



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

Wednesday 3 November 2010

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**Wednesday 3 November 2010**

**CONTENTS**

<b>DRAFT BUDGET SCRUTINY 2011-12</b> .....	<b>Col. 3633</b>
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**LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**  
**25<sup>th</sup> Meeting 2010, Session 3**

**CONVENER**

\*Duncan McNeil (Greenock and Inverclyde) (Lab)

**DEPUTY CONVENER**

\*Bob Doris (Glasgow) (SNP)

**COMMITTEE MEMBERS**

\*Patricia Ferguson (Glasgow Maryhill) (Lab)  
\*David McLetchie (Edinburgh Pentlands) (Con)  
\*Alasdair Morgan (South of Scotland) (SNP)  
\*Mary Mulligan (Linlithgow) (Lab)  
\*Jim Tolson (Dunfermline West) (LD)  
\*John Wilson (Central Scotland) (SNP)

**COMMITTEE SUBSTITUTES**

Brian Adam (Aberdeen North) (SNP)  
\*Malcolm Chisholm (Edinburgh North and Leith) (Lab)  
Alex Johnstone (North East Scotland) (Con)  
Alison McInnes (North East Scotland) (LD)

\*attended

**THE FOLLOWING GAVE EVIDENCE:**

Lynn Brown (Glasgow City Council)  
Ian Lorimer (Angus Council)  
Alan Puckrin (Inverclyde Council)

**CLERK TO THE COMMITTEE**

Susan Duffy

**LOCATION**

Committee Room 1



# Scottish Parliament

## Local Government and Communities Committee

*Wednesday 3 November 2010*

[The Convener *opened the meeting at 10:00*]

### Draft Budget Scrutiny 2011-12

**The Convener (Duncan McNeil):** Welcome to the 25<sup>th</sup> meeting in 2010 of the Local Government and Communities Committee. I ask members and the public to turn off all mobile phones and BlackBerrys.

The first item on our agenda is our second evidence-taking session to set the scene for the committee's formal consideration of the Scottish Government's 2011-12 draft budget. With us are Ian Lorimer, the director of finance in Angus Council; Alan Puckrin, the director of finance in Inverclyde Council; and Lynn Brown, the executive director of financial services in Glasgow City Council.

Would any of the witnesses like to make any opening remarks?

**Ian Lorimer (Angus Council):** I think that we are happy to move straight to questions.

**The Convener:** The committee has had many evidence-taking sessions on the challenges that local government faces, and there are a number of areas that we would like to cover.

We are aware of the likely cuts in the block grant, which will bring about pressures on local government. Can you talk about them and describe some of the pressures that will also result from the spending review?

**Alan Puckrin (Inverclyde Council):** A number of issues have come out of the comprehensive spending review that will impact on councils' budgets over and above any reduction in funding. I will give three examples.

The first is a reduction in welfare funding by the Department for Work and Pensions. There has been an indication that the administration grant for housing benefit will be reduced by 25 or 26 per cent over the next four years. It has been confirmed that the amount of subsidy that is given for temporary accommodation will also be reduced, which will impact on councils as they will have to meet the shortfall. Further, there is the 10 per cent reduction in council tax benefit that it was announced will take place from 2013-14. We are still awaiting further details on that.

Secondly, outwith the welfare reforms, there has been an announcement in respect of the carbon reduction commitment. The intention had been that there would be a recycling scheme for carbon reduction, but now the indication is that there will be a £12 per tonne cost to councils, and the recycling scheme will not exist anymore. For a council the size of Inverclyde, that will equate to an annual cost of about £300,000—I should point out that Inverclyde accounts for about 2 per cent of the Scottish local government budget.

Thirdly, there are increases in borrowing rates as a result of the decision to increase the cost of borrowing from the Public Works Loan Board. That effectively adds 0.9 per cent across the scale on to the costs of borrowing from the board, which equates to a minimum increase of 20 per cent if councils borrow from it.

I estimate that all of the costs that I have outlined will cost Inverclyde more than £1 million a year, which equates to about 3 per cent of turnover.

**The Convener:** Inverclyde is a small council. I know it well. Is there an estimated impact on councils across Scotland?

**Lynn Brown (Glasgow City Council):** Councils are still trying to understand the detail behind some of the announcements. I agree with Alan Puckrin about those areas. For us, the cost of the carbon reduction commitment is about £1.8 million. Given that 1 per cent of council tax raises only £2.4 million, it is a sizeable amount of money.

The loans charges will be an issue going forward. However, bank rates are much lower than those of the Public Works Loan Board at the moment, so councils have borrowing choices. In the end, the decision on borrowing will be based on the most economical case.

For Glasgow City Council, I am particularly concerned about the benefits situation. In terms of council tax collection, for example, £75 million of the £245 million comes from housing benefit et cetera, and we think that we will be impacted on significantly. We are still trying to assess just what that impact will be, but it will certainly be in double figures.

**Ian Lorimer:** In terms of size of council, our demography is very different from that of Inverclyde Council. Angus Council is broadly similar in size to councils in the rest of Scotland, so the cost of carbon reduction for us is about £350,000. That is an immediate call that we will have to make.

Similar to our colleagues, we have concerns about what the welfare reform agenda may mean both in terms of added pressure on the council tax

side of the budget and in terms of our ability to collect housing rent.

**Jim Tolson (Dunfermline West) (LD):** Good morning. Let us turn to the efficiency savings that local authorities must make in the current climate. We all know that local authority budgets in a number of areas across Scotland have been squeezed for a number of years. Can you outline the work that you have been doing on efficiency savings to cope with the pressures? Now that we have additional budgetary pressures in the current economic climate, what scope is there for making more efficiency savings in your local authorities in the next couple of years?

**Lynn Brown:** We have been on what I would call a bit of a journey on efficiencies, as all councils have been over a number of years. The key driver has been the equal pay issue, which goes back to 2005-06. We have done several things, which we tend to badge as service reform. For example, one of the major things that we did over the past few years was change how we operated our refuse collection services. That was difficult, and it raised real industrial relations issues, but about £5 million in savings came from that.

Going forward, one issue that we have made progress on is asset and property management. We started with the city centre. For example, we will go from 18 city centre offices down to six, which will release about £6 million in savings over about four years, although it will not kick in until about 2014 and an element of investment will be required. We have also been looking at reforming our workforce. We took the opportunity to have an early retiral trawl to give us the capacity to do that. We have done a number of things, but we have focused on staff and resources going forward, building on the journey that we have been on so far.

**Alan Puckrin:** In Inverclyde Council, we have focused on similar areas to those that Lynn Brown has outlined. As part of the budget strategy, we have set up a number of what we call work streams, which will achieve efficiency targets. In asset management planning, we have rationalised the number of offices from which we operate and we are now sharing offices with other public sector providers. Along with all councils in Scotland, we have taken advantage of procurement Scotland and have made procurement savings through the national contracts for utilities and paper, and other contracts have been added. Our own sectoral procurement arm, Scotland Excel, which provides goods for school catering and so on, is also saving money.

In common with other councils, we are looking at our internal processes and moving to lean processes, simplifying and standardising across

the council. We are centralising the resources for back-office processes, such as creditor processing, payroll processing and how we deal with customers. That is scheduled to release £3 million over the next three years out of a council budget of just over £200 million.

Payroll costs are our largest area. We have made good progress on our terms and conditions. We have also looked at areas such as overtime and extending the working week—the part of the week when flat time as opposed to an enhanced rate is paid—and we have done that through the single status agreement and in consultation with the unions.

Inverclyde Council is working on a budget gap over the next two years of around £19 million. We anticipate that we will deal with around 60 to 70 per cent of that through efficiency-type savings as opposed to the stuff that impacts on front-line services.

**Ian Lorimer:** Most of the subject matter has been covered. We, too, are looking at similar areas—asset management in particular. We are doing that to reduce the running costs of buildings, vehicles and equipment and to generate potential one-off capital receipts from the sale of surplus assets.

We are also focusing heavily on procurement. We are part of the Tayside procurement consortium. We also have Tayside Contracts—indeed, it has been in place for many years—which is a shared services initiative that covers road maintenance, catering provision, cleaning provision and so forth. We see Tayside Contracts as a vehicle for further shared services initiatives in the Tayside area.

