



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# LOCAL GOVERNMENT AND REGENERATION COMMITTEE

Wednesday 7 March 2012



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**LOCAL GOVERNMENT AND REGENERATION COMMITTEE**

**6<sup>th</sup> Meeting 2012, Session 4**

**CONVENER**

\*Joe FitzPatrick (Dundee City West) (SNP)

**DEPUTY CONVENER**

\*Kevin Stewart (Aberdeen Central) (SNP)

**COMMITTEE MEMBERS**

\*Anne McTaggart (Glasgow) (Lab)

\*Margaret Mitchell (Central Scotland) (Con)

\*John Pentland (Motherwell and Wishaw) (Lab)

David Torrance (Kirkcaldy) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Jamie Hepburn (Cumbernauld and Kilsyth) (SNP) (Committee Substitute)

Professor Richard Kerley (Queen Margaret University)

Derek Mackay (Minister for Local Government and Planning)

Joe Simpson (Local Government Association)

Dr Stephen Sinclair (Glasgow Caledonian University)

**CLERK TO THE COMMITTEE**

Eugene Windsor

**LOCATION**

Committee Room 1



# Scottish Parliament

## Local Government and Regeneration Committee

*Wednesday 7 March 2012*

[The Convener *opened the meeting at 10:18*]

### Public Services Reform and Local Government: Strand 1 (Partnerships and Outcomes)

**The Convener (Joe FitzPatrick):** Good morning, everyone. This is the sixth meeting in 2012 of the Local Government and Regeneration Committee. As usual, I ask everyone to ensure that their mobile phones and any other electronic devices are switched off, as they interfere with the sound system.

We have received apologies from David Torrance, who is unable to attend. He will be substituted by Jamie Hepburn. I welcome Jamie to the committee for the first time and ask him whether he would like to declare any interests.

**Jamie Hepburn (Cumbernauld and Kilsyth) (SNP):** I do not think that I have anything to declare that is pertinent to the committee's work.

**Kevin Stewart (Aberdeen Central) (SNP):** I declare my usual interest, as a member of Aberdeen City Council.

**John Pentland (Motherwell and Wishaw) (Lab):** I declare an interest, as an elected member of North Lanarkshire Council.

**Anne McTaggart (Glasgow) (Lab):** I do the same, as an elected member of Glasgow City Council.

**The Convener:** The first item of business is an oral evidence session in our inquiry into public services reform and local government, strand 1 of which concerns partnerships and outcomes. We have two panels of witnesses. I welcome our first panel, who are Dr Stephen Sinclair, lecturer in sociology and social policy at Glasgow Caledonian University, and Professor Richard Kerley from Queen Margaret University.

We will go straight to questions. I ask the witnesses to give their thoughts on the level of integration of community planning partners throughout Scotland so far.

**Professor Richard Kerley (Queen Margaret University):** I tried to describe in my written submission what I believe all of us who are engaged in this kind of activity would recognise as the difficulties of integration. Those flow from two

factors. One is the slightly differentiated responsibility for community planning that can be perceived. I take the view that, as the completely elected body, the local council should have a leadership role with the other partners in community planning. However, the counterpoint to that is that in some instances I have observed, or had reported to me by local authorities, a sense that other partners slightly hang back. The council is seen to be carrying the ball and starting things off, and other partners do not have the same obligation on them to engage in community planning. Although I do not know the current stance of the Government working party on the issue, the committee should press for a statutory cleaning up. I do not think that a lot of pressing is required, but clarity on that is needed.

The second factor is the challenge of integration, which we know about from public service organisation. Stephen Sinclair outlined that in his submission. It is hard work that involves getting to know and trust people and sharing experiences with them. Integration can be fatally flawed if, at any point, there is disruption to that flow of trust and working together. For example, it is worth the committee noting that, in England, there was a period of enthusiasm for having joint appointments between primary care trusts and local authorities, primarily through the social care and social work function but, when the last but one budget crisis hit the national health service, NHS bodies kind of rolled back from that level of integration. They left local authority partners in the lurch, which created a pretty uncomfortable climate for the bodies that wanted to collaborate in that way. Those are the two key points that I would emphasise.

