement in September of a £1.2 billion increase for local government. Like many members, I was involved in local government throughout the 1990s, and I remember the period in 1995-96 and 1996-97 when Glasgow City Council was forced by the financial straitjacket imposed by Michael Forsyth, then Secretary of State for Scotland, to reduce the overall council budget by £150 million. That amount was roughly 15 per cent of the total budget at the time and it is estimated that we lost somewhere between 4,000 and 5,000 jobs. Some of those job losses may have been due to efficiencies, but the vast bulk of them were service reductions, caused by money being taken away from the use of local government services because of that financial straitjacket. I would have welcomed that wrong being made right at an earlier date, but now that more money is being put into local government and we have the promise of a fairer system, I think that that is to be welcomed.

We have to address the important issue of social justice. The Executive has made a great deal of its commitment to social justice. However the money is distributed between local authorities, social justice must be a prime consideration. We must pay attention to the distribution of deprivation in Scotland.

Mr Gibson: Will Des McNulty concede that, since new Labour came to power, Glasgow's share of aggregate external finance has reduced to the extent that Glasgow is £44 million a year worse off than it would have been if its share of aggregate external finance had remained the same as when the Conservatives were last in power?

Des McNulty: I have made it clear that I think it is unfair that the people of Glasgow, the most deprived part of Scotland, West Dunbartonshire, the second most deprived part of Scotland, or Dundee, the third most deprived part of Scotland, should be paying the highest council tax rates in Scotland. That seems to me to be a fundamental injustice. It is also a fundamental injustice that over the past four or five years those areas have

had to make the tightest cuts and have suffered the most severe squeeze. That needs to be put right.

I am not blind to the fact that the present system produces other injustices. I am sympathetic to Aberdeenshire for its plight and to East Dunbartonshire for the nonsensical situation in which it was left last year because of the guideline arrangements. I would like those arrangements to be changed for this year, so that some of the anomalies can be removed.

However, if we want to promote social justice and to have the stable system that Angus MacKay has proposed, we need to move towards a situation in which social justice is recognised specifically. We need to move towards a block-and-formula system that establishes stability within the framework of local government. We can distribute some of the money from the increases in years 2 and 3, but we should not revisit the distribution of the entire pot each year. There must be a stable framework that does not involve reinventing the wheel at every stage and undertaking a huge statistical exercise.

As Bristow Muldoon said, we must take account of population growth and decline. We must also take account of sparsity. But there must be an explicit commitment to taking account of deprivation and privileging it in the way in which money is spent. This is not just about the efficiency, effectiveness and stability of local government. In 1995-96 I was a member of the Kemp committee on the future of the voluntary sector. Its report emphasised the need of voluntary sector organisations for stability in their funding. That depends on local government having a three-year framework, which would allow the voluntary sector also to have a three-year framework.

The establishment of such a framework has implications for the way in which the Executive goes about its business. One of the things that has disturbed me since I have been a member of this Parliament is the extent to which ministers are prone to announcementitis—a new pot of money here, a new bit of money there. Three-year funding for local government must be associated with three-year funding for health boards and housing associations, and three-year planning frameworks for the Executive. We need to move towards a rational framework. This is a new beginning. However, let us make it a generalised new beginning, rather than one that is confined narrowly to local government.

16:07

John Young (West of Scotland) (Con): The word "gardyloo" was well known in Edinburgh in

the 18th and part of the 19th century. The residents of Edinburgh always shouted, "Haud yer hand", when they heard that shout from above, so that they could get past. However, not all their rural cousins, who were in the city to sell sheep and other produce, knew that they were supposed to do that. A load of rubbish—I must be careful about my choice of words here—then descended on their heads, faces and clothes, much to the amusement of the citizens of Edinburgh.

In some ways, I felt that the minister should have given us a warning before making his speech. The first loose equivalent of local finance appeared in these islands in 1601, when a rate was introduced for relief of the poor. There was a reason for devising that rate. Similarly, when the water rate, which was actually called the water rent, was introduced in 1847, the reason for that was to cover the cost of the water supplies that were coming into being. It is interesting to note that, in 1900, 90 per cent of the moneys for local government were raised by local government, whereas only 10 per cent came from central Government. In other words, the situation then was almost the opposite of what it is today.

We have had Goschen formulas and Barnett formulas, and now we have the MacKay formula. I wonder whether a reassessment of local government functions should not have come first. As the minister said, devolution gives us the opportunity to examine various ways of working with local government.

I welcome the fact that councils will be able to plan ahead for three years, but I wonder whether in a city such as Glasgow, which under Labour has had very high council tax for many years, it will be possible easily to project the amount of council tax to be levied in the third year. Glasgow has a tremendously low population. In surveys a few years ago, poor housing, poor schooling and high local taxes were identified as the things that were driving people out. I am worried about that.

The minister has announced a review of the Civic Government (Scotland) Act 1982. He is setting up a group to review the act's licensing provisions. Does the minister have plans for other task forces or groups to examine other subjects? The new power of community initiative will allow councils to do anything that they consider beneficial to the well-being of their communities as long as it is not otherwise reserved or prohibited in legislation. How does that differ from the present? Will the likes of Glasgow City Council be allowed to keep their entire business rate? Des McNulty mentioned how much it loses. There is a common bond on that among all parties in Glasgow City Council, and I appreciate what has been said about Aberdeenshire and some other areas.

Three-year budgets with set council tax levels

will remove much-needed flexibility for councils to deal with changing circumstances. For instance, how will a council resolve problems of interest rate changes that increase its debt repayments or deal with unforeseen emergencies that require funding? No account is taken of how the Executive intends to deal with a new council administration that wants to spend much more or much less than its predecessor. What about union settlements? Perhaps Peter Peacock can enlighten us on that.

The new system does not resolve the problems of central Government control, spending priorities or uncollected council tax. When one examines the figures for Glasgow, it has massive amounts of uncollected council tax. It runs to over £637 million in Scotland as a whole. One man who should be here today—maybe he is at Glasgow City Council—is Tommy Sheridan. He is guilty of causing a lot of the problems of uncollected council tax in Glasgow. He and his followers did not agree with it. Many of us did not agree with it but it was the law. He talked about the poll tax, which was an incorrect title. It was not a poll tax; it was a council tax. I am amazed that Tommy Sheridan is not in the chamber today. Where is he? As I said, the new system does not resolve the problems of uncollected council tax or spending priorities.

Finally, I notice that Mr MacKay disappeared before he had to answer those questions. I have a high respect for Mr Peacock, who is experienced in local government and was leader of a large—certainly geographically—local authority. Can he tell us whether there are major plans for how local government operates as a whole? Will social work remain in the hands of local government? Will education go out of the hands of local government? Those matters will have a considerable impact on the financing of local government.

Mrs Mary Mulligan (Linlithgow) (Lab): When, if ever, has the member been approached by anyone who supported the idea of education being taken out of the control of local authorities?

John Young: I was approached in 1997 and 1998. I sat on Malcolm Rifkind's commission concerning those matters. We received representations from all over Scotland and a number of people of all political persuasions thought that education should be taken out of local government control. The converse was that a number of people wanted it to be retained in the hands of local government. That was across political parties.

It would be unfair to mention the name, but I remember a prominent Labour party member—a famous one—who said to me that in the west of Scotland it might be the best thing if education were to be taken out of local government control. I

am telling the chamber that in confidence and I never break a confidence.

16:14

Mr Gil Paterson (Central Scotland) (SNP): I hate to correct John Young, but the saying was "Haud yer haund". Another old one is "Haud yer wheesh".

I, like many others, broadly welcome the proposed reforms in the way in which local government is financed. I will concentrate on three matters, the first of which is three-year funding. That is a worthwhile move as it allows the council to commit funding in the long term and gives security to organisations that are funded, or part-funded, by local authorities. One of the concerns of the members of the cross-party group in the Scottish Parliament on men's violence against women and children was that any moneys that were received from the domestic abuse service development fund of a local authority could be guaranteed only on a yearly basis. Organisations can now plan with more certainty.

At this point, I would like to pose a question to the Minister for Finance and Local Government, who is no longer in the chamber. Perhaps he can answer it when he returns. Is the Government planning a rolling, progressive system in which year 1 would drop out and year 4 be brought in at the same time?

My second point concerns the possibility of establishing a contingency fund. There is nothing in its proposals to suggest that the Scottish Executive plans to set up a contingency fund for school repairs. Local authorities do not insure buildings for gradual damage and wear and tear, but only for accidental damage. I have lodged a motion that calls for the establishment of a contingency fund to help to maintain schools such as Airdrie Academy.

Members may be aware that, over the weekend, Airdrie attracted some bad publicity about its architectural aspects. Ironically, some of the best architecture in Airdrie is in parts of Airdrie Academy, which is under pressure. Teachers have to move classes from room to room to avoid leaks in the roof, and they have to move computers to prevent pupils from frying themselves. That school has reached the stage at which a rebuild would be almost more economical than a refurbishment. If a contingency fund had been in place, the rot would have been stopped by this time.

My third point concerns the independent review of local government finance. The McIntosh commission recommended the commissioning of an independent review of local authority finance by the Executive. Members of the Local Government Committee have taken evidence from around the

country, and the point that has come over loud and clear is that all the councils would welcome that. Strictly speaking, it is not the job of the Local Government Committee to instigate such a review—it should be that of the Scottish Executive, which has the funds to do the job properly—but I thank the committee for its courage and determination in carrying out its inquiry.