I can put some figures on where we have been and where we plan to go. Since 2005-06, Angus Council has made around £10 million of efficiency savings. It will become increasingly difficult to generate further efficiency savings, albeit that we can still make some. Our projected funding gap over the next three years is around £23 million. We are targeting a minimum reduction of 30 per cent from efficiency savings. We hope to do more than that, but 30 per cent is the minimum level.

**Jim Tolson:** I am glad to hear that a lot of work has been done to look at various areas. Saying that there are similarities in the evidence from the authorities that you guys represent is all fine and well, but I want to look in depth at an area that Mr Lorimer highlighted: capital receipts from sales. You all said that you are rationalising your stock, for example by reducing the number of offices that you use for service delivery. What success have you had in ensuring that you do that and that you use well the offices that remain, whether leased or council owned? How efficient was the plan over

the past few years for capital sales? In the current climate, no one might be willing to take up premises to use them for other purposes. The current climate is not your fault, but the situation remains. I seek further detail on how successful that side of your efficiency savings has been.

**Ian Lorimer:** The position on receipts from sales is mixed. Our capital programme has never relied wholly on capital receipts. We have always taken a fairly prudent view on the amount of capital receipts that we assume will be needed to fund our capital programme. In the current climate, we have found some difficulties, particularly in the redevelopment of schools projects and in selling a former headquarters building that we put on the market. We have had issues not only in making sales but in getting the receipts that we hoped for. We have had some difficult experiences over the past couple of years. It is a bad time to take sizeable assets to market. We have felt some impact from that, but it has not had a material effect on our capital programme.

I turn to the rationalisation programme. When assets become surplus, we will need to take into account whether the timing is right to go to market to get best value. We will view each project and asset release on its merits. We might find that there are differences in different parts of the county in the ability to raise capital receipts.

10:15

**Alan Puckrin:** Inverclyde is probably slightly more provincial than the large city councils, but our school estate programme is freeing up a lot of large sites because we are combining secondary schools and so on. The programme is predicated on us getting capital receipts for the sites that are freed up, but we have had to revise our plans, because there is a presumption against selling sites in Inverclyde. The market is very flat for selling large sites in particular, which is linked to the downturn in the housing market. Previously, if we wanted to get the best price, we would sell sites to major house builders, but that market is flat.

We have a couple of fairly large sales in the pipeline, but they are sales to other public sector bodies. For example, there are plans for a new prison in Inverclyde on a site that is occupied by a school at the moment. The local housing associations might also buy sites. Not much is happening outwith the public sector and sales to other public sector bodies at the moment.

However, we did not rely on capital receipts when we set our capital programme. We now divert our capital receipts to a capital fund, which effectively allows receipts to be converted into a revenue stream that might meet some of the one-

off revenue pressures that councils are facing, such as the cost of redundancies. That is another reason for Inverclyde to be keen to sell things, but every case is judged on its merits.

**Lynn Brown:** Until autumn 2008, when the credit crunch happened, we had a target of £40 million per year for capital receipts. We have now reduced that to around £10 million a year.

We were very successful in generating capital receipts, which we put into a capital fund—as Mr Puckrin described they do in Inverclyde—because that gives more flexibility. We sweated our assets and brought in what I call innovative delivery models. In 2006-07, we set up a company called City Parking, which is a wholly owned council company and a limited liability partnership. It went to the market, borrowed £47 million and bought six off-street car parks in the centre from the council. We got a receipt for that, put it into the capital fund, and we have been using it for one-off revenue help. We also enunciated some car park leases around the St Enoch centre. The people who were running them wanted to buy us out, so we let them do that.

Recently, we set up City Property, which is another LLP that is wholly owned by the council. It has our income stream from all our commercial properties, which is approximately £15 million per year. City Property also markets our surplus sites. I would like to come back to that point, because you asked about surplus sites. City Property was able to go to Barclays and get a good deal of £120 million, which we have used to do our early retiral trawl.

We have used the mechanisms and flexibilities that are available to us, and we are not reliant upon receipts for our capital programme, which is significant. We have the M74, which is being done in conjunction with a few other local authorities and the Scottish Government, the east end regeneration route, and the Commonwealth games and the new arena that is being built in the east end. We are not reliant on capital receipts and we tend to use them to help us in other areas.

**Patricia Ferguson (Glasgow Maryhill) (Lab):** The committee has taken a great deal of interest in the equal pay and single status agreements issue—Mrs Brown referred to it, and I think that Mr Puckrin also mentioned it. Where does your council stand with those negotiations? Are they concluded? Are all the settlements cleared? Have your authorities made provision for them into the future? Will the issue impact on the more general challenges for the future financing of your local authorities?

**Lynn Brown:** Equal pay is in the legal arena and councils' balance sheets will have a contingent liability for it until the cases have

finished going through the courts. The approach that we took in 2005 was designed to mitigate the risk to the council. Because of Glasgow's size, we thought that we would be a bit of a prize for lawyers, so we needed to mitigate our risk.

When we made our settlement with the staff, we went beyond the three key areas, which were cleaning, catering and home care. We also settled with nursery nurses, pupil support assistants and other groups we considered to be at risk. We did not differentiate in the settlements between female and male employees—for example, male cleaners got compensation payments. We tried to mitigate the risks as much as we could. That is one of the reasons why we sold our car parks; our bill would probably have been bigger otherwise. We have paid out £90 million in compensation payments since 2005. In 2005-06, our reserves were wiped out completely. They were sitting at £40 million in October 2005 and were down to £4 million by April 2006. We have had to build them back up.

We have in place our pay structure, which was implemented in April 2006. Again, lawyers will decide on that. Each year, we have been putting money away in the reserves. I think that we have settled with most of the lawyers, including those from the trade unions. We still have an element of money in the council for that sort of risk, particularly with regard to some of the unions with which we have not settled. That has been our approach. My view on direct finance is that because it is a legal area, you have to try to mitigate the risk as much as you can and assess it each year, particularly at year end. The auditors are sharp on our making provision at year end.

**Alan Puckrin:** In Inverclyde, we have settled with the vast majority of the three initial groups—catering, cleaning and home-care staff. Progress has been made with a number of other groups and over the next six to 12 months we hope to close off a lot of that.

As far as the financial provision is concerned, as Mrs Brown indicated, the auditors review that provision as a matter of course when they close the annual accounts. They are satisfied with Inverclyde's current provision. Extra liabilities might become apparent over time but, as the single status agreement beds in and matures, they should diminish. One of the primary drivers of single status is to get that equality in the pay system. It would be naive to say that no more cases will arise, but I hope that over the next 12 months there will be a great deal more clarity on that.

To go back to one of my previous answers, we intend to fund those cases from the capital fund and the council has approved setting aside £12 million for release and/or equal pay settlements, which is a sizeable sum for Inverclyde.

**Ian Lorimer:** Our current position is that we implemented our new pay and conditions package back in 2008. It has had a couple of years to settle in and we think that it has been equality proofed. We have largely settled now and, although a couple of residual claims are going through the tribunal process we hope that we have dealt with most of the equal pay risk.

I mentioned the Tayside Contracts model that we are part of in Angus. A significant part of our liabilities relating to equal pay were in Tayside Contracts jobs. However, we are pretty confident that we have now dealt with those. We have a small amount of provision—without getting too technical about it, it is not an accounting provision—but we have set aside some money from within our reserves and balances for future potential risks. As Mrs Brown said, this is a legal area and we cannot be absolutely sure whether all the risks have gone away. On the basis of current information, we think that we have settled most of the claims. We do not see a huge issue as we move forward. With fingers crossed, I hope that there will not be a huge impact on budgets in future years.

**Patricia Ferguson:** Thank you; that was interesting. I am conscious that you are not human resources specialists, so I do not want to take you too far down that road. Mr Lorimer mentioned that there were a couple of outstanding cases. Is it possible for each authority to put a figure on the likely number of outstanding cases?

**Lynn Brown:** Cases in industrial tribunals run into significant numbers, but we have settled nearly all the claims from lawyers, so it is a bit of a mix. We can provide fuller information later if you want.