**The Convener:** Before we hear from Dr Sinclair, I ask Professor Kerley about the difficulty with reticent partners in a partnership. You talked about trying to have some sort of statutory obligation. I wonder whether another way of doing that would be to ensure that other partners were properly audited on how they engage with community partnerships, as I think the Christie commission suggested.

**Professor Kerley:** I would argue for an audit in the broadest sense, to incorporate statutory review, and audit in the more often and loosely used sense of saying, "We will keep an eye on you"—although, technically, it is an ear, if my Latin serves me.

Some areas of collaboration will come at us rapidly. For example, in health and social care, it is apparent that the provision of financial and performance data for local authorities is far more transparent and more readily available than it is for health boards and other related health organisations. There is likely to be activity in

various bodies to try to prepare for a greater measure of statutory or enforced collaboration, which will often include budget protection and institutional protection in some shape or form.

If we do not have access to information on what bodies have been doing in the past five years, it is hard to know whether they will make the fullest commitment in the forthcoming two or three years that we would want if we are to achieve the benefits of integration. Broadly speaking, most of us who consider the issue take those benefits as read. There are huge advantages in integration if we get it right, but we need to overcome the barriers to that.

**Dr Stephen Sinclair (Glasgow Caledonian University):** Thank you for the invitation to contribute to the committee's work. I agree with much of what Professor Kerley said. There is good evidence of widespread commitment to partnership working and community planning among most of the public sector organisations throughout Scotland, and certainly in the councils. I do not think that there is any appetite for a return to older ways of working—there is a recognition that local authorities and community planning partners must deal with complex problems that involve working with one another.

We are finding that community planning partnerships are learning by doing and are working their way through the process. There is no easy answer to the difficulties of integrating and learning about one another's approach to issues. One or two things could perhaps be done with regard to the process of translating the strategic senior-level commitment to community planning into operational and front-line service delivery, such as having performance appraisal and monitoring or auditing systems that reflect the greater emphasis on partnership working.

We must be aware of the difficulties and risks that are involved in partnership working. Any organisation that works with a partner and that is accountable for the delivery of a service will be anxious that the partner is contributing and will separately be held accountable for performance. That is a risk. Organisations are making themselves vulnerable. We must be aware of the leap of faith that is involved if organisations are held to account and might be criticised for not delivering as a result of the performance of another organisation.

I do not know whether we will talk about single outcome agreements, but those are still at an early stage, even though they have been in place since 2008. We can see that there is a commitment to that process, but the Improvement Service's work in that area shows that even the more advanced councils are still seeking to engage in basic tasks

such as setting priorities, measuring performance and establishing baselines.

To an extent, we must be cautious in appraising the delivery of single outcome agreements. The extent to which local authorities and community planning partners can deliver outcomes is questionable. For example, although councils and community planning partners can create the conditions to address a complex issue such as obesity in the long term, any outcome requires behavioural change on the part of citizens. The councils and CPPs can improve the nutritional quality of free school meals, but the extent to which those are taken up, and the extent to which various other necessary factors for the outcome to be manifest come into play, are beyond the power of community planning partners.

There is evidence of commitment, progress and learning. We could do a bit better on sharing best practice, but I do not think that there are any technical solutions. The key things that I would flag up, as I did in my written evidence, are the difficulties and the need for patience, and the fact that we might not see evidence of outcomes in the timeframe that people such as me—researchers and so on—would ideally prefer.

**The Convener:** Has the shift towards single outcome agreements been beneficial to community planning?

**Dr Sinclair:** It is difficult to say. There is no evidence of significant change, but we are only two and a half or three years down the line from the first set of single outcome agreements. The agreements that were initially drawn up in 2008 were fairly general and were written in a fairly short space of time. Essentially, the first set was an attempt to pull together the respective corporate plans of the community planning partners. It was quite an accomplishment to get a document together in that timeframe. The subsequent iterations and revisions of the agreements have shown an improvement, in that they are more precise and show a connection between the aspirations and the delivery mechanisms.

However, we are still at an early stage. Three years might sound like a long period to people standing outside local authorities and the public sector, who might wonder why we have not seen changes yet, but those organisations are complex and the situation is made even more complex by their working together and seeking to co-ordinate their activities and plans. Patience will be required before we see any effective change in outputs, let alone outcomes, down the line.