I also acknowledge the positive statements that the minister made earlier. These announcements are steps in the right direction. I especially welcome the move to three-year funding. Nevertheless, I would like clarification from the minister on whether the system of rolling funding forms part of these proposals. I would also like to see plans for contingency funds. An independent review would highlight what the best system of finance would be for local government. Even if that review came up with the proposals that the minister and COSLA have devised, that would be a worthwhile exercise.

The Deputy Presiding Officer (Mr George Reid): I call John McAllion, to be followed by Linda Fabiani, both of whom have the luxury of four or five minutes extra, if that is what they want.

16:18

Mr John McAllion (Dundee East) (Lab): That is a rare luxury for me, Presiding Officer.

I welcome a great deal of the minister's announcement. I am always delighted when Labour ministers announce big increases in public spending—in this case, an extra £1.2 billion for local government over the next period. Like other members, I am pleased with the move to three-year funding announcements.

I welcome especially the minister's guaranteed minimum real-terms increase in grant allocations to every council and his reference to the fact that, in future, there will be no more winners and losers. I assume that he means that, from now on, there will be only winners in local government in Scotland. If he pulls that off, he will be walking on local government water and will be on the fast track to become the leader of the Labour party. That may worry some members of that party, but not all. Then again, if he does not pull it off, he could be on a fast track in the opposite direction.

I say to Donald Gorrie that it is hard to believe that this move to the left—and I take it to be a move to the left—by the Scottish Executive is solely down to pressure from the Liberal Democrats in the coalition. Some of us have been trying to move the Labour party to the left for very much longer than Donald Gorrie and the Liberal Democrats, and we perhaps deserve some of the credit if any is to be attached to Mike Rumbles, who is fresh from the army.

Mr Rumbles: Some of us have been more successful than others.

Mr McAllion: It takes a long time to pressure people to move in any direction. The idea that Mike Rumbles has done it within 12 to 15 months is just not credible to people like me.

I want to touch on the abolition of expenditure guidelines, giving freedom to councils from here on in to set the levels of spending and council tax for which they can persuade the electors in their areas to vote, albeit subject to the Scottish Executive's reserved power of capping. The abolition, rightly, will be widely welcomed across the whole of Scottish local government and, indeed, Scottish politics. However, I am not convinced that in itself it deals adequately with some of the most serious and perverse effects of the current system of local government finance.

Des McNulty referred to the fact that the present system leaves the three councils in Scotland with the highest levels of deprivation—Glasgow, Dundee and West Dunbartonshire—with the highest levels of council tax. Any politician with any pretension of being progressive on taxation cannot accept a system that has that kind of result. Before the Tories begin to argue, let me say that the high levels of council tax in those three areas are not the result of profligate spending. For example, since 1996, Dundee City Council has set its budget either in line with or below the Government expenditure guidelines set by the Scottish Executive. The abolition of guidelines is therefore neither here nor there in Dundee's situation.

John Young: Under the administration in Glasgow from 1977 onwards, rates were reduced by a halfpenny. In the 1960s, under the previous progressive administration there was also at least one reduction. Since then, under Labour, there has not been a single reduction.

Mr McAllion: John Young is talking about the time before Thatcher came on to the scene and destroyed local government. There have been no Tory councils since then, for good reason, but had there been, neither could they have managed the system that was imposed on them by central Government at Westminster.

Dundee City Council sets its budget in line with or below expenditure guidelines. Indeed, since 1996, increases to the budget in Dundee have been below equivalent increases in Angus and Perth and Kinross, which are the neighbouring councils. Yet, over the same period, increases in council tax in Dundee have been nearly double those in Angus and Perth and Kinross. That points to there being other factors at play in explaining the high levels of council tax in areas such as Dundee.

Mr Gibson: Will the member take a brief intervention?

Mr McAllion: I do not have time.

We all know that there are deeper underlying reasons for increases in council tax, one of which is the overhang from Tory reorganisation of local government and the mismatch in the way in which regional council spending was distributed among the councils that succeeded Tayside Regional Council. Another factor is the requirement on councils such as Dundee City Council to provide city status services without the tax base to fund those city services. Des McNulty is right that the way in which funds are distributed to councils does not yet give deprivation its full measure.

Above all, a new phenomenon is beginning to be unleashed on Scottish life—the flight of the affluent middle classes out of cities to suburban or semi-rural surrounding neighbourhoods, just on the other side of the city council boundary. The people who live in those areas work and play in the city and use the city's services, but at night they go home to an entirely different setting, across the boundary line, and pay a significantly lower level of council tax. Neighbouring authorities to the big cities are making the situation worse. In Dundee, there are currently 17 new housing developments just over the boundary, sucking affluent middle-class people out of the city. They live outside the city and pay the lower council tax, but go back into the city to work and use the council services. The Scottish Executive must deal with that issue.

Ben Wallace (North-East Scotland) (Con): Will the member give way?

Mr McAllion: I will not give way, because Ben Wallace is probably one of the people who do what I have just described.

The Scottish Executive is to be congratulated on the way in which it is trying to address the method of financing local government system-wide, but it must address the particular problems of the cities. That is why it is important for the minister to get out into the cities, to meet the city councils and to discuss the ways in which the cities' plight can be addressed, including the problem of urban flight, which must be tackled. Everyone in the Parliament talks about the rural crisis, but there is an urban crisis, which never gets the attention that it deserves. It is time that it did.

I hope that ministers will go to Dundee and Glasgow to speak to the councils there to find out ways in which they can address the problems. We must remember that cities are as important to the regions that surround them as any rural area. The whole of the north-east of Scotland depends on the prosperity of Dundee and Aberdeen. If those cities are in trouble, the whole region is in trouble.

It is in everyone's interests to address the problems of the cities. I hope that the ministers do that, although it has not been addressed in the wider statement that we have had this afternoon.

16:25

Linda Fabiani (Central Scotland) (SNP): As Mr McAllion managed to go on for double the allotted time, I am afraid that I will not.

Like the rest of my colleagues, I generally welcome what has been outlined by the Executive this week. It is a sensible and progressive way forward for local government finance and the improvements that have been announced have long been supported by the SNP. It struck me that we are seeing consensus politics in action in the Scottish Parliament, as the Executive seems to be agreeing with the SNP's ideas. Long may that continue.

The SNP would go further, however, as we agree with the Local Government Committee and other commentators that a full review of local government is needed. Our membership agreed that policy. I hope that this announcement, although welcome, will be deemed to be interim and that Angus MacKay, unlike Jack McConnell, will agree that a full and comprehensive review of local government finance is required. Much could be achieved by such a review. I believe that Bristow Muldoon has already mentioned the continuing problem with local government workers' wages—we all know about Unison's days of action. That issue should be brought into the review.

We should also record the idea of a contingency fund, which Gil Paterson mentioned. Anyone who has visited schools in their constituencies will have seen that we have many school buildings that were built in the boom time of the 1960s and which are now coming to the end of their natural lives and will fall down unless they receive huge investment.

We could consider the reasons for some recent local government actions, such as the cuts in the home-help service, which average out across Scotland at 11.5 per cent. The poorest and most deprived areas were particularly hit: Glasgow had a cut of around 20 per cent. We have an opportunity to consider many such issues and to think about how we could create the best funding framework to deliver local government services.

Des McNulty talked about having a comprehensive review of expenditure throughout Scotland, from the level of the Executive down to local councils. Having worked in the voluntary sector—for housing associations that were funded by Scottish Homes—I can see that the need for that is great. It would be good if those agencies

were able to deal with a three-year funding programme and did not have to go through the annual scramble for funds and deal with the bidding process that becomes a competition that uses up valuable staff time that could be used to deal with the issues that the voluntary agencies are set up to deal with.

I hope that Mr Peacock will make clear whether, as well as councils being funded for three years, a recommendation will be made to councils that they grant the voluntary sector funding on a three-year basis. That would make it easier for voluntary organisations to get match funding when the Executive tells them that they can get a certain amount only if the council grants them the same.

When talking about three-year funding, the minister said that grant support could increase where there were deemed to be new burdens or a transfer of responsibility. I understand that, but I want to know whether it would be possible for a council to increase its council tax in the three-year period if, for example, the Executive said that it could not fund a particular burden. Could the electorate be let down by finding that the three-year council tax that it had been led to expect is increased midway?

The Deputy Presiding Officer: We are more or less back on schedule now.

16:30

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): Through you, Presiding Officer, I would like to point out to John McAllion, in particular, that an examination of the vote in the chamber last spring on the current local government settlement clearly shows that the Liberal Democrat group was not at all happy with the way in which that settlement was handled. A change had to occur. As Donald Gorrie highlighted, the Liberal Democrats have long argued for a thorough reform of the whole system of local government, to revitalise it and ensure the more effective delivery of local services to the people of Scotland.

Angus MacKay's announcements mark the start of the process of reform and are very welcome. The shackles of guidelines, which were introduced as capping by the Tories and were carried on by their successors at Westminster, are now being removed by our Liberal Democrat/Labour coalition Executive in Scotland. That will enable our councils to be far more flexible in delivering the local services that people want. I hope that the minister notices that I am not reluctant to mention the other party in the coalition—whichever party he may judge leads it.

The announcement that there will be a guaranteed real increase in funding for councils

will also be greatly welcomed and will go a long way to ensuring that they are not forced to raise council taxes to an unreasonable level. It will also get rid of the argument about whether councils have received an increase in funding from the Executive because, we understand, the guaranteed increases will be over and above any extra burdens that are placed on councils by ring-fencing.