**Patricia Ferguson:** That would be interesting, both for this inquiry and for the other work that we have been doing.

Mr Puckrin, do you have anything to add?

**Alan Puckrin:** I am afraid that my answer is similar to Lynn Brown's on that question.

**The Convener:** I want to follow up on that point. The committee took a particular interest in historical claims that were established in evidence as clearly winnable. It was confirmed by the Tribunals Service that when such cases reached the tribunal, the councils conceded the claim. We were very concerned about people with a strong claim being caught up in the tactics of a wider, substantial issue.

The committee also took the view that it would not be a good use of public money to concede clearly challengeable claims. However, on the claims that you know from the advice of your solicitors are winnable, you must surely know your

liability from the information and knowledge that you and your solicitors share. Your solicitors will have told you that X number of claims are winnable, and that if they go to a tribunal next week you will need to pay them. How do you work out the scale, risk and liability if you do not know how many cases are winnable?

**Lynn Brown:** Our approach has been that we will settle a case when it is winnable, and we have done that. As I have said, we have paid out £90 million, and we have done so when the legal advice has been that we need to settle. That is the approach that we have taken, and I am not aware of any tribunal—

**The Convener:** I think that Glasgow City Council has a slightly different position from others. I am looking to my colleagues for confirmation, but I think that many of the winnable historical claims have been settled with the no-win, no-fee lawyers and the trade unions. That does not apply to other councils—I do not think that it applies to Inverclyde Council.

**Alan Puckrin:** The provision in the annual accounts is calculated on the basis of the conceded groups, as we refer to them. In those cases—there are fewer than 200 in Inverclyde—the individuals have not settled with the council, and the council has taken legal and HR advice on how much it should set aside.

Over and above that, we have cases that are at a far earlier stage in the process. In some we have received legal advice that the council is on strong ground to defend the case, and in others the legal advice is that the balance is 50:50. From my understanding, the case law is developing as time goes on. A couple of landmark cases in the past number of months have changed the legal advice that councils across Scotland have received—from what I remember, the cases were in Dumfries and Galloway and in the Highlands. As a result, we have changed the view that we take when we are closing our accounts on the provision that must be set aside.

I can confirm that there is provision in the accounts for the cases that the council knows it will have to settle—it is just a matter of getting through the process to settle them. There are also cases for which we have not made financial provision because we are too early in the process.

**The Convener:** Sorry for intervening, Patricia. I just wanted to get some more information. I invite you back in again.

**Patricia Ferguson:** Thank you, convener. It was actually helpful.

You all seem confident that you have, as far as you can, taken account of any liabilities that there may be in future—I understand that it is not an

exact science. From your knowledge and any discussions that you have had, do you think that the picture is the same across Scotland's local authorities? The information that we have gleaned suggests that there are still outstanding liabilities, which may be significant, across Scotland. I am trying to find out whether that will exacerbate the situation, considering everything else that is going on with finances in local government.

10:30

**Lynn Brown:** There could be an issue. As I said, we took a clear view at the start on winnable cases, to mitigate the effect, as the convener said. We went wider than the three main groups that I mentioned. I am not aware of any case being awarded in the other groups yet, but there is a risk of that. I am not sure how widespread that is across the country as a result of the approach that has been taken.

**Alan Puckrin:** There is a close link with each council's position on reserves and its reserve strategy. I take what I hope is a prudent approach on reserves—every year, I increase the provision. That can sometimes lead to criticism that councils are sitting with huge sums of money, and people ask why it is not used for other things. There must be a distinction between reserves that are genuinely free or not earmarked for anything and those that are set aside for something, whether that is to settle equal pay claims or to meet the costs of a flooding scheme.

Every council has a different position on its reserves. Some have had one-off costs that have put their reserves at a low ebb. Those are the councils that the member is probably referring to and which have given the feedback that, if they suddenly had to pay out £10 million in equal pay claims, they would simply not have sufficient funding in the reserves.

A key part is to have, in the medium-term financial planning, a strategy to build up and set aside reserves. That is because, with the best will in the world, not all equal pay claims will be settled in the next six months. If we know that they will be settled in the next two to two and a half years, the question is whether in two and a half years there will be enough money to meet them. I am sure that the councils with lower reserves will have strategies in place to increase their balances.

**Ian Lorimer:** I cannot comment authoritatively on the position across Scotland. I know from discussions with finance and HR colleagues that the councils are in different positions on settling their equal pay claims. The position is variable throughout Scotland, so councils need to take an individual view on the issue. There is a link with councils' situation on implementing their equality-

proofed pay structures. The two things go hand in hand.

**Patricia Ferguson:** Angus Council is part of the Tayside procurement consortium, which must give you an idea about where councils in Tayside are placed on the matter. Are you aware of many outstanding cases, either in court or at tribunal level?

**Ian Lorimer:** I am reluctant to give figures today because I am not certain of my ground but, from the most recent discussion that I had with our HR colleagues, I know that we have no more than a handful of cases that are waiting to go through tribunal. We have already settled the other cases, which were mostly through Tayside Contracts, but there are some staff groups who work directly for the council. We have not made an accounting provision for those future liabilities, which suggests that we are reasonably confident that we have dealt with the things that we know about at this stage. However, we have kept some money in balances for possible future risks.

**David McLetchie (Edinburgh Pentlands) (Con):** I want to return to efficiency savings. I will begin with a general question. If you make what is called a cash-releasing efficiency saving, does that mean that you need less cash to do the same job?

**Alan Puckrin:** Yes it does, in my interpretation.

**David McLetchie:** That is good. That accords with my interpretation, which is what I regard as common sense. You have probably seen the Scottish Government's report on its efficiency targets that was issued a few weeks ago, and in which the Convention of Scottish Local Authorities claimed, on behalf of Scotland's councils, that they had generated £542 million of cash-releasing efficiency savings in 2009-10. Are you familiar with that figure and that report?

**Lynn Brown:** I am not familiar with the detail. I read the press reports.

**David McLetchie:** Are you familiar with the fact that COSLA claimed that Scotland's councils had achieved £542 million of cash-releasing efficiency savings in that financial year, which came on top of cash-releasing efficiency savings that had been achieved in the previous financial year?

**Ian Lorimer:** In broad terms, yes.

**David McLetchie:** So, you will have to do the same job with £542 million less because, by definition, an efficiency saving is not a service cut. Is that correct?

**Lynn Brown:** The other side of the equation—the pressure side—is important, too. Quite often, those efficiency savings have been used to fund areas where there have been pressures; for

example, care for the elderly and, particularly in Glasgow, children and families services. I am not sure whether the report covered that. Councils tend to make efficiency savings and then to redirect the money.

**David McLetchie:** I appreciate that there are service pressures through increased demand. However, the efficiency savings show that you can do the job to the same level of service and at the previous year's level of demand for £542 million less. That is, in effect, what we are being told, is it not?

**Ian Lorimer:** I will outline the position for Angus Council. Our contribution to that £542 million was about £3 million for the past financial year. Virtually all of that £3 million was assumed by us when we set our 2009-10 budget. To balance that year's budget, we had assumed that we would achieve a substantial amount in efficiency savings. That helped us to manage our budget. In a sense, we have taken those costs out in terms of where we were in the financial year 2009-10. The challenge, moving into future years, is to find more cash-releasing efficiency savings to balance future budgets.

**David McLetchie:** If I remember correctly, it was the policy of the previous Scottish Executive that assumed efficiency savings were built into its efficiencies programme and that money was top-sliced from local authority grants. I understand that the current Government's very helpful policy is that you get to keep all your efficiency savings and do not have to certify them. Is that correct?

**Lynn Brown:** I deal just with the bottom line, which is the amount of cash that we get. The Scottish Government will describe it in its own terms, but my understanding is that we receive the grant and have to balance the budget within it. COSLA or the Scottish Government could maybe answer your question in more detail than I can. For me, it is simply about the amount of grant that I get for Glasgow City Council, which is what I have to work with.

**David McLetchie:** Are the cash-releasing savings real? I ask because evidence to the committee by Audit Scotland suggests that the savings do not stand up to proper audit.