10:30

**Anne McTaggart:** To what extent are outcomes truly embedded in the community planning arrangement? What are the challenges to achieving a truly outcome-focused approach?

**Professor Kerley:** This is not a double act, although we have shared information, but I echo Stephen Sinclair's point that it is a bit early to know.

The first attempt at creating single outcome agreements was fairly rushed, as there was a limited timescale, but what was achieved was extremely positive. That is improving. It is not clear to me what one might mean by "truly embedded". One can incorporate an aspiration or outcome that is sought in a printed document, but that does not necessarily mean that the organisations and staff teams that are involved will pursue that outcome as robustly as they might by, for example, observing and pursuing inputs of various kinds into the large system that produces, or does not produce, wellbeing for given communities.

The greatest challenge is the enthusiasm in some policy areas, in Government and among many elected representatives, for reverting to emphasising inputs. Unpopular as it will be with some of you, I repeat the example that I think that I have used previously at parliamentary committees, which is that if 17,234 is absolutely the right number of uniformed police officers in Scotland, that tells us that Government at least attaches more importance to the input—the number of uniformed police officers—than it necessarily does to the output.

It is hard to break away from that. We do it in higher education and in many aspects of our lives, while outputs and outcomes remain a long-term target or ambition. Of course, the term varies from place to place. We are seeing some positives now. The news coverage last night and this morning on the impact of smoking cessation on pregnant women was a considerable positive outcome of legislation that some of you voted in favour of four or five years ago.

**Dr Sinclair:** On embedding outcomes, it is crucial that the people who deliver services—academics call them street-level bureaucrats—understand how their actions contribute to the high-level aspirations. I am reluctant to use any academic terms in case I get a note passed to me, but what is required in any strategy is a theory of change. We need to understand how our inputs connect to our outcomes. That comes up all the time in the depressingly recurring issues of regeneration. What is supposed to be the outcome of any particular intervention? Has anyone stood back and reflected that, if we do X, it will ultimately lead to Y, which we know because we know the

intervening connections? That is what is required in developing an outcomes approach.

That has not been done because, to be honest, community planning partners were not given enough time to sit with a blank sheet of paper and ask, "Can we first agree a vision? Can we agree the outcomes that would allow us to define what that vision is? Can we then specify the actions that we collectively need to take and co-ordinate to deliver that vision?" That is what a genuine outcomes document would look like. While people develop those documents, they have to do their day job. It is extremely difficult to sit back, reflect and come up with a vision that can be implemented to lead to outcomes. A number of community planning partners are committed to that process, but it will take time.

**The Convener:** One of the challenges is in working out where an input has an impact on the outcome. Scottish National Party members would argue that putting in place 1,000 extra police has led to the outcome of having the lowest crime levels in 35 years. Others will have different views.

**Kevin Stewart:** I was just going to make that point.

I will change the questioning slightly. Dr Sinclair, in his written submission, talks about the private sector not being wholly involved in some of the things that we are trying to do with regard to community planning. There are good examples of private sector engagement in Scotland, such as the work of Aberdeen city and shire economic future, in the north-east. However, the private sector is sometimes accused of trying to interfere in or control the agenda of community planning partnerships. Is that why there is not such a high level of engagement?

**Dr Sinclair:** I would say the opposite. A lot of community planning partnerships find it very difficult to get private sector representatives to contribute. Much of the evidence that we have on that comes from England, where there is more money and more resources to study such things.

We must bear it in mind that, in many community planning partnership areas, the local chamber of commerce is understaffed and underresourced, and is run by one person who has to represent a very diverse sector, the principal interest of which lies in making business links and exchanging information within the private sector.

In addition, those representatives have to contribute—almost on a pro bono basis—to community planning partnerships where they can. That is even more difficult for the Federation of Small Businesses, which has even fewer resources. We must be realistic about the demands that we place on underresourced private

sector umbrella organisations in certain community planning partnership areas. In larger cities, where there is more infrastructure and there are longer-established co-operative organisations to represent the private sector, things may be easier.