It is good news that councils will be able to give clear indications to their council tax payers of their council tax obligations for the next three years. That will enable councils to plan ahead and will remove the cynical accusation that is sometimes levelled at councillors that council taxes appear relatively low in the year before elections and high just after them.

It is right and proper that the motion recognises the importance of the reforms. However, we must also recognise that they are just the first step in the reform of the local government system. There is much dispute about the current formula that is used by the minister to distribute funding to councils and I am encouraged by the news that there will be a review of it.

Nora Radcliffe highlighted an anomaly in the current formula which deserves to be repeated. I will not go through a lot of statistics, but I will cite just one—David Davidson will be particularly pleased to hear me say that. Last year, Aberdeenshire Council received £3 million to transport 14,000 students to school, while urban Glasgow received £1 million more to transport 8,000 fewer students. No matter how one interprets such figures, that sort of distortion in funding cannot be described as equitable. As Nora Radcliffe said, it does not compute.

Mr Gibson: When Mr McAllion was speaking, Mr Rumbles was crowing that some parties had been more successful than others in obtaining resources. Is not the Liberal Democrat group's failure in the first year of the partnership shown by the fact that Mr Rumbles's council was shafted more than any other by last year's settlement? If 10 of his colleagues had not voted with the Executive on the Local Government Finance (Scotland) Order 2000, Aberdeenshire would not have suffered the cuts that it had to sustain.

Mr Rumbles: I am grateful for that intervention, because it reinforces the point that I made, through the Presiding Officer, to John McAllion: Liberal Democrat members were persuaded to give the Executive a chance to get the local government settlement right, because it had been inherited from the Labour Administration at Westminster. The fact that the process of change is beginning shows that we have got it right.

Mr Davidson: Will the member give way?

Mr Rumbles: I have just given way to one member. I must press on.

Other reforms that are in the pipeline are even more fundamental to the effective delivery of local services. This is just the beginning. I refer to the commitment of our Liberal Democrat/Labour party coalition to make progress on electoral reform. The introduction of proportional representation for local councils will lead to a real renewal in local democracy and accountability. No longer will any parties without a clear mandate from the voters dominate our council chambers. PR will ensure that administrations are formed from parties that, as in this Parliament, together command majority support from local voters.

Together, the Liberal Democrats and the Labour party are involved in a long programme of local government reform. The Executive motion is just the start of that process. We on the Liberal Democrat benches urge the Parliament to give its full support to the motion. The Executive's announcements will, to use the words of the part of the motion that the SNP wishes to remove,

"contribute to the Executive's aims of revitalising government and ensuring better local services and tax stability for the citizens of Scotland."

16:36

Bill Aitken (Glasgow) (Con): There have been some interesting speeches in today's debate. The Conservatives basically welcome the concept of the three-year funding arrangements. Having said that, a number of points require to be answered. So that the minister can approach this in a logical manner, I will underline them once again.

Three-year funding will be satisfactory in many respects. It allows longer-term planning, not only for the council but for the hard-pressed council tax payer. There are, however, unanswered questions about what will happen in the event of flooding or some other civil emergency, for which it would be unfair to expect the local authority to make the required financial commitment without assistance. It may be that one-off grants are what the minister has in mind.

What about changes in interest rates? They can blow local government budgeting well off course. Councils are subject to the vagaries of the market.

What happens when the political will of a local authority changes? Unless the Executive intends to postpone the elections that are due to be held a year and a half from now, Labour and Liberal Democrat-controlled authorities will be swept from power and be replaced by parties that might apply a somewhat more rational approach to financial governance.

We give a guarded welcome to the proposals on

community planning. Planning legislation has to be considered. I would have been more impressed if the minister had been prepared to extend planning changes to include objectors' right of appeal to an application. That might be addressed in due course.

Bruce Crawford: Can Bill Aitken tell me which of the parties that currently run Perth and Kinross Council represents sensible, modern government? Is it the Conservatives, who are part of the coalition; is it the Labour party, which is part of the coalition; or is it the Liberal party, which is part of the coalition?

Bill Aitken: The Conservative party in Perth plays a valuable role in moderating the extreme approaches adopted by the other parties in that coalition. That will not be a problem shortly, when the Conservatives are restored to running Perth the way it should be run.

I have genuine difficulty with council employees standing for election to local authorities. I accept that there is an issue of local democracy, in that people who wish to stand for election to local councils should be allowed to do so, but that brings real problems. Councillors of whatever party have the right to expect that advice that is offered to them by senior officials is impartial. Could it be guaranteed to be impartial if the official is an elected member of another party? Could the necessary confidentiality and trust be held to be safe in such a situation?

I accept that many of these matters are dealt with by national agreement—some are not—but can we be sure that there would not be some bias in decisions on personnel and finance matters, which affect the salaries of individuals and groups? People in that position could clearly not decide on their own terms and conditions of contract. However, that should not cause too much of a problem because I recollect in Glasgow—as Kenneth Gibson will be able to confirm—that the Labour party got round it—

Mr Gibson: In mysterious ways.

Bill Aitken: Mysteriously, quite a number of Labour councillors seemed to find themselves employed in senior positions in adjoining local authorities, so I question whether any real change is needed.

Local government finance is complex. We would all like more money to go into local government. We could do it at a stroke. Both Des McNulty and John McAllion dealt with the problems of West Dunbartonshire—

Ben Wallace: Does Bill Aitken agree that the urban drift coincides with Labour's hold on Scottish city centres and that John McAllion and his kind, having driven out ratepayers from places

such as Dundee, now want to drive them back in?

Bill Aitken: I find much to commend in what Mr Wallace says. Perhaps it is worth looking at the fact that the council tax collection rate in those local authorities is something like 77 per cent. If it were increased even to the Scottish average of 87 per cent, there would be a tremendous injection of finance. There would also be much more to spend on public services if the lost rents and rent arrears, amounting to £40 million, that local authorities at present fail to collect, were collected.

Local taxation accounts for 17.5 per cent—and national taxation for 82.5 per cent—of councils' income. Places such as Glasgow and Dundee have a major problem of population haemorrhage. Part of the reason for that is that council tax in the city is higher than it is in the suburbs. Staying in the city must be made more attractive. I fear that what is proposed today is a signal to some of the more profligate authorities that they have the freedom to spend.

It would be naive to consider that, after the setting up of the Scottish Parliament, local government powers would remain set in tablets of stone. We must see how some local government powers can be adapted and pursued in a more financially cogent manner.

16:43

Andrew Wilson (Central Scotland) (SNP): It was not with my usual gusto that I sprang from bed this morning, knowing that we would have two and a half hours of this debate this afternoon. I have been pleasantly surprised by some of the debate, in particular the fight for the heart and soul of the Labour movement in Scotland between Mike Rumbles and John McAllion. It is with a heavy heart that I side with Mr McAllion. If we look at the vote on the local government financial settlement that Mr Rumbles hailed as an example of the Liberal Democrats driving the Executive to the left, we find that the Liberal Democrat position was very clear. No doubt the Anniesland electorate will be happy to hear it. As he said, five Liberal Democrats voted with the SNP against the settlement, but 10 voted with Labour and one did not bother to vote. The Liberal Democrat position is quite clear: five with the SNP, 10 with Labour and one somewhere else. We can be certain that the soul of the Labour party is safe from the Liberal Democrats.

Mr Rumbles: It is called real influence.

Andrew Wilson: If Mr Rumbles would like to stand up, I can reject his offer to intervene.

As Kenny Gibson, Gil Paterson, Adam Ingram and other colleagues said, there is much that we—

Donald Gorrie *rose*—

Andrew Wilson: I will give way to one of the five.

Donald Gorrie: Can Mr Wilson give an example of any occasion on which the SNP has altered the Executive's opinion on anything at all?

Andrew Wilson: As time goes on, the Executive is showing over and over again, by copying so many of our policies, that it agrees with the SNP. We welcome that. If Mr Gorrie could give an example of where the Liberals speak with one voice, the whole of Scotland would be delighted to hear it.

There was much in the minister's speech that we welcome. It would be wrong of us not to welcome what are, of course, good proposals from the new minister and the Executive coalition, but Kenny Gibson and others have raised a number of questions. I will repeat them now. If the minister has the time and the inclination, he can answer them when he sums up.

We hope that there will be sympathetic support for our amendment from the Executive and other parties, because it calls for an independent review and many people in this chamber and beyond want that to happen. We cannot back the Tories' amendment because it is unnecessarily churlish in not backing some of the key points that the Executive makes. Mr Young gave us an excellent tour of the history of local government finance, but I would point out to him that successive Whig and Tory Administrations in the 19th century cut local government funding unnecessarily. The pain and suffering was felt by taxpayers across the length and breadth of Scotland.

We welcome the three-year settlement, but what, minister, is the scope for contingencies? Changes to interest rates and, more important, runaway inflation would be of concern to us. Will the costs of new burdens be covered? Some new burdens will be administered in advance of the settlement, but what will happen if the cost of those new burdens rises more rapidly than expected? As Adam Ingram pointed out so well, local government's share of the overall budget will continue to decline in Scotland over the coming period, despite the new spending that has been announced. The Executive has to grapple with that issue. Is the minister happy to see his share of the overall cake getting smaller? Is he arguing in the Cabinet for a larger share? We would be interested to know whether the Minister for Finance and Local Government is having stiff discussions with himself on that issue.

What flexibility will there be within the settlement? The housing bill will call, as Kenny Gibson pointed out, for greater support for tackling homelessness. That is welcome, but will the costs be accommodated by the settlement if they rise

more rapidly than expected?

Many Labour members raised this question: has the minister any plans to discuss with COSLA the stability of funding for local government, particularly with regard to the funding of voluntary organisations? Most people would welcome an answer to that.