**Alan Puckrin:** I can confirm, on behalf of Inverclyde Council, that they are real savings, otherwise I would not sign them off. We must complete an annual return to COSLA, which was part of the deal that was struck regarding the reporting of efficiency savings. Councils must produce an efficiency statement for the previous year that has to be submitted by the end of August and which must be signed by the council leader and the chief executive. The section 95 officer authorises it as well. Inverclyde Council made

£1.6 million of cash-releasing efficiency savings in its 2009-10 budget, which were all genuine cash-releasing savings. The savings that are required to balance our budget over the next two years, which I have indicated will be about £12 million, will be cash-releasing savings, too, otherwise I would not professionally be able to call them cash-releasing savings. It should be possible for auditors to track them through.

**David McLetchie:** It did not seem to be possible for Audit Scotland to track them through. In their evidence to the committee, the witnesses from Audit Scotland said that those savings were not auditable. I am slightly at a loss to understand that. You say that they are signed off by all those internal officers in the council and the council leader. In my terms, that is self-certifying. The external body that is meant to audit them or examine them—Audit Scotland—says that the savings are not auditable. To my simple mind, something does not quite add up.

**Ian Lorimer:** I read Audit Scotland's recent report, in which those comments were made. Perhaps it all comes down to the level of scrutiny that the auditors feel they can carry out and the detail they are able to go into. For example, the very detailed and structured approach that is taken in preparing council accounts makes them relatively easy to audit; I think that the issue with efficiency savings is more about the level of detail into which Audit Scotland would need to go to feel comfortable enough to sign the accounts off as secure.

**David McLetchie:** You might have read the independent budget review group's report, which in effect recommends to Parliament that we return to the previous system for efficiency savings and suggests that, instead of allowing councils to retain all their self-certified cash-releasing efficiency savings, the Government should assume, say, a 2 per cent efficiency saving and top slice that off the councils' cash allocation. If the cabinet secretary signals his decision to take such an approach in the budget announcement that he will make in the next couple of weeks, will you be able to cope with it?

**Lynn Brown:** As I have said, the bottom line for me is the amount of money that I will receive, regardless of how it has been calculated. I do not know what the cabinet secretary will allocate to Glasgow but, in the end, we have to work with what we are given.

**David McLetchie:** If local government gets around £10 billion and the Government wants 2 per cent efficiency savings, that works out at £200 million. If that money is top sliced, it is simply taken off the allocation, which means that Glasgow's share would be of the order of £25 million or £30 million.

**Lynn Brown:** I think that Glasgow's share would be around £25 million.

**David McLetchie:** Could you cope with that and still generate cash-releasing efficiency savings to make up the difference and maintain service provision?

**Lynn Brown:** At the moment, I am assuming that we will get £50 million less. How the allocation will be made up will be decided by Mr Swinney.

**David McLetchie:** So, are you telling me that, if he makes such an assumption you will be able to maintain service levels through your efficiency programme?

**Lynn Brown:** I am saying that we will have a balanced budget based on the cash that we expect to receive.

**David McLetchie:** In measuring efficiency savings, how do you set a baseline and service level to ensure that when a change is made, what you get at the end of the day is actually an efficiency saving and not a cut in service standards?

**Alan Puckrin:** That will vary from efficiency saving to efficiency saving and proposal to proposal. Certain things are genuinely easy to measure; indeed, I think that that gets to the heart of Audit Scotland's position on the matter. Even though less money is going in, the rubbish, for example, might still be being uplifted; in that respect, the efficiency might be achieved through changing premium overtime rates. Efficiency savings that arise as a result of debt restructuring through the treasury function are also very clear.

Other efficiency savings are qualitative and take place over time. For example, Inverclyde Council managed to achieve efficiencies by changing from a 35-period to a 37-period school week, which meant that the secondary school day ended at a different time, made the curriculum more efficient and saved some teaching. We class that as an efficiency—and, indeed, we think that it is fair to do so—but it will take time for that to become clear in, for example, attainment levels. As a result, Audit Scotland would probably say, "Look, you can't measure it. You might know where you're starting from, but how do you measure it over time? After all, attainment can vary over time naturally. How can you tell that you achieved these attainment levels because of the cut and not because of other natural factors?" As I said, it varies from efficiency saving to efficiency saving, but I suggest that for the vast majority of such savings there is benchmark or baseline information that can be measured.

10:45

**David McLetchie:** Let us take refuse collection as an example. Suppose that there is a collection once a week in a residential area with houses rather than flats. The council refuse collection service decides to give everyone an extra wheelie bin and to collect the rubbish once a fortnight instead of once a week. I presume that that would reduce the cost of the service. Is that an efficiency saving or is it a cut in the standard of service?

**Alan Puckrin:** On the basis of the advice that I would get from the director of environmental services, I would say that that is an efficiency saving. As an accountant, I would approach that as an efficiency saving in the service. Is the waste being uplifted throughout the year? Yes or no? However, I would defer to the professional regarding the quality of the service. He would advise me whether there was an efficiency saving or a service cut.

**David McLetchie:** I suspect that most of the people whose bins were being collected only once a fortnight would regard as a service cut what you and other officials would regard as an efficiency saving. Therein lies the whole conundrum of what is an efficiency saving and what is a cut. Is that a fair comment?

**Alan Puckrin:** Yes.

**David McLetchie:** That is the nub of it. Thank you.

**Alasdair Morgan (South of Scotland) (SNP):** It is even more complex than that. We heard recently that certain residential areas in Edinburgh are moving to a daily service to increase efficiency, but never mind that.

I have a supplementary question based on what was said in Jim Tolson's questioning. Lynn Brown mentioned a figure for the saving in cleansing, but I did not quite catch it. Was it £5 million?

**Lynn Brown:** Yes.

**Alasdair Morgan:** Did that £5 million saving mean that the cleansing budget went down by £5 million?

**Lynn Brown:** Yes.

**Alasdair Morgan:** Could it be moved to a completely different department?

**Lynn Brown:** It is not as straightforward as the money moving to a different department. There would have been a target that would have meant that the council was not looking for extra from areas of priority, which for Glasgow City Council would have been the education service—particularly in the early years—business and the economy, and targeted support for the vulnerable. The fact that the environmental services could

change how they worked and deliver £5 million in savings meant that the council was looking for less from elsewhere. It is not as straightforward as the money just being shifted. When there is a funding gap, it is a matter of reducing the gap, which is what happened in that case.

**Alasdair Morgan:** I do not know how the cleansing department is structured in Glasgow, but I presume that it is fair to say that there is a group that does cleansing and little else. Did the amount of money that is spent on that go down by £5 million?

**Lynn Brown:** The amount that is spent on refuse collection was reduced by £5 million because we had a funding gap. That meant that we did not have to take money from education and social work services, which would have had to reduce their targets. That is how it works.

**Alasdair Morgan:** I am not totally convinced about this. How long was the period over which the saving was made?

**Lynn Brown:** It has been made over the past two years. I think that the decision was made last year, in 2009.

**Alasdair Morgan:** Okay. Whatever the period was, would it be fair to say that, at the beginning of that period, the person in charge of cleansing had £X million to spend on cleansing but that, at the end of the period, they had £X million minus £5 million to spend?

**Lynn Brown:** Yes.

**Alasdair Morgan:** The figure for Angus Council was £10 million. Did the council face the same kind of situation, or were the savings made within the departments?

**Ian Lorimer:** Yes. That was £10 million over five financial years, from 2005-06 to 2009-10. As part of balancing our budget, we ask departments to identify savings options. Within those savings options, we used to require a minimum of 33 per cent to be cashable efficiency savings. In balancing the budget, we set a minimum level of cashable efficiency savings that each director is challenged to identify. We have pulled back from that level in recent years and now set a minimum level of 25 per cent, although we have a good track record of exceeding that.

When we set our budget we make decisions about efficiency savings that directors believe are achievable. That is built into our budget-setting process. If we have assumed an efficiency saving from a particular initiative, the money comes out of the budget when it is set.

**Alasdair Morgan:** When you look at efficiencies in various departments, do you compare their costs with those in other similar councils? We had

evidence last week from KPMG, whose representative said:

“Getting the average public sector organisation up into the top 25 per cent—not getting the bottom ones up to the top, just the average ones—could save billions of pounds across the UK.”—[*Official Report, Local Government and Communities Committee*, 27 October 2010; c 3605.]