In the cases that I have examined, the private sector has been involved in a particular way. First, the chamber of commerce has been established and supported largely by the local authority. Secondly, there has been an awareness that the private sector may only be interested in contributing, or only be able to contribute, on an ad hoc basis on issues that are of great concern to it, such as infrastructure development, the town centre and transport issues. It may not feel that it has any great interest in, or expertise to contribute to, other strategic issues in community planning, for example child protection.

We must be aware that there is a deficiency in the infrastructure for representing the private sector in community planning partnerships. We should improvise and we should learn from the community planning partnerships that have been able to establish long-term relationships with private sector representatives.

**Kevin Stewart:** I urge Dr Sinclair to look at the example in the north-east of Scotland. Some private sector partners feel that they have had their fingers burnt, as they have been told that they have been interfering too much rather than too little.

Would it be better to attract private sector involvement in CPPs on a regional basis than to concentrate on one CPP area? That seems to work a lot better.

**Dr Sinclair:** I will answer that briefly—Professor Kerley may have more to say. Things are moving in that direction in England with the development of multi-area agreements and local economic partnerships. Evidence remains patchy on the impact of the private sector contribution in that regard, so it will be worth watching what happens.

As we have found with large-scale public sector organisations, the picture gets somewhat complicated when a partner has to be represented on a number of community planning partnerships. For example, NHS Greater Glasgow and Clyde sits on 10 CPPs and it is difficult for the board to get enough people to show up at all the meetings, let alone to ensure that its interests and strategies dovetail with the partnerships' respective interests, issues and priorities. I imagine that private sector organisations face similar challenges. Of course, that is not a reason for not trying, but we should be aware of the difficulties of delivering that kind of involvement.

**Professor Kerley:** As Stephen Sinclair pointed out, a tension can emerge in seeking to engage private partners. We often find that the private sector sends surrogate representatives such as, for example, chamber of commerce people who—often quite heroically—attempt to represent a vast array of different types of organisation. One characteristic of a lot of private sector engagement with CPPs is that industry-specific representation either in a CPP or in related types of city or authority-wide organisation tends to be from organisations that, through their interests and expertise, are concerned with big-scale development, infrastructure or building of some kind or another. I am not seeking to condemn developers—their view in that regard is legitimate—but the difficulty with widening the scale of such representation is that the developer might want to develop in one part of an area whereas the associated authorities might prefer to develop somewhere else. Someone who wants to sell things and make a profit is not going to do that.

We could be a little bolder with community planning and try to engage directly with some of the private sector interests—primarily retailers—whose business is selling to all of us products that have a huge impact on our health and lifestyle. I spent part of Sunday afternoon strolling around a respectable supermarket—its name is not important—and checking the alcohol by volume percentage of different types of booze to get a sense of what was being sold in a place where I buy alcohol. I have to say, as someone who drinks, that in even very good retailers the alcohol stock has been degraded to slightly iffy White Lightning, Extra and Special Brew. Many of you will travel into and out of Waverley station; when you get the chance, you should stop by a high-quality food retailer in the station, look at the stock on its shelves and compare it to the stock on the shelves in the towns and cities you are returning to.

Retailers have a very acute sense of who they are selling to—they are sophisticated and good businesses. If they are selling high alcohol content products, sugary drinks or high-calorie, low-protein foods, we should be engaging them: we should get them round the table to discuss the impact of those legitimate trading practices on general population health, child and adult obesity, dental caries and so on. I realise that that is a tough call; after all, supermarket retailers are highly competitive and tend to be highly protective, in the sense that they do not want to come out in the open. Nevertheless, some alcohol producers have been brave in talking about alcohol, and we could engage at that level and see how such engagement might impact on what we are all seeking from community planning.



**Kevin Stewart:** I am not going to talk about alcohol at this moment, convener.

Is there any evidence that private business engages more in areas where there are skills gaps? Can we encourage more private businesses to get involved in that respect in order to resolve the very difficult youth employment problems that we have? I have one more question after this, convener.

10:45

**Dr Sinclair:** I am not aware of any evidence on that—which is not to say that there is no evidence.

**Kevin Stewart:** Professor Kerley said that in many community partnerships, councils lead and others “hang back”. Is there evidence that that is not the case and that there are community partnerships that have strong community representation?