What plans does the Executive have to see council tax grow as a proportion of the overall local government financial settlement? Will we see greater local control? If the proportion of spending met by council tax grows, is that of more or less concern than a rise in the overall level of council tax? What is the Executive's position on the capping, or restriction, of council tax levels? Will the minister give us some guidance on the Executive's position on what levels are excessive or unreasonable? It is not unfair to ask the minister for an exact answer to that.

The debate has been about finance, but electoral reform has also arisen. We cannot have the dialogue between citizens and local government that Angus MacKay spoke about until we reform the electoral mechanisms. Mike Rumbles, people in my party and others—although not, for some reason, the Conservatives—are in favour of reform. People do not trust one-party states such as North Lanarkshire Council. Complacency in the democratic structures in such places is rife. Labour should regard reform as an opportunity to introduce some of its best people and to allow quality to grow in local democracy. That would help all parties but, most important, it would help the citizens.

I would like to hear answers to the key questions about the Department of Social Security and the reserved social security matters. I am specifically concerned about council tax benefit, although the same question arises with housing benefit. What will happen if council tax rates, and therefore the levels of benefit, rise disproportionately in Scotland compared with the rest of the United Kingdom? Would money be clawed back from the Scottish budget? Does that not make the case for devolving such matters to the Scottish Parliament, so that we can have proper and reasonable control?

Borrowing is still a live issue. We in the SNP believe that local authorities should have greater scope to access borrowing and capital finance to pay for investment. As Kenny Gibson pointed out, that could be done within the strictures of the Government's golden rule and, indeed, the Maastricht criteria, if we wanted to go to that level. Prudent financial management could accommodate that greater scope.

Angus MacKay mentioned that borrowing is

counted as public spending. In summing up, will Peter Peacock tell us why, if a council borrows to invest, it is first counted as public spending and then counted again when the debt is repaid? Why should such investment double count in local government finances? It does not seem sensible. Despite the 58 per cent increase in capital spending over the next three years under Labour, investment in local government at the end of that period will still be lower than it was when the Conservatives left office—and we know how bad it was at that time.

We support the principle behind the Government's proposals, which is to restore the dialogue between the citizen and local democracy. That was eroded by the Conservative Administration and suffered accelerated erosion during the first three years of the Labour Government. We need to restore the link and drive devolution as close to the people of Scotland as possible. We should apply the principle of devolution within Scotland as well as for Scotland. We support elements of the agenda that the Government has introduced. I urge all reasonable people who back a review of local government finance to support our amendment as well.

16:51

The Deputy Minister for Finance and Local Government (Peter Peacock): I thank all members who have contributed to today's debate for giving such a warm welcome to the steps that the Executive is taking and that have been announced over the past 10 days. I recognise that some members want to go further than the Executive has indicated, but there has been universal support for our efforts to create stability in local government finance. We are setting three-year budgets and getting three-year tax levels in return. Moreover, we are abolishing guidelines and all the instruments that go with them. Alongside that are today's announcements on community planning and the power of community initiative, which are all designed to strengthen local government.

We want to strengthen local government in its relationship with the Scottish Parliament, too. Many people in local government feared what the creation of the Parliament might do to local authority's functions, powers and abilities to address local needs and priorities. The announcements over the past 18 months show that we are intent on strengthening the purpose of local authorities alongside the work of the Parliament.

Many points have been made in the debate and I will try to pick up as many as I can. Kenny Gibson, Adam Ingram, Fiona McLeod and Andrew Wilson, among others, raised the question of an

independent review of local government finance. Indeed, Angus MacKay referred to that in his opening remarks. The calls for such a review date back to the mists of time. Indeed, I suspect that, at some point in my previous life, I may have made such calls myself. However, as members know, times were entirely different then. Such calls were given renewed impetus during the dark days of the Tory Government. Today, we have acted to address most of the frustrations that gave rise to those calls at that time. The events of the past few years represent a fundamental review of local authority financing. The package agreed with COSLA and set out by Angus MacKay has been delivered without recourse to an independent inquiry and the delays that that would have caused. We have made progress in reforming the system.

However, I recognise that there are wider, more long-term questions to be examined, such as the balance between central Government and local government expenditure—an issue that John Young raised in an interesting historical analogy. We must approach that with our eyes wide open. If we did as has been suggested, we would be going down the road of changing the taxation system, which is not something to be done lightly. If we did not go down that road, we would have to find new ways for local authorities to raise revenue or we would have to redivide the responsibilities between central Government and local government—as Keith Harding described—so as to take functions away from local authorities and increase the proportion of revenue raised locally. Many people, both north and south of the border, have considered those issues, which have profound implications.

The Local Government Committee is beginning an inquiry into all those matters. My colleagues and I welcome that inquiry. I hope and expect that it will be detailed and exhaustive. As Angus MacKay indicated, we would be happy to examine its conclusions in the fullness of time. We have not set our face against considering a review, but we would want to take stock of it in due course.

Mr Gibson: I am pleased that the minister accepts that the review is worth while and should continue. Does he accept that the conclusions of the inquiry may strengthen the Executive's position, as I suggested to Jack McConnell in the Local Government Committee on 21 September 1999?

Peter Peacock: I recognise that point. In past years, I made calls for such matters to be considered. That is why I welcome the fact that the Local Government Committee will undertake a review. We must enter such debates with our eyes open to the possibilities. The committee may

conclude that the present system is best; it may come to a different conclusion. We will consider that in light of evidence that the committee takes. I hope that the committee's inquiry will be full and thorough.

I will pick up a number of other points that were made on the specifics of our announcement. A number of members—Keith Harding, Linda Fabiani, Bill Aitken, Andrew Wilson and Kenny Gibson—asked about contingency planning and the flexibilities that would exist in a three-year council tax setting regime and a three-year budget. Let us be clear on that. We are trying to give—we will give—a high degree of certainty to local authorities on what represents the vast bulk of their income and the basis on which they spend. Our ability to do that will enable the councils to predict accurately the council tax levels that they can set. We expect the councils to set council tax levels this coming February that will indicate what the levels will be over the three years. That is a firm position.

Having been a council finance chairman—as, indeed, was Angus MacKay—I understand the factors that impact on council expenditure day in day out, week in week out: gales, floods and hurricanes, difficulties with interest rates and inflation, changing pay settlements and so on. We are not blind to such matters and we will take a pragmatic approach to examining them if and when they arise. However, that approach will be taken in the context of being able to justify why we are varying our original plans, not simply of creating a flexible situation in which there is no predictability. We are mindful of all those points.

Questions were also asked about new burdens. Principally, we were asked whether, in imposing new burdens or asking local authorities to deliver new services, the Executive would be able to adjust the financial settlement to reflect those matters. Keith Harding, Adam Ingram and David Davidson asked about that. The answer is yes—the flexibility exists, from the Executive's point of view, to add to the settlement to enable councils to make progress on such issues if we feel that they are a priority. Equally, the flexibility exists for us to discuss with local authorities a reprioritising of our expenditure to accommodate new matters that we reckon have higher priority than existing expenditure.

Bill Aitken: Would that flexibility extend to cover any increase in interest rates, for example?

Peter Peacock: I do not want to be specific about any particular factor. I recognise that there are a range of factors that can alter over a three-year time horizon. We will be serious and sensible; we are trying to create a situation of high

predictability of costs and stability in the system. It would be self-defeating if we were then not able to recognise factors that impacted on that over time.

Bristow Muldoon: Does the minister wish to reflect on the fact that, as a result of the stable economic management by the Chancellor of the Exchequer, local government does not have much to worry about in terms of fluctuations and interest rates?

Peter Peacock: As usual, the member makes a telling point, to which I will not add.

A great many members—Donald Gorrie, David Davidson, Sylvia Jackson, Des McNulty and Linda Fabiani, among others—mentioned the impact of the settlement on other services that are funded by the local authorities. In particular, the voluntary sector was mentioned, and I can think of other factors that are a constant difficulty for local authorities, such as funding of the tourism organisation. Part of the purpose of providing the stability that we have proposed is to say to local authorities that they now have the opportunity to provide that stability in their relationships with the organisations that they fund. The voluntary sector is a major priority in that regard.

Such funding is a matter of priority for individual local authorities. As members know, I was the leader of a local authority that maintained its funding for the voluntary sector throughout a period of major reductions in expenditure elsewhere. That was a matter of that council's priority and its recognition of what it wanted to do with the voluntary sector. The context that we are setting will allow better arrangements to be made with the voluntary sector, and we definitely want to encourage councils to go down the road of giving three-year horizons to the voluntary organisations, in the same way that councils will receive those time horizons for planning purposes.

Rather curiously, a number of points were made about the council tax level and the implications for a three-year council tax as we move into an election period. It seems to me that that situation is perhaps more straightforward to deal with. If a councillor is in opposition and, knowing what the council tax will be for the three-year period, they wish to campaign in a democratic fashion for a different council tax—whether that is an increase or decrease—that would form a major part of their manifesto and they would be expected to deliver on it. Part of the purpose of this exercise is to create the visibility to be able to know when people are arguing for increases or decreases in taxation and to allow the electors to make a choice. That is the proper relationship in a local democracy—local people deciding about matters that affect them and holding their council accountable.

Mr Davidson: Before the minister runs out of time, I remind him that many of us asked about the major cost for local government—salaries and wages. How will the Executive account for McCrone and three-year wage agreements with the unions?