The point was that if the average council went up in efficiency to nearer the top, significant savings would be made. As a matter of course, do you compare how your departments are doing with similar departments elsewhere and, if they are not as good, do you ask why?

**Ian Lorimer:** We tend to do that through service and best-value reviews. We look at a particular service area and assess its performance, public satisfaction and the unit costs for the provision of that service, if we are able to determine them. We do not tend to have such reviews across the board every year, but through a programme of reviews. It just so happens that we have recently completed a review of our waste services. Part of that process involved looking at how our costs of collection and disposal of waste compared with those of other authorities, and understanding what the authorities at the top of the league table are doing that we could copy. We make such comparisons on a selective basis through our review programme, rather than taking a look across the board every year.

**Alasdair Morgan:** Is that what other people do?

**Lynn Brown:** Yes—we tend to follow a political process. We have policy committees in Glasgow that look in detail at policy areas. For example, they compare performance and satisfaction levels with the waste strategy policy.

**Alan Puckrin:** If you consider pure unit cost benchmarking, a health warning must be attached. Directors of finance in Scotland are trying to get a standardised approach to comparing unit costs, even for some of the well-established statutory performance indicators, which have existed for more than 10 years in some cases. It is clear that how we allocate management costs, overheads and asset costs across Scotland can significantly skew the figures. There is a balance to strike between aiming to be the most cost-effective authority without becoming the cheapest, if you see what I mean. It is about quality versus cost. As Ian Lorimer said, the customer satisfaction survey that Inverclyde Council carries out is as important as whether we are the most cost-effective council in Scotland—sometimes a more expensive service is delivered because of a policy priority or what the public wants.

**Mary Mulligan (Linlithgow) (Lab):** Good morning. Workforce costs are local authorities' biggest charge. What measures have your local

authorities put in place, or proposed, to address workforce costs?

**Lynn Brown:** That is an issue for local authorities, as you say. In Glasgow, it was realised around autumn 2008 that all the indicators were that the already slowed-down public expenditure, which was always expected, was going to get much tighter. For us—as for Inverclyde, as Mr Puckrin has said—staff is a huge cost and we need to do a head-count reduction. How can we do that?

The council is keen to avoid compulsory redundancies at all costs. That sits at the top of its priorities. It is not a policy, as such, but there is a desire to avoid compulsory redundancies. We did our early retiral trawl in October 2009 and staff had to apply by the end of March. The view was taken that, if they wanted to go under that package, there would have to be some structure behind it. As a result, about 2,600 staff members—maybe slightly more than 12 per cent—will leave over three years. We made it a three-year period to enable us to plan for it. As I said, the issue was funding that package—there is a huge cost attached to it. When people talk about head-count reduction, the funding that is offered is often not discussed, although it is an issue. We set up our property company and did that deal to fund it.

The head-count reduction was the first thing we wanted to do. Also last year, the then Chancellor of the Exchequer asked for a pay freeze in the public sector and local government, which is now coming to fruition to a certain extent, especially with COSLA having imposed a zero per cent pay increase. We had already decided on that at senior management level in Glasgow City Council. We have leadership grades and our pay and grading structure extends from the chief executive down—it does not end at a certain level. In February, the senior staff agreed a two-year pay freeze before it was imposed on the rest of the staff.

That is how we are taking matters forward, which means that we are going to have to look again at how we carry out a head-count reduction. For example, will we offer more packages? How will we still be able to deliver services? Also, terms and conditions for all staff might be an issue in view of the reductions that we will have to make over the next three years. That is our strategy, and it started a year or so ago.

**Alan Puckrin:** For effective workforce planning, the need to plan ahead is paramount, as is the need to have close dialogue with colleagues in the trade unions. We work closely with the trade unions in our budget process and operate an open-book policy, in which one of our key groups is the joint budget group, which is comprised of

our corporate management team and representatives from each of the main unions who sit in on all the budget discussions. They understand the financial situation completely and get to comment on every saving. Over the past two years, no saving has led to a line-in-the-sand moment for the unions; nevertheless, both parties in that group would agree that having multi-year budgets is the way ahead if we need to downsize our workforce by the numbers that you are talking about.

Pro rata, we are similar to Glasgow City Council in that we are looking at a reduction of 500 full-time equivalent posts by 2014, which is about 10 per cent of our current workforce, although that will not take a proportionate amount out of the workforce budget—that is, it will not save, pro rata, the amount of money in employee costs that it maybe should, given the amount of money that we spend on the workforce. That requires forward planning. So, through a combination of holding vacancies open and bringing in temporary employees for the past 18 months, we have filled the vast majority of our vacant posts only on a temporary basis in order to give us the flexibility to downsize when the time comes. That has been done with one eye on saving release costs, which will be substantial. As a general rule, it costs about 1.5 to 2 times a person's salary to release them. So, if Inverclyde Council is to save £5 million in employee costs over the next three years, we must set aside £10 million to pay for that. We are trying to minimise the amount that we need to set aside by releasing the folk on temporary contracts and redeploying individuals through matching skills, which is another key part of the workforce development programme that also helps us to retain experience.

Another issue that has been negotiated through the single status agreement is that all non-teaching employees of Inverclyde Council are moving from a 35-hour week to a 37-hour week from April 2012. That has been agreed as part of the budget process. Of course, that will add another 6 per cent to the working week, which is an efficiency provided that there is a commensurate reduction in the number of employees. That is part of our workforce planning, too.

We recognise that employee costs are significant, but we must also recognise that employees are a hugely positive part of the services that we deliver, so the changes must be planned in conjunction with the unions. I hope that, in Inverclyde Council, we are achieving that.

11:00

**Ian Lorimer:** Angus Council has many similarities to Glasgow City Council and Inverclyde

Council. We have not gone as far as to impose a complete freeze on the filling of vacancies but, over the past 18 months or so, we have carried out a rigorous review and asked ourselves some really tough questions about whether we strictly need to fill posts when they fall vacant. Similarly to Inverclyde Council, we are paying particular attention to the use of temporary employees and supply staff. We are trying to get the balance and have flexibility to manage the workforce down.

The simple position is that, with the scale of the financial challenges that we face, we must reduce staff costs, whether through workforce reduction, control of the pay bill or other means. We cannot avoid an impact on staff costs, simply because of the scale of the challenges.

Inverclyde Council's and Angus Council's positions are almost spookily similar. Our workforce planning is also for a reduction of 500 posts over the next three years. That is around 10 per cent of our workforce. I will give some context for that: something like 70 per cent of our staff costs are in education and social work. Given their nature, it is not surprising that staff costs are the dominant feature in those areas.

We hope to achieve the 500-post reduction mainly through turnover and natural wastage. We may have to invoke our policy on early retirement and voluntary redundancy. We will not use it across the board, but we might use it in selected areas where we see an opportunity to reconfigure services.

**Mary Mulligan:** Mr Puckrin mentioned the increase in the working week. Have any of you considered flexible measures such as decreasing the working week or unpaid leave?

**Ian Lorimer:** Yes. Over the past year or two, a number of our employees have been keen to take a reduction in hours—perhaps moving from a full-time post to working four days out of five. That has proved popular among certain groups of staff and we still seem to be getting through the same amount of work. That has helped us to balance budgets for the past year or two and I am hopeful that the approach could be used again. However, it very much depends on an individual's circumstances.

**Lynn Brown:** We have had a recruitment freeze since 2005 apart from in key posts, because of the issue with funding equal pay. We are not considering changes to hours at the moment. We are still focusing on early retirement for a significant number of staff and on delivering the services that sit behind that.

In future, depending on the local government settlement for Glasgow City Council, we might consider other measures, such as changes to the working week, although not extending the hours

that people work. In quite a few services—such as care homes, residential homes and refuse collection—people need to be there so, if staff worked fewer hours, we would have to backfill that. Therefore, we might consider hours in future but, at present, we are focusing on how we manage our services with 2,600 staff leaving over three years.