**Professor Kerley:** I am not aware of formal evidence on that. I would not necessarily use the phrase “hang back”. There is a sense—which I have observed, and have acquired through interviewing people—that councils are legitimately and properly taking the lead. Where uncertainty colours the question of what to do, unless there is a defensive role to be played by the police, fire and rescue, health service or the third sector, the gist of the discussion will be about what the council wants to do: people think, “Let the council take the lead on this one.”

**Margaret Mitchell (Central Scotland) (Con):** What are your views on the frustrations that have been expressed by the third sector about the lack of meaningful involvement in community partnerships? What progress has been made on making the involvement of the voluntary sector and other organisations and the community generally more meaningful?

On engagement with the community more generally, I want to ask about supermarket and private sector involvement, and about off-licences specifically. I had a similar experience to Professor Kerley, when I was struck by what I saw at one grocer's at 5 o'clock on Sunday, when quite a number of people were entering then coming out with cans. I had not previously seen that at a specific time, so there is obviously information to be had about social patterns. I hope that we can pick up on that with supermarkets and other retailers, including off-licences, that provide alcohol to the public. Will you comment on that?

**Dr Sinclair:** I will leave Professor Kerley to deal with off-licences and alcohol, if that is okay.

On third sector participation, it is true that in certain community planning partnerships, and in local strategic partnerships in England, third sector

organisations have felt that they have not been at the leading edge of participation and involvement. We can learn from the best practice of community planning partnerships in which those issues have not been raised what they have done to ensure that the third sector has an effective voice.

The first thing is that the third sector has to be valued and understood to be making a useful and valuable contribution. In many cases there is evidence that community planning partners appreciate the service-user perspective that the third sector can provide. Community planning partners also have to appreciate that third sector representatives on community planning partnerships are seeking to represent a diverse and underresourced sector. Third sector representatives do not have the resources of, for example, a corporate services department of a local authority. They do not have people to write summaries and précis and do digests for them. They are doing the work of participants in community planning partnerships in addition to being pretty much full-time professionals or volunteers in demanding positions. They have to have time to digest information and consult their sector.

Community planning partners therefore have to be aware that allowances need to be made so that third sector representatives can go through the democratic process of consulting their sector. That can slow down the process and make councils, for example, feel that they are inefficient in consulting or involving the third sector. Partners have to be aware that there is always a trade-off between democracy, speed and the narrow concept of efficiency of decision making.

In the most effective community planning partnerships, third sector organisations feel that they are involved and valued and that they have an effective voice. That is to a certain extent because they have been invested in. The third sector has collective umbrella organisations to which resources have been donated by the public sector so that they can consult their sector effectively, efficiently and on a representative basis, and so that they have the capacity, and the ability to build up the experience, to represent a highly diverse and—as people put it in the interviews that I did—amorphous and unstructured sector. It is very difficult for the third sector to speak with a single voice, as community planning partnerships often demand of it. Partners must appreciate how difficult that is, and that sometimes it may not be possible.

**Margaret Mitchell:** You have identified funding as a key factor in the imbalance. If third sector organisations are to be looked at as being more than just consultees and if we are to take their diversity into account, perhaps we should change

the relationship between such organisations and the local authority so that, rather than just being the recipients of funds from the local authority, which is then seen not as a partner but as a much bigger player, they have the right to bid for funds.

**Dr Sinclair:** I would distinguish between the role of third sector organisations as service delivery agents and the role of third sector representatives as members of community planning partnership strategic boards. I was talking more about investing in the latter capacity and giving people the time to hold strategic third sector meetings in their area so that they can take soundings from the third sector at an early stage in the development of policy.

A specific issue for third sector organisations is that they often feel that they are brought in to give an opinion on an issue that is already at a fairly advanced stage of development. That is not necessarily deliberate; it happens not for any conspiratorial reason, but because in the core—usually public sector—organisations that are responsible for delivering a policy, issues are dealt with at the level of officers and what are sometimes called thematic groups. The policy is then presented to the strategic-level community planning partnership for approval or comment, by which stage so much work and time have been invested that it is difficult to make any significant strategic comment on the direction of the policy.

Some third sector organisations that are involved in community planning partnerships have said that they would like to be involved at an early stage, but for that to happen they must have the time, the resources and the capacity to go to meetings, to understand the