Peter Peacock: The context that we are creating is one in which much longer-term, stable financial arrangements can be made with local authority work forces, whether teachers or others. That is a matter for trade unions and councils to sort out.

I am conscious that time is moving on. I wish to address two general points. One is the point that Sylvia Jackson and others made about distribution methods and the need to make the system simpler and more understandable. It is said that only three people in the universe understand Scottish local government finance: one is mad, one is dead and nobody can remember who the third person is. It is one of the most complex matters that one could hope to imagine.

Nora Radcliffe demonstrated that by mentioning the problems that she saw in relation to transport in Aberdeenshire. She also illustrated the difficulty of continuing to review the distribution formula; as soon as one group of councils wins, the group of councils that feel they have lost out argues for a change to the distribution system. We end up with a see-saw effect of resources swinging between councils, which is highly disruptive. That is why we are trying to simplify the system.

In that context, John McAllion's point was important. We must look carefully at the distribution mechanisms and how they affect cities. He rightly drew attention to the fact that a major underlying problem for Dundee and Glasgow is not just the distribution system, but the loss of population. It is difficult to imagine any kind of distribution system that disregards population.

What we have been debating today would have been unimaginable four years ago. We are gaining the stability that we want and creating the platform on which local authorities can be successful, not only on their own account, but in partnership with this Parliament, in delivering the services that we want for the people of Scotland. That has been delivered by the Labour Executive in partnership with our Liberal colleagues. I commend the motion to Parliament.

Decision Time

17:02

The Presiding Officer (Sir David Steel): The first question is, that amendment S1M-1373.1, in the name of Kenneth Gibson, which seeks to amend motion S1M-1373, in the name of Angus MacKay, on renewing local government finance, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR

Adam, Brian (North-East Scotland) (SNP)
Campbell, Colin (West of Scotland) (SNP)
Canavan, Dennis (Falkirk West)
Crawford, Bruce (Mid Scotland and Fife) (SNP)
Ewing, Mrs Margaret (Moray) (SNP)
Fabiani, Linda (Central Scotland) (SNP)
Gibson, Mr Kenneth (Glasgow) (SNP)
Grahame, Christine (South of Scotland) (SNP)
Hyslop, Fiona (Lothians) (SNP)
Ingram, Mr Adam (South of Scotland) (SNP)
Lochhead, Richard (North-East Scotland) (SNP)
MacAskill, Mr Kenny (Lothians) (SNP)
MacDonald, Ms Margo (Lothians) (SNP)
McGugan, Irene (North-East Scotland) (SNP)
McLeod, Fiona (West of Scotland) (SNP)
Morgan, Alasdair (Galloway and Upper Nithsdale) (SNP)
Neil, Alex (Central Scotland) (SNP)
Paterson, Mr Gil (Central Scotland) (SNP)
Reid, Mr George (Mid Scotland and Fife) (SNP)
Robison, Shona (North-East Scotland) (SNP)
Russell, Michael (South of Scotland) (SNP)
Sturgeon, Nicola (Glasgow) (SNP)
Swinney, Mr John (North Tayside) (SNP)
Wilson, Andrew (Central Scotland) (SNP)

AGAINST

Aitken, Bill (Glasgow) (Con)
Alexander, Ms Wendy (Paisley North) (Lab)
Baillie, Jackie (Dumbarton) (Lab)
Barrie, Scott (Dunfermline West) (Lab)
Boyack, Sarah (Edinburgh Central) (Lab)
Brankin, Rhona (Midlothian) (Lab)
Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
Curran, Ms Margaret (Glasgow Baillieston) (Lab)
Davidson, Mr David (North-East Scotland) (Con)
Douglas-Hamilton, Lord James (Lothians) (Con)
Ferguson, Patricia (Glasgow Maryhill) (Lab)
Fergusson, Alex (South of Scotland) (Con)
Finnie, Ross (West of Scotland) (LD)
Gallie, Phil (South of Scotland) (Con)
Godman, Trish (West Renfrewshire) (Lab)
Goldie, Miss Annabel (West of Scotland) (Con)
Gorrie, Donald (Central Scotland) (LD)
Grant, Rhoda (Highlands and Islands) (Lab)
Gray, Iain (Edinburgh Pentlands) (Lab)
Harding, Mr Keith (Mid Scotland and Fife) (Con)
Henry, Hugh (Paisley South) (Lab)
Home Robertson, Mr John (East Lothian) (Lab)
Hughes, Janis (Glasgow Rutherglen) (Lab)
Jackson, Dr Sylvia (Stirling) (Lab)
Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
Jamieson, Margaret (Kilmarnock and Loudoun) (Lab)

Jenkins, Ian (Tweeddale, Ettrick and Lauderdale) (LD)
 Johnston, Nick (Mid Scotland and Fife) (Con)
 Johnstone, Alex (North-East Scotland) (Con)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 MacKay, Angus (Edinburgh South) (Lab)
 MacLean, Kate (Dundee West) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 McAllion, Mr John (Dundee East) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Mr Tom (Hamilton South) (Lab)
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McGrigor, Mr Jamie (Highlands and Islands) (Con)
 McIntosh, Mrs Lyndsay (Central Scotland) (Con)
 McLetchie, David (Lothians) (Con)
 McMahon, Mr Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Morrison, Mr Alasdair (Western Isles) (Lab)
 Muldoon, Bristow (Livingston) (Lab)
 Mulligan, Mrs Mary (Linlithgow) (Lab)
 Mundell, David (South of Scotland) (Con)
 Murray, Dr Elaine (Dumfries) (Lab)
 Oldfather, Irene (Cunninghame South) (Lab)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Radcliffe, Nora (Gordon) (LD)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Rumbles, Mr Mike (West Aberdeenshire and Kincardine) (LD)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, John (Ayr) (Con)
 Scott, Tavish (Shetland) (LD)
 Simpson, Dr Richard (Ochil) (Lab)
 Smith, Iain (North-East Fife) (LD)
 Smith, Mrs Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Thomson, Elaine (Aberdeen North) (Lab)
 Tosh, Mr Murray (South of Scotland) (Con)
 Wallace, Ben (North-East Scotland) (Con)
 Wilson, Allan (Cunninghame North) (Lab)
 Young, John (West of Scotland) (Con)

The Presiding Officer: The result of the division is: For 24, Against 70, Abstentions 0.

Amendment disagreed to.

The Presiding Officer: The second question is, that amendment S1M-1373.2, in the name of Keith Harding, which seeks to amend motion S1M-1372, in the name of Angus MacKay, on renewing local government finance, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR

Aitken, Bill (Glasgow) (Con)
 Davidson, Mr David (North-East Scotland) (Con)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Fergusson, Alex (South of Scotland) (Con)
 Gallie, Phil (South of Scotland) (Con)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Harding, Mr Keith (Mid Scotland and Fife) (Con)
 Johnston, Nick (Mid Scotland and Fife) (Con)
 Johnstone, Alex (North-East Scotland) (Con)

McGrigor, Mr Jamie (Highlands and Islands) (Con)
 McIntosh, Mrs Lyndsay (Central Scotland) (Con)
 McLetchie, David (Lothians) (Con)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Mundell, David (South of Scotland) (Con)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, John (Ayr) (Con)
 Tosh, Mr Murray (South of Scotland) (Con)
 Wallace, Ben (North-East Scotland) (Con)
 Young, John (West of Scotland) (Con)

AGAINST

Adam, Brian (North-East Scotland) (SNP)
 Alexander, Ms Wendy (Paisley North) (Lab)
 Baillie, Jackie (Dumbarton) (Lab)
 Barrie, Scott (Dunfermline West) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Campbell, Colin (West of Scotland) (SNP)
 Canavan, Dennis (Falkirk West)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Crawford, Bruce (Mid Scotland and Fife) (SNP)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Ewing, Mrs Margaret (Moray) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Ferguson, Patricia (Glasgow Maryhill) (Lab)
 Finnie, Ross (West of Scotland) (LD)
 Gibson, Mr Kenneth (Glasgow) (SNP)
 Godman, Trish (West Renfrewshire) (Lab)
 Gorrie, Donald (Central Scotland) (LD)
 Grahame, Christine (South of Scotland) (SNP)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (Edinburgh Pentlands) (Lab)
 Henry, Hugh (Paisley South) (Lab)
 Home Robertson, Mr John (East Lothian) (Lab)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Jackson, Dr Sylvia (Stirling) (Lab)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Jamieson, Margaret (Kilmarnock and Loudoun) (Lab)
 Jenkins, Ian (Tweeddale, Ettrick and Lauderdale) (LD)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Lochhead, Richard (North-East Scotland) (SNP)
 MacAskill, Mr Kenny (Lothians) (SNP)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 MacDonald, Ms Margo (Lothians) (SNP)
 MacKay, Angus (Edinburgh South) (Lab)
 MacLean, Kate (Dundee West) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 McAllion, Mr John (Dundee East) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McGugan, Irene (North-East Scotland) (SNP)
 McLeod, Fiona (West of Scotland) (SNP)
 McMahon, Mr Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Morgan, Alasdair (Galloway and Upper Nithsdale) (SNP)
 Morrison, Mr Alasdair (Western Isles) (Lab)
 Muldoon, Bristow (Livingston) (Lab)
 Mulligan, Mrs Mary (Linlithgow) (Lab)
 Murray, Dr Elaine (Dumfries) (Lab)
 Neil, Alex (Central Scotland) (SNP)
 Oldfather, Irene (Cunninghame South) (Lab)
 Paterson, Mr Gil (Central Scotland) (SNP)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Radcliffe, Nora (Gordon) (LD)
 Reid, Mr George (Mid Scotland and Fife) (SNP)
 Robison, Shona (North-East Scotland) (SNP)

Robson, Euan (Roxburgh and Berwickshire) (LD)
 Rumbles, Mr Mike (West Aberdeenshire and Kincardine) (LD)
 Russell, Michael (South of Scotland) (SNP)
 Scott, Tavish (Shetland) (LD)
 Simpson, Dr Richard (Ochil) (Lab)
 Smith, Iain (North-East Fife) (LD)
 Smith, Mrs Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Sturgeon, Nicola (Glasgow) (SNP)
 Swinney, Mr John (North Tayside) (SNP)
 Thomson, Elaine (Aberdeen North) (Lab)
 Wilson, Allan (Cunninghame North) (Lab)
 Wilson, Andrew (Central Scotland) (SNP)

The Presiding Officer: The result of the division is: For 19, Against 72, Abstentions 0.