**Alan Puckrin:** An increase in the number of employees who do not work a 37-hour week will be a key part of the impact of increasing the working week from 35 to 37 hours. There is an appetite for flexible working, but it is more problematic if individuals want to move to term-time working. It is extremely advantageous for certain individuals to have the time off when their children are off school, but that can cause problems for 365-day-a-year services. However, we will consider that measure as well.

**Mary Mulligan:** What impact have the changes that you have described had on service delivery?

**Lynn Brown:** We have put a robust governance structure in place. We have a workforce planning board, which is chaired by the executive director of corporate services, and all the directors sit on that board. We have considered the question across the council. People in some areas were not allowed to take early retirement—in social work and education, for example. The offer did not apply to teachers.

The changes provide an opportunity for reform. Some staff are no longer there, so it is possible to reform services. In some areas, we have matched across. For example, some staff in Cordia, the company that does all our care work, are coming into education to do some of the jobs there.

We are still having to reinvest in services. We are saving about £75 million in staff costs, of which about £50 million will actually be banked. In other words, we will have to reinvest about £25 million. It is a detailed process, and we are ensuring that things are considered across the council. Departments and directors are working with one another to ensure that we are still delivering the service, which is paramount to what we need to do.

**Alan Puckrin:** In Inverclyde we have not opted for a general trawl of staff, first because we do not want to raise expectations among folk who want to go but work in key areas, and secondly because of the amount of work that is potentially involved.

In our joint budget group with the unions, we agree the areas to be targeted. We get the savings in front of us and a view is taken on the likelihood of our being able to generate interest, should there be a downsizing in an area, and we will then have a targeted trawl. That is the process

that we are going through at the moment, and it will continue for the next two years.

**Ian Lorimer:** Until now, what we have done to control staff numbers has not been all that significant in budgetary terms. There has not been any significant impact on services, judging from our performance information and so on. As we proceed to drop 10 per cent of staff numbers or thereby over the next three years, we will have to manage very carefully the impact on services. That comes under our workforce planning, as we ensure that we retain key staff in key areas while still being able to provide a good quality and level of service. The position will vary between departments. There has been no substantial impact yet, but it will be difficult to avoid an impact over the next three years.

**The Convener:** How important is the imposition of a pay freeze to mitigating the impact of reducing budgets?

**Lynn Brown:** It is helpful. I cannot speak for other councils, but Glasgow City Council has budgeted along the lines of the offer that was made by COSLA, which I think was 1 per cent in the current year, zero next year and 0.5 per cent the following year. That is what was planned. It is now at zero. It is helpful, although it will not resolve the gap.

**The Convener:** How does that equate to levels of council tax? Is it a penny in the pound? You illustrated that earlier.

**Lynn Brown:** It is roughly an inflationary increase on the council tax in Glasgow—perhaps slightly less. The budget was quite low already.

**Alan Puckrin:** As has been indicated, given that employee costs are the largest part of a council budget, a pay freeze is extremely helpful from the financial planning and budgeting perspective. As Mrs Brown indicated, it will not solve the problems on its own, although it is certainly one of the significant items that will help over the next two to three years.

**Ian Lorimer:** Putting 1 per cent on the pay bill equates to about £1.5 million in Angus. In council tax terms, that would be about £34, or roughly 3.3 per cent. The pay freeze helps. As was said before, our projected funding gap over the next three years is something like £23 million. The freeze makes a contribution to resolving that, but there is still a big gap left.

**The Convener:** I have heard a figure of 10 per cent mentioned a couple of times. Is that a norm that has been established as the target for workforce reduction in councils?

**Lynn Brown:** In Glasgow it is slightly higher—about 12 to 14 per cent. It was not a target, though; it was our response to what we got back

from the workforce. I cannot speak for the other councils.

**Alan Puckrin:** We tried to build our figure from the bottom up. I would not pretend that there was forensic detail there. We considered the individual savings workstreams that I mentioned, which are efficiency workstreams, and decided whether they applied to employee areas. We then took a view on the average salary of the employees in the areas where the reductions would take place. For example, in the back office, which would impact on administrative and clerical staff, we took a view on the average salary that would be saved. If there was a senior to middle management restructure, we would take a view on that. That is where we got our figure.

**Ian Lorimer:** I would guess that from council to council, the proportion of costs that are staff costs and other costs will be the same. However, I suggest that the 10 per cent that Alan Puckrin and I mentioned is a coincidence.

**The Convener:** How does setting a one-year budget for 2011-12 impact on your plans to mitigate the savings and plan your workforce for the future?

**Lynn Brown:** At present, Glasgow has targets over the two years; it has financial planning up until 2013. We are still working on the decisions that will have to be taken, and council members will take a view on what they want to take and when they want to take it. However, that is the framework we are working within at the moment.

**Alan Puckrin:** In Inverclyde, even if a one-year settlement is announced, we will still do our workforce planning on the basis of a two-year budget. Everyone involved in the Inverclyde budget process agrees that the longer the time we have to plan, the better it is for everyone. That applies especially to the employees, because it allows them to make plans. It can allow folk to decide to leave in a year or 18 months' time and make their plans around that.

**Ian Lorimer:** I am sure that the committee will appreciate that financial planning over the past couple of years has been particularly difficult because of the absence of firm figures going forward. We have a four-year budget projection, so we will be using that to inform our future position. The more certainty that we have on future grant allocations, the better the situation from a financial planning point of view. In the absence of anything else, we will work on the basis of our own figures. That will help us to make decisions on workforce planning and workforce reductions.

**Bob Doris (Glasgow) (SNP):** Mary Mulligan's line of questioning usefully teased out a lot of the workforce issues. I would like to follow up on one

or two aspects of that. Ms Brown, you said quite rightly that early retirement/redundancy was not a cost-free option and that Glasgow City Council had set up City Property (Glasgow) to sweat the assets to fund that cost. You mentioned 2,600 workers. What is the projected cost of paying for those 2,600 workers? When will you have sweated the assets enough to fund that?

**Lynn Brown:** The costs are about £126 million over the three-year period. The payback period is under three years—that is how we measured it. Within that, some departments have a finance payback period of within two years. Land and environmental services is about five years because they will have to invest. We have the cash—we got it in March 2010.

**Bob Doris:** Is that a cash saving to the council going forward?

**Lynn Brown:** We reckon that we will save up to about £50 million in staff costs. We are having to reinvest there, too, but the reduction in staff numbers will take about £50 million out of the budget over three years.

11:15

**Bob Doris:** The saving is £50 million over three years. That is helpful.

On the points that Mr Puckrin made about doing a trawl of the whole workforce for redundancy and retirement, although I appreciate that this was not the intention of Glasgow City Council, it had to not allow early retirement for some social work staff, who were seen as key staff, so the point about not raising expectations among staff who may contemplate retirement was well made.

I have a question for Mr Puckrin about the service reform that he was talking about, which involves the workforce.

You mentioned that non-teaching staff are moving—I do not know whether they have yet moved—from 35 hours a week to 37 hours a week following sensitive negotiations with trade unions. It is clear that industrial relations are crucial in this area. Where are we on that? Has the measure been implemented? Was it put to the workforce that, understandably, if you did not get a deal on that, you might have to move towards redundancies and so on? Did workers buy into the process, which will be crucial across all local authorities? Can you give us more information?

**Alan Puckrin:** The increase from a 35 to a 37-hour week was a key part of the agreement that we got in 2008 around our single status agreement. In addition to the pay and grading model, under which a reasonable number of employees got a pay uplift, there was a review of terms and conditions, including the length of the

working week. It was agreed that, from April 2012, the working week would increase from 35 to 37 hours for existing staff and, since August 2008, new employees have been employed on a 37-hour week contract. Existing employees currently have a two-hour-a-week protection built into their contracts. That was all part of the package.

As I indicated, once the working week for employees increases from 35 to 37 hours that should generate for the council approximately £1 million-worth of employee savings. A key part of achieving those savings will be a voluntary severance trawl and individuals choosing to reduce their working week.

**Bob Doris:** I will ask all three witnesses a more general question. You are obviously looking at pay, but are you looking at conditions of service across all the groups of workers in your local authority? If you can get more hours from staff—even temporarily, say for two to three years, to get us through this difficult period—that could mean that staff numbers are protected where possible and job losses are avoided. Will you have that discussion with trade unions?

**Lynn Brown:** Those discussions have not started yet. As I said, in Glasgow we were focusing on the head-count reduction, but it may be a matter that we need to discuss going forward. Where there are easy gains, for example on staff travel, the rate of mileage that people can claim and so on, we have made those. Anything more difficult will need to be discussed and taken forward with the trade unions.

**Alan Puckrin:** When we brought in the new single status agreement in Inverclyde, a key part of it was a review of terms and conditions. As part of that, the premium rates were reviewed and the amount of core time was increased, which meant that premium rates were paid over a smaller number of hours. Matters such as travel and subsistence and excess travel were also reviewed.

In the discussions with the unions through our joint budget group, there is a strong recognition, I think, that the priority is to retain jobs, and if that means having to renegotiate certain terms and conditions, that will continue. One key change that is happening in Inverclyde concerns our janitorial services in schools. Historically, there has been a high number of premium-time payments for weekend working for school lets, and proposals are currently going through the committees to make savings of about £300,000 in that area.

**Ian Lorimer:** The position in Angus is similar to that in Inverclyde. As part of the implementation of our new single status pay and grading structure in 2008, we also reviewed conditions of service, so we looked at matters such as premium rates, when overtime and so forth kick in, travel and

subsistence allowances and so on. We generated savings but, that said, that does not mean that we should necessarily shy away from that area when it comes to further potential reforms. However, like Glasgow City Council, we have not yet got into any detailed discussions on the matter with the unions.

**Bob Doris:** I stress that I am not in the business of trying to make workers' conditions worse than they currently are. I was talking about protecting jobs, perhaps through people doing additional hours in the short term, with the option of returning to their original conditions at a later date as agreed.

During the round-table discussion at last week's meeting, we talked a lot about shared services. We heard that although North Lanarkshire Council and South Lanarkshire Council use the same information technology system to collect council tax, there have been no particular discussions about how to share services and drive efficiencies by providing a service that has a reduced head count. We heard about the Arbutnott review and work in Tayside on shared services. What is the situation in your local authorities?

**Lynn Brown:** You mentioned the Arbutnott review. The Clyde valley authorities are considering sharing services. Word is that four workstreams have been identified in that regard: social transport; waste management; social care; and support services, which includes transaction-based activity such as income collection. I understand that business cases are being produced, which will be considered by the eight council leaders during the next few weeks. As I understand it, no decisions have yet been made about the business cases and what they might mean.

**Alan Puckrin:** We are part of the Clyde valley approach, so we too are considering waste, social transport, back-office services and so on. For smaller councils such as Inverclyde Council, which might have single-person dependencies or single experts who deal with matters, there is a strong argument around resilience for sharing services, but of course by their nature such services have small employee numbers, so the potential savings are small. A pain-versus-gain discussion needs to happen.

In larger areas, we need to be careful about double counting. As I and colleagues have said, efficiencies already make up a large part of our financial planning. Many efficiencies come from streamlining processes and doing back-office functions more efficiently. We need to be careful that the shared services agenda does not take as its reference point the position in 2008 or 2009 and count those savings, because how we deliver services in 2010 is not the same as how we

delivered services in 2008 and 2009. Efficiencies have already been taken out. The devil will be in the detail of the business cases. We need to ensure that everyone is comfortable with the savings that are indicated, as far as possible.

I give an illustration. In Inverclyde, the total cost of our finance service, which includes revenues and benefits and our IT, HR, legal and policy services, comes to £8 million. We are looking at a funding gap of £30 million during the next three years. Like the pay freeze, sharing services will not be a panacea. Even if someone took over all Inverclyde's finance services without having to employ a single extra person or incur a penny in costs, we would save less than a third of the funding gap that we face during the next three years. Sharing services is potentially part of the solution, but it is not the main part.

**Ian Lorimer:** We are doing a fair amount of work with Tayside Contracts, which is a helpful vehicle and enables us to consider things on a Tayside-wide basis. We are looking at developing business cases across a range of services, and no area of council service is not potentially impacted. For example, we are considering education support and specialist services and the possibility of sharing accommodation with not just partner councils but police, fire and health services. Quite a bit of work has been done with health, around social care.

There is a big and potentially exciting project on fleet management. Councils and police and fire services spend a lot of money on vehicle acquisition and maintenance, so we are considering the possibility of a Tayside-wide initiative on fleet services, which we think will enable us to save money.

**John Wilson (Central Scotland) (SNP):** I would like to start by trying to clarify a couple of issues that have been discussed. Currently, 35,000 cases involving equal pay and single status are being dealt with by the Tribunals Service. Based on the panel's evidence so far, I would expect to see a massive reduction in that number. Is that the panel's view? Earlier, the representatives of the three authorities who are before us indicated that, as far as they were concerned, the majority of the equal pay and single status claims had been sufficiently dealt with at the local authority level. I assume, therefore, that there will be a dramatic downturn in the number of cases that are currently sitting with the Tribunals Service.

**Ian Lorimer:** In my earlier response, I mentioned that each council will be in a different situation and that I was not able to comment on what the position across Scotland might be. I have outlined what the position is for us locally, but I believe that the position varies across Scotland. I

do not feel capable of answering your question, as I simply do not know the position across the country.

**Alan Puckrin:** The intention in Inverclyde is to make significant progress in the next 12 months in relation to cases that are with tribunals or have not yet reached tribunals. It is in no one's interests that they are hanging on.

**Lynn Brown:** As I said, we tried to widen the net as much as we could when we did our original compensation payments and compromise agreements. We settled with a number of lawyers who were acting for unions and individuals. I am not sure whether some of the claims that are with tribunals are to do with the new structures that are in place, which is a completely new area for everyone. All that we are trying to do is to mitigate the risks as we go forward.

**John Wilson:** As I said, I am thinking about issues that might face local authorities in the coming years, particularly if we do not get a resolution to the employment tribunal cases that involve equal pay and single status.

With regard to Mr Puckrin's responses, I am interested in the concept that, despite decades of campaigning for shorter working weeks, we now seem to have a situation in Inverclyde—and, by the sounds of it, in other authorities—in which the workforce is going for more hours rather than reduced hours. You also said that a move from a 35-hour working week to a 37-hour working week would equate to savings of roughly £1 million. Could you expand on that? It is a concept that I find interesting from a trade union perspective.

**Alan Puckrin:** On the issue of the extra hours, the former manual workers were already working a 37-hour week, and single status is all about getting equity into arrangements. The savings arise simply from the fact that the council spends £30 million to £40 million on salaries in the areas that are likely to be impacted. The savings in that regard will therefore be at least £1 million.

In arriving at that figure, we recognised that there are already employees across the council who work more than 37 hours a week but who are paid on a 35-hour-week basis. Therefore, we have taken a prudent approach when calculating that level of savings. Over the next 15 or 16 months, we will manage the process and give each service a target by saying to them that, for example, when the increase in the working week comes in, they will need to have the equivalent of 20 fewer full-time equivalent staff in their organisation, so they should make plans now to enable them to deal with that. Those plans might involve individuals opting to work fewer hours in the week or vacancies not being filled when they come up and so on.

11:30

**John Wilson:** Thank you for that response. In Glasgow's case, Mrs Brown gave us the figure of 2,600 voluntary redundancies. From which areas of the workforce have those come? The issue for me is whether voluntary redundancy has been requested across the board, or whether particular grades of officers are more likely to request it. I am curious to know whether people who are on better salaries and have better conditions are more likely to opt for voluntary redundancy than school cleaners or bin collectors.

**Lynn Brown:** Under the equal pay structure, everyone should be on the same pay and grading structure, and the same offer was made to everyone regardless of their grade. The issue is whether staff are in the pension fund or not. If they are, that is a helpful thing for them.

As I said, the figure is 12 to 14 per cent across the council. Some areas have higher percentages than others. It tends to be based on age. Some departments have a more mature workforce than others, and the over-50s have tended to take up the offer more than younger staff in other areas.

**John Wilson:** Is that related to age or length of service?

**Lynn Brown:** Both, I think.

**John Wilson:** You said that your chief officers accepted a pay freeze in March 2010. Was that the 2.5 per cent pay increase that was supposed to go to chief officers in 2010-11?