Amendment disagreed to.

The Presiding Officer: The third question is, that motion S1M-1373, in the name of Angus MacKay, on renewing local government finance, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR

Adam, Brian (North-East Scotland) (SNP)
 Alexander, Ms Wendy (Paisley North) (Lab)
 Baillie, Jackie (Dumbarton) (Lab)
 Barrie, Scott (Dunfermline West) (Lab)
 Boyack, Sarah (Edinburgh Central) (Lab)
 Brankin, Rhona (Midlothian) (Lab)
 Campbell, Colin (West of Scotland) (SNP)
 Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
 Crawford, Bruce (Mid Scotland and Fife) (SNP)
 Curran, Ms Margaret (Glasgow Baillieston) (Lab)
 Ewing, Mrs Margaret (Moray) (SNP)
 Fabiani, Linda (Central Scotland) (SNP)
 Ferguson, Patricia (Glasgow Maryhill) (Lab)
 Finnie, Ross (West of Scotland) (LD)
 Gibson, Mr Kenneth (Glasgow) (SNP)
 Godman, Trish (West Renfrewshire) (Lab)
 Gorrie, Donald (Central Scotland) (LD)
 Grahame, Christine (South of Scotland) (SNP)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Gray, Iain (Edinburgh Pentlands) (Lab)
 Henry, Hugh (Paisley South) (Lab)
 Home Robertson, Mr John (East Lothian) (Lab)
 Hughes, Janis (Glasgow Rutherglen) (Lab)
 Hyslop, Fiona (Lothians) (SNP)
 Ingram, Mr Adam (South of Scotland) (SNP)
 Jackson, Dr Sylvia (Stirling) (Lab)
 Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
 Jamieson, Margaret (Kilmarnock and Loudoun) (Lab)
 Jenkins, Ian (Tweeddale, Ettrick and Lauderdale) (LD)
 Lamont, Johann (Glasgow Pollok) (Lab)
 Lochhead, Richard (North-East Scotland) (SNP)
 MacAskill, Mr Kenny (Lothians) (SNP)
 Macdonald, Lewis (Aberdeen Central) (Lab)
 MacDonald, Ms Margo (Lothians) (SNP)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 MacKay, Angus (Edinburgh South) (Lab)
 MacLean, Kate (Dundee West) (Lab)
 Macmillan, Maureen (Highlands and Islands) (Lab)
 Martin, Paul (Glasgow Springburn) (Lab)
 McAllion, Mr John (Dundee East) (Lab)
 McAveety, Mr Frank (Glasgow Shettleston) (Lab)
 McCabe, Mr Tom (Hamilton South) (Lab)

McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
 McGugan, Irene (North-East Scotland) (SNP)
 McLeod, Fiona (West of Scotland) (SNP)
 McMahon, Mr Michael (Hamilton North and Bellshill) (Lab)
 McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
 McNulty, Des (Clydebank and Milngavie) (Lab)
 Morgan, Alasdair (Galloway and Upper Nithsdale) (SNP)
 Morrison, Mr Alasdair (Western Isles) (Lab)
 Muldoon, Bristow (Livingston) (Lab)
 Mulligan, Mrs Mary (Linlithgow) (Lab)
 Murray, Dr Elaine (Dumfries) (Lab)
 Neil, Alex (Central Scotland) (SNP)
 Oldfather, Irene (Cunninghame South) (Lab)
 Paterson, Mr Gil (Central Scotland) (SNP)
 Peacock, Peter (Highlands and Islands) (Lab)
 Peattie, Cathy (Falkirk East) (Lab)
 Radcliffe, Nora (Gordon) (LD)
 Reid, Mr George (Mid Scotland and Fife) (SNP)
 Robison, Shona (North-East Scotland) (SNP)
 Robson, Euan (Roxburgh and Berwickshire) (LD)
 Rumbles, Mr Mike (West Aberdeenshire and Kincardine) (LD)
 Russell, Michael (South of Scotland) (SNP)
 Scott, Tavish (Shetland) (LD)
 Simpson, Dr Richard (Ochil) (Lab)
 Smith, Iain (North-East Fife) (LD)
 Smith, Mrs Margaret (Edinburgh West) (LD)
 Stephen, Nicol (Aberdeen South) (LD)
 Sturgeon, Nicola (Glasgow) (SNP)
 Swinney, Mr John (North Tayside) (SNP)
 Thomson, Elaine (Aberdeen North) (Lab)
 Wilson, Allan (Cunninghame North) (Lab)
 Wilson, Andrew (Central Scotland) (SNP)

AGAINST

Aitken, Bill (Glasgow) (Con)
 Canavan, Dennis (Falkirk West)
 Davidson, Mr David (North-East Scotland) (Con)
 Douglas-Hamilton, Lord James (Lothians) (Con)
 Fergusson, Alex (South of Scotland) (Con)
 Gallie, Phil (South of Scotland) (Con)
 Goldie, Miss Annabel (West of Scotland) (Con)
 Harding, Mr Keith (Mid Scotland and Fife) (Con)
 Johnston, Nick (Mid Scotland and Fife) (Con)
 Johnstone, Alex (North-East Scotland) (Con)
 McGregor, Mr Jamie (Highlands and Islands) (Con)
 McIntosh, Mrs Lyndsay (Central Scotland) (Con)
 McLetchie, David (Lothians) (Con)
 Monteith, Mr Brian (Mid Scotland and Fife) (Con)
 Mundell, David (South of Scotland) (Con)
 Scanlon, Mary (Highlands and Islands) (Con)
 Scott, John (Ayr) (Con)
 Tosh, Mr Murray (South of Scotland) (Con)
 Wallace, Ben (North-East Scotland) (Con)
 Young, John (West of Scotland) (Con)

The Presiding Officer: The result of the division is: For 74, Against 20, Abstentions 0.

Motion agreed to.

That the Parliament welcomes the improvements in the local government finance system proposed by the Executive and agrees that this will provide greater stability and improve accountability and will contribute to the Executive's aims of revitalising government and ensuring better local services and tax stability for the citizens of Scotland.

Protected Area Designations

The Presiding Officer (Sir David Steel): The final item of business is the members' business debate on motion S1M-1243, in the name of Mr John Scott, on the designation of sites of special scientific interest, special protection areas and special areas of conservation. The debate will be concluded after 30 minutes without any question being put. I ask members who are not staying for the debate to leave quickly and quietly, please.

Motion debated,

That the Parliament notes and expresses its concern at the significant increase in proposed designations of Sites of Special Scientific Interest, Special Protection Areas and Special Areas of Conservation made during the last year and covering more than 8% of Scotland's landmass; requests a report to the Parliament on the scientific basis for these designations and on the findings of any consultations undertaken prior to designation, and believes that this issue should be debated in the Parliament before these designations are finalised. **R**

17:06

John Scott (Ayr) (Con): First, I declare an interest as an affected farmer and as an active conservationist—one who has perhaps done more than most for conservation in Ayrshire. Once again, I am speaking in a debate for a sense of balance. Today, I will address the creeping powers of the state over private property. Perhaps unfashionably, I do not subscribe to the view that land belongs to the Government and the people. In my view, it belongs to the country and to individuals such as the farmers and landowners who have bought and paid for their land, and who look after it and cherish it for little or no reward.

For generations, the country folk have struggled in all weathers, in good times and bad, to create the environment, the habitats and the scenery that is uniquely and identifiably Scottish and is so highly prized today. The preceding generations planted the trees, built the dykes and ploughed the fields that give us the habitats and biodiversity of today. There was and is an order, a balance in the rural areas, which is under threat. Why is it under threat, and from what? What threatens the balance in the countryside most noticeably, apart from low incomes and Mike Watson's Protection of Wild Mammals (Scotland) Bill, is the imposition of special sites of scientific interest, special areas of conservation and special protection areas.

As of 1999, more than 8 per cent of Scotland was covered by those designations. After the latest round of designations, that figure has now risen significantly, to cover between 10 per cent and 15 per cent of Scotland and put it under the control of Scottish Natural Heritage. That means

that those areas are under the control of the state, because we must not forget that SNH is a state organisation. It is a Government instrument, which poses the threat of back-door nationalisation of the land.

Today, the threat is more focused. This year, due to a need to make European quotas, we have to create more SSSIs, more SACs and more SPAs, this time to protect the already protected hen harriers. There are between 450 and 500 breeding pairs of hen harriers in Scotland, a figure that has remained relatively stable for the past 10 years. The low point for hen harriers in Scotland was between the wars, when there were as few as 50 pairs. Since then, due to careful management and a desire to create a balance in wildlife and bird-life, numbers have increased to where they are today. In relative terms, hen harriers have recovered from the position of 60 years ago and, although rare, they are very much part of the Scottish landscape. It is the people who care about the countryside who have delivered that, not SNH.

Today, those who rescued the species and those on whose farms the birds have been allowed to increase in number and to prosper are being told by an organisation that came into being only 20 years ago: "No, you don't know what you're doing. No, you cannot be trusted. No, we know best". In a Government-inspired drive, SNH is taking control of even more of Scotland, telling those who look after the land physically on a day-to-day basis that SNH knows best.

When those ideal habitats are found, SNH imposes on owners a checklist that forbids up to 30 potentially damaging operations, so that those sites and wildlife habitats, many of which were hundreds of year in the making, are protected for future generations. The problem is the effrontery of SNH and Government—the Johnnys-come-lately of environmental care—in coming to the table in the past 20 years to tell those who have been looking after the land for hundreds of years how best to do so.

In my view, the Government has gone about this in completely the wrong way. If it had approached the issue in the European way, it might have ruffled fewer feathers. Some European countries are also trying to protect their wildlife and have introduced voluntary schemes. In Europe, the carrot rather than the stick is being used to encourage the preservation of the most valuable wildlife sites. That used to be the case in Scotland, where environmentally sensitive area and countryside premium schemes run at present. The stewards of the land have been queuing up to take part in those schemes.

The Government could have said, "We now want to introduce another scheme to protect hen

harriers. You farmers and landowners will be eligible for entry if you undertake to meet the criteria by agreeing to the prescription of the potentially damaging list of operations. If you do all this, we will give you a small cash incentive." If the Government had done that, farmers across the country would be queuing up to join, as they did with the ESA scheme and the CPS.

Instead, across the country, the stewards of the land are bristling with indignation at the heavy-handed treatment meted out by SNH, which, as I said, knows little of the skills required to juggle and balance the competing demands of looking after and living off the land that feeds us all. That is why SNH's announcement yesterday that it is not seeking confirmation of four sites in the south of Scotland is welcome news, as it will allow a breathing space for full scientific evaluation and proper consultation to take place.

Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab): One of the sites that John Scott mentioned in relation to hen harriers is the Muirkirk valley site, which is in my constituency. Would he agree that the reason behind SNH's decision not to confirm the designation of the site was partly the lobbying to get it to consider the economic development potential of the area? SNH's decision was not based simply on the reasons given by John Scott. It is clear that the needs of the environment must be balanced with the wider needs of the local community.

John Scott: I accept totally Cathy Jamieson's point, and I hope that other members will allude to it during the debate.

I urge the Executive to take note of the strength of feeling on SNH's impositions and at least to hold a wider debate and consultation, rather than pressing on relentlessly, regardless of the views of those who are affected. I believe that SNH should not confirm designations in other parts of the country and that the Parliament should hold an open and full debate on this matter. After all, the nationalisation of land is a big decision and should not be allowed to happen incrementally, by stealth or by the back door.

The Deputy Presiding Officer (Patricia Ferguson): We now move to the open part of the debate. I ask members who wish to speak to press their request-to-speak buttons now. Given the number of members who wish to speak in the debate, I suspect that I will have to ask members to restrict their speeches to three minutes. Shorter speeches would be even better.

17:14

Bruce Crawford (Mid Scotland and Fife) (SNP): No right-thinking person could object to Government having mechanisms for delivering its

objectives on biodiversity. The requirement for site designation to protect particular areas is vital, not only to meet our international obligations but to join nature conservation with sustainable development. When designating areas as special areas of conservation, there are real opportunities to unlock funds for sustainable rural development. To enable those funds, including structural funds, to be released and utilised to the full, a much greater emphasis must be put on education and awareness raising by Scottish Natural Heritage and by the Executive.

Something else that must be tackled is the level of confusion that is prevalent in the plethora of different designations. There are sites of special scientific interest, special protection areas, special areas of conservation, national nature reserves, world heritage sites, environmentally sensitive areas, natural heritage zones and Ramsar sites. Confusion creates uncertainty and fears that are greater than the reality on the ground. At some stage, a rationalisation of designations must be attempted, otherwise confusion and fear will continue to exist at unnecessary levels.

That confusion is not helped by the announcement today of SNH's withdrawal of the four moorland areas for SSSIs. At the same time as withdrawing them, SNH is telling everyone that it intends to recommend that those sites be considered again as SSSIs. I am afraid that SNH has painted itself as an organisation that does not know what it is about, leading to further confusion and fear. It cannot be denied that many people in rural Scotland are fearful of Scottish Natural Heritage and believe that it is beyond any real democratic control. My colleague Fergus Ewing, acting to help overcome such fears, has extracted a promise from SNH that it will automatically inform all MSPs when it begins consideration of whether an area should be designated.

It is well known that Scottish Natural Heritage must advise the Government on the environment, but its duties are not always fully appreciated. For example, it is a little-known fact that, under its founding statute, the Natural Heritage (Scotland) Act 1991, Scottish Natural Heritage must exercise its functions to take account of the needs of agriculture, fisheries and forestry, the need for social and economic development in Scotland and the needs of local communities. Many people believe that SNH does not take proper account of those matters. Some would say that a body that is, almost by definition, primarily concerned with the environment is not always best placed to take account of those matters.

I suggest that we need a root-and-branch review of the various designations that exist as well as a rationalisation. We also need a fundamental review of Scottish Natural Heritage itself. If the

Executive is really interested in what people think and if ministers are progressive pragmatists who really want to take action to bring quangos to account, I suggest that they begin with SNH.

17:18

Dr Sylvia Jackson (Stirling) (Lab): John Scott's motion says that there is

"concern at the significant increase in proposed designations of Sites of Special Scientific Interest, Special Protection Areas and Special Areas of Conservation".

His first reason for concern seems to be about the power of the state over individuals. I would like to point out that I believe our natural heritage to be for the people of Scotland rather than just for landowners. His second reason seems to be that those designations hamper economic and social development, but I think that the Conservatives, yet again, have missed the point completely. I would like to enlighten them on a few issues.

We are bound by European directives, including the EC birds directive and the EC habitats directive. I think I should add that the Conservative Government signed up to those directives.

Alex Fergusson (South of Scotland) (Con): Will Sylvia Jackson give way?

Dr Jackson: I am sorry, but I have only a limited time in which to speak.

SPAs meet the requirements of the EC birds directive and SACs meet the requirements of the EC habitats directive. SPAs and SACs make up the Natura 2000 network, which helps to maintain and increase employment to safeguard rural livelihoods and the rural way of life. Payments are given to make that possible. In other words, the network offers an opportunity for rural communities.

I am only sorry that Ross Finnie is not in the chamber tonight to hear what we are saying about rural development. I could give members examples of developments in Scotland, including the Caithness and Sutherland peatlands, that have been positively received by local farmers and crofters. Designations should be viewed as an asset in which many landlords and managers are keen to participate. The National Farmers Union for Scotland and the Scottish Landowners Federation agree that much more—not less—should be done, to extend agri-environment programmes to manage designated areas. That issue should be addressed at the earliest possible opportunity.

What more can and should the Government be doing to make landowners such as John Scott aware of the potential of SSSIs, SPAs and SACs? First, it should ensure that conservation advice is available to owners and managers of designated

sites. As Bruce Crawford said, we must get away from the confusion that exists, clarify the situation and provide support, so that people are aware of what is available—which John Scott clearly is not. Secondly, the Government must ensure that designations constitute a binding conservation contract that is supported by positive management incentives and is integrated into rural development planning and policy. Designations should help to maintain rural communities. Lastly, the Government should ensure that designations are accompanied by clear explanations and presentations to owners, managers, local communities and the public, and that resources are allocated for that purpose.

Many other European countries have much higher numbers of SPAs and SACs than we have. John Scott may not have a copy of the SNH document that I am now showing to the chamber, which lists Denmark, Greece, Spain, Italy, Luxembourg and the Netherlands, to name but a few. The Scottish Wildlife Trust and other environmental groups make the point that there is on-going fragmentation and destruction of habitats, and that insufficient attention is being paid to biodiversity. More important even than that is that increased designation is better and more effectively managed.

17:22

Donald Gorrie (Central Scotland) (LD): I would like to make two points. First, Robin Harper lodged an amendment to John Scott's motion, which I supported. Unfortunately, Robin is unable to attend today's debate, as he is in hospital, getting over a minor operation. It is important to point out that many members do not support the contention in John Scott's motion that there are too many designated areas. As Sylvia Jackson said, on that score we compare very badly with a number of other countries. The green argument needs to be put.

My second point relates to how the system works at the moment. I have a great deal of sympathy with the points that Bruce Crawford and Sylvia Jackson made about Scottish Natural Heritage and the defects of the present system. The system is too top-down and bureaucratic. There is insufficient consultation, there are not enough incentives and not enough is done to gain the agreement of landowners and communities. As Sylvia Jackson said, when the process is conducted properly, the community is often very supportive of designation and benefits from it economically; in other words, everybody gains.

The previous Conservative Government did not do much in this area; as a result, we now have a compressed timetable and things have to be done in a rush. The Executive should attempt to make

designation much more of a partnership, but it should not back off from promoting more SSSIs and other kinds of designated area.

We should stick to having more SSSIs, and not support John Scott in reducing them. We should also make the designation mechanism less bureaucratic and emphasise partnership.

John Scott: My point was about not the designations as such, but the fact that they are being imposed arbitrarily. I am perfectly happy with voluntary designations. The voluntary principle should be applied. I would like Donald Gorrie to accept that.