**Lynn Brown:** No. Glasgow has a 0 per cent increase for the chief officers.

**John Wilson:** So Glasgow broke with the national agreement, which was 2.5 per cent for local authority chief officers for 2010-11.

**Lynn Brown:** We have a 0 per cent increase going forward for our chief officers. I believe that the position is different for some other councils.

**John Wilson:** Did your colleagues in other local authorities accept the 2.5 per cent?

**Lynn Brown:** I am not sure, actually. I have not checked up on that. I think that it is up to the discretion of each council. I have not tracked it; I just know that we are going with 0 per cent.

**John Wilson:** Would Mr Puckrin or Mr Lorimer like to comment?

**Alan Puckrin:** I can confirm that, in Inverclyde, our chief executive did not take the pay award, but it was made to other chief officers.

**Ian Lorimer:** The Angus position mirrors that of Inverclyde.

**John Wilson:** Convener, bear with me. I want to move on to the issue of council tax.

One of the main issues is how local authorities can increase their income in the coming period while trying to create efficiencies to reduce expenditure. Key to the way forward is the debate about whether the Scottish Government's proposal for a continued council tax freeze should remain with us or whether local authorities should be allowed to set their own council tax rates for next year and the coming years. Does any of the three panel members wish to comment on what they see as the best way forward, particularly in relation to raising additional income through the council tax?

**Lynn Brown:** Glasgow has argued that it would like the flexibility to increase the council tax. That is based on the argument that it would help to reduce the funding gap. The council is looking for flexibility, and it has argued for that consistently.

**Alan Puckrin:** From a financial planning perspective, the more tools that we have to enable us to balance the budget, the better, particularly in these difficult times. At present, council tax income makes up 15 per cent of a council's budget. In Inverclyde, fees and charges make up 3 per cent. That means that 82 per cent relates to costs. If we are looking at cost reduction and that 15 per cent is frozen, the cost reduction will take place in the other areas. With the equivalent of a 3 per cent freeze in council tax, if you see what I mean—the current grant that we get equates to about 3 per cent on the council tax—fees and charges would need to go up by 15 to 16 per cent to raise the same amount of money in Inverclyde.

It would be useful for councils to have the ability to increase council tax, as that would provide them with more flexibility and choice. Discussions could take place on whether there should be an upper limit.

**Ian Lorimer:** As a financial person who is trying to do the difficult job of balancing a budget, I echo colleagues' comments. As Alan Puckrin said, the more tools that we have in the box to do that, the better. However, I recognise that there are a number of issues around the council tax and the merits of a freeze. Purely from a financial planner's point of view, it would be useful to have the flexibility that I have described.

**John Wilson:** Thank you for those responses. I will start with Mr Lorimer. You refer to the flexibility of being able to raise council tax. If you had that flexibility, what rate of council tax increase would you recommend for the coming year?

**Ian Lorimer:** That is a difficult question to answer, because the council tax decision is the last decision that is made when we come to balance the budget. We weigh up all the other pressures, incomes and so on in the budget before looking at the position on council tax.

Ultimately, it is a political decision. I cannot make an informed recommendation to members about possible council tax rises until I have seen the complete budget picture. It is for local politicians to make a decision on council tax. They need to do so on the basis of whether a council tax increase would be a better result for the local populace than some of the cuts in services that would otherwise be required.

I cannot give an informed view on the matter. However, in the current year Angus Council is receiving a council tax freeze grant of roughly £1.4 million. If the council decided that it wanted to put up council tax, we would need to increase our local tax by £33, or 3.1 per cent, just to stand still, because the grant is conditional on the freeze. That gives members some idea of where we would need to be. The extra grant is a powerful incentive to go with the freeze.

**Alan Puckrin:** I have nothing to add to what Mr Lorimer has said.

**Lynn Brown:** It is a matter of options. Elected members will be given options in a range of areas, based on the funding gap that they must close. They will decide whether raising council tax is one of those options. As has already been said, if any council wants to raise council tax and the current cap remains in place, the minimum increase will have to be 3.2 per cent, as the council tax freeze grant will be lost. That is the bottom line. In the end, elected members will have to look at the range of options that are available to them and take a view on what they are comfortable with.

**The Convener:** Have you estimated what compensation you would need to continue the council tax freeze in 2011-12?

**Lynn Brown:** The figure has been uniform for the past three years. It is £70 million for Scotland, and all councils have a share of that. Glasgow's share is £7.8 million. The figure has not moved over three years.

**The Convener:** Do you accept that it is fair compensation for freezing the council tax?

**Lynn Brown:** It equates roughly to the rate of inflation. Glasgow gets £2.4 million for 1 per cent, so £7.8 million is equivalent to 3.2 per cent. That figure was set in 2008-09 and has been standard.

**The Convener:** Do you accept that it is still a relevant compensatory figure in the fourth year of the council tax freeze? Are you content with the fact that it has not changed, although it was set four years ago?

**Lynn Brown:** I would not go as far as to say that I am content. I understand what the figure is based on. It has tended to work because inflation has been low over the past few years.

**The Convener:** On the other issues, Mr Puckrin made the case that fees and charges would need to go up by around 15 per cent if we continue to freeze the council tax, so there is no flexibility. What does that mean—in pounds rather than percentages—in terms of charges for elderly care, nurseries or school meals?

**Alan Puckrin:** Just to clarify, I am not saying that it is an either/or case, or that a council that feels that it cannot increase its council tax because it cannot forgo the 3.2 per cent equivalent that that raises will increase its fees and charges.

The weekly charge for school meals in Inverclyde is £9 a week, so 15 per cent would be about £1.50 a week for a child who is not entitled to free school meals. The saving per week from the council tax freeze comes out at around 70p a week on average. Therefore, for conjecture's sake, if we were to increase fees and charges by 15 per cent, someone with a child at school who pays for school meals would be worse off in spite of what they would gain from a council tax freeze.

I am not making a political point—that is just a forensic analysis of the accounts.

**The Convener:** Given the situation, what plans have your councils been discussing? Do you plan to increase charges?

**Lynn Brown:** Not across the board.

**The Convener:** Not at all?

**Lynn Brown:** There may be some increases; members are still considering the options. The issue for Glasgow is that in some instances we have never charged at all when other councils have. Our charges are very low in comparison with those of other councils.

In reality, the impact on the service or the customer could be disproportionate in relation to the amount that we would need to raise to close the gap. With regard to our budget, the impact of a charge is one area that all the elected members examine closely. We look at how we compare to neighbouring authorities—such as the two Lanarkshires—and to other cities, and we consider what the impact would be. There is no straight answer across the board, but that is the approach that we are taking.

**The Convener:** You have not set the charges, but you have explained how you will go about doing so. What do you expect to raise by increasing charges? By how much do you expect your income to increase?

**Lynn Brown:** We have put in as a basic increase 1 per cent across the board. I could get the figure for you—it is about £5 million, which is not a huge amount. If we wanted to go beyond that we would consider different options, and the

members would decide which they would prefer to take.

**Alan Puckrin:** In Inverclyde we are assuming a 2.5 per cent increase in fees and charges across the board, which will raise about £160,000. That equates to about 0.5 per cent in relation to the council tax.

Proposals that have been developed by the corporate management team will be put before members by the end of next week. Those will include options in areas such as commercial waste uplift charges, burial and cremation charges and some of the social care services for which we charge. Like Glasgow, Inverclyde has historically had low levels of charges due to its demographics and policy decisions.

**Ian Lorimer:** In Angus, raising charges has been a feature of our budget setting for many years, and I would expect that to continue during the next two to three years. Decisions on whether those increases will be based on inflation or will perhaps be above inflation are still to be made by elected members; they are currently under consideration.

To give you some figures, it sounds as if our fees and charges are a bit more significant than those in the other councils. We get roughly £20 million from fees and charges so, depending on the scale of the increase, that gives you some flavour of the order of magnitude if we were to implement an across-the-board increase.

**The Convener:** We do not have any other questions. I express my thanks for your attendance and the evidence that you have given; it is very much appreciated and is helpful to the committee.

As previously agreed, we will move into private session for agenda item 2.

11:45

*Meeting continued in private until 12:43.*



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