Donald Gorrie: I am arguing for voluntary and co-operative efforts. My reading of John Scott's motion, and his speech, was that we should have fewer SSSIs and that landowners should be allowed to get on with it.

The Liberal party campaigned vigorously in the first part of the century on the issue of the land belonging to the people and had splendid songs about it. The land certainly does not belong to the Government—nothing belongs to the Government—but it belongs to the people. We should work with local people to make those designations.

17:26

Alex Fergusson (South of Scotland) (Con): I declare an interest in the debate, as a landowner and former farmer.

I congratulate John Scott and the Parliamentary Bureau. In many ways, this is a brave debate.

I will take up one issue with Sylvia Jackson, because she has missed the point. I would not mind if the percentage of the land in Scotland that was under designation was doubled if designation was done on a voluntary basis, as happens in Europe. Designation should not be imposed.

The imposition of an SSSI is unnecessary for the conservation or protection—there is a great difference between the two—of the hen harrier, in the four cases that have been mentioned.

Although I applaud the decision of the chair of SNH to postpone the notifications of the four sites, I recognise that that is only a postponement and may well be nothing more than a token gesture. I am sure we will be told that any landowner on whom one of those SSSIs is to be imposed has the right to appeal, but appeals can be made only on the basis of scientific information. Given that most of that information is held by SNH, it is evident that that will not account for many of the concerns of landowners.

Not only does the bias of specific scientific criteria ignore many other legitimate reasons why

sites of nature conservation interest may be valued; crucially, it raises unnecessary barriers between scientists, conservation managers, land managers and members of the public.

Another unnecessary barrier is raised by the refusal of an SSSI to recognise a legitimate need for sustainable economic development. Cathy Jamieson mentioned that. I am delighted that that vital point is to be discussed. At the proposed site for Glenapp in Ayrshire and Galloway, one landowner, whose land is located on the edge of the site, wanted to retain the right to develop a stone quarry for the two good reasons of diversifying his farming operation and providing some desperately needed local employment. Despite the logic and passion of the landowner's arguments, the quarry could not be removed from the list of potentially damaging operations because, as the development has no scientific criteria, there was no right of appeal.

In the Executive's National Parks (Scotland) Act 2000, the need for sustainable economic development is highlighted as one of the main aims of a national park. Given that aim, the power of an unaccountable body, such as SNH, to deny sustainable economic development seems to be unjustified, especially when one takes into account the paucity of jobs in rural Scotland at the moment.

We need a reverse of the current situation, in which there is a distinct lack of open discussion. SSSIs are seen to be imposed by a heavy-handed Government body, which shows little concern for some of the wider parameters—to which I would have referred had not the Presiding Officer cut down the time allowed for my speech by about half.

The Deputy Minister for Enterprise, Lifelong Learning and Gaelic (Mr Alasdair Morrison): Well done.

Alex Fergusson: The minister may well argue that it was sensible for the Presiding Officer to do so.

Increasingly, resentment, bitterness and in some cases downright anger are being caused, as my colleague John Scott and I witnessed at a recent SNH meeting in Stranraer.

I cannot believe that the present system is the ideal backdrop to sound conditions for a joint approach to conservation. I ask the Executive, SNH and the organisations that represent landowners and managers to address the issues that I have raised, so that the matter can be taken forward in an atmosphere of consensus, which will achieve results, rather than the prevailing atmosphere of mistrust and resignation, which most certainly will not.

17:30

Mr Kenneth Gibson (Glasgow) (SNP): I, too, lodged an amendment to John Scott's motion, but at the time the motion had not been selected for members' business and my amendment was not accepted. I was happy to sign Robin Harper's amendment; it is regrettable that he is unable to be here to put the environmental side of the argument.

We must consider first principles and the kind of world we want to live in. What is the purpose of sites of special scientific interest? To save the hen harrier or a certain species of toad or butterfly. Why do we want to do that? Because mankind has systematically exterminated the wolf, the bear, the wild boar and other creatures that used to inhabit Scotland.

Conservation is carried out here on a much smaller scale than in other countries. Daily, we hear that one hectare per second of rainforest is being destroyed and that hundreds of species are being exterminated. The world is either becoming a concrete jungle or increasingly being put under the plough. Scotland must accept that it has a role to play in conservation. That role does not need to have an adverse effect on rural communities. The conservation movement is not only trying to save rare species in areas of natural beauty; it is trying to bring jobs into those areas and to develop them in a sustainable way.

Alex Fergusson said that he would not be bothered if the amount of land that was available for conservation was doubled, as long as conservation of that land was not compulsory. However, a certain area of bog land, for example, may be the last remaining refuge on the planet for a specific species. If that is the case, for the sake of future generations and the preservation of the species, such sites must be taken under the wing of the conservation bodies as SSSIs.

The only types of development that are permitted in SSSIs are those that are appropriate and that do not undermine health or natural values. Damaging developments may be allowed in such areas only for reasons of overriding national importance. That is absolutely right. Furthermore, SSSIs provide opportunities for rural communities. Some €30 billion is being made available for such sites from European Union structural funds, and programmes that encompass environmental protection and sustainable development are achieving a much higher priority. That means that issues such as those that John Scott touched on, such as rural unemployment, can be addressed in conjunction with conservation.

We should examine SSSIs from a positive perspective and consider that conservation can

work in tandem with farming, forestry and fishing. For God's sake, let us not think about ploughing under all the land in Scotland, as has happened in East Anglia, where prairies have been created and 100,000 miles of hedgerows have been destroyed. Let us think about future generations and the world that we want to bequeath to our descendants.

17:33

The Deputy Minister for Sport and Culture (Allan Wilson): I am grateful to all members—especially John Scott—who have contributed to the debate. People such as John Scott and Alex Fergusson have a proprietorial interest in the land, but they also have a heartfelt interest in the land and the rivers from which they earn their living or seek their recreation. Some of that passion was evident in what they, and others, had to say.

In summing up, I will answer the question—I think it was asked by Donald Gorrie—about why the Scottish Executive and Scottish Natural Heritage are pressing ahead with the selection and designation of protected areas for Scotland's nature. I also intend to make it clear that we will not introduce protection unless we are satisfied that there is a clear scientific case for doing so and that the necessary consultation has been conducted satisfactorily on our behalf by Scottish Natural Heritage.

Scotland has an outstanding natural heritage, and some areas of the country have special importance as part of our national inheritance. However, some of those sites are not so obvious, such as the raised bogs in central Scotland, which Kenny Gibson mentioned, that have taken thousands of years to accumulate, and the rich underwater habitats of some of our reefs. We can sometimes be blinded by the abundance of natural resources in Scotland and, as a consequence, not pay enough attention to conservation. I agree with Kenny Gibson that we should protect the best examples of all our habitats and species, to ensure that we pass on to our successors a natural heritage that is at least as rich as the one that we inherited. That is why we have a continuing programme to protect Scotland's most special natural places.

Mr Jamie McGrigor (Highlands and Islands) (Con): Will the minister take an intervention?

Allan Wilson: I suspect that I am about to come to the point that Jamie McGrigor wants to raise.

As well as the arguments of principle for continuing a programme of protective designations, there are arguments of simple legal necessity. Our obligations under European law mean that we are completing an ambitious programme of nature conservation designations.

As Sylvia Jackson said, we have a specific obligation under EC law to propose the best sites for a range of habitats and species to the European Commission.

On reflection, the UK's original approach was perhaps too restrictive compared with what some other member states proposed and it was fair enough that we should be asked to do some more. If we did not select further candidate special areas of conservation, we would also be likely to face specific penalties and infraction proceedings in the European Court of Justice for failing to propose sufficient sites, with the prospect of daily fines against the UK. The Commission is also considering restricting our ability to access European structural funds if we do not comply with environmental obligations. We have a similar legal obligation under the EC birds directive. It is clear from European Court of Justice case law that member states must classify those sites that meet the scientific criteria for selection as SPAs. There is no room for voluntarism.

The Scottish Executive and Scottish Natural Heritage know that nature conservation designations can be controversial. Different interest groups think different things. On the one hand, proprietors have legitimate concerns about a nature conservation designation's potential to constrain their choices about how they manage their land. On the other hand, environmentalists tell us that we should do more. We must try to balance the two interests. Let us not forget that the last time a controversy about a European nature conservation site arose, it was because proprietors wanted us to do more. We must walk the tightrope and make objective judgments about whether there is a sound scientific case for selection of any particular site as a protected area. Full and considered consultation with the proprietors of proposed sites and other interested parties is an essential part of that process.

Members should be clear that the selection of a site as a protected area does not mean that it is put beyond economic use. There are cases in which damaging development is inhibited by the presence of a nature conservation designation. Sometimes it is right and proper that a judgment should be reached, through the planning system or other consent regimes, that the natural value of the land means that damaging development should not go ahead. That is a long-established principle, which I, and other members who spoke today, support.

A number of valid criticisms have been made, for example by Bruce Crawford, of the way in which the programme of nature conservation designations has been managed. The question is, can we do better? There is always room for improvement and, as the Minister for Environment,

Sport and Culture made clear in a response to a parliamentary question from Bruce Crawford's colleague, Fergus Ewing, we are considering whether improvements can be made to policy and law on nature conservation. Through our spending review, we have allocated additional resources to Scottish Natural Heritage to enable it to offer more financial incentives to the people who manage protected areas. In the meantime, however, European obligations mean that we must pursue a programme of nature conservation designations quickly. That is not necessarily popular with everyone. I am, however, convinced that it is the right thing to do and that it is an essential part of protecting the best of our natural heritage.

Meeting closed at 17:37.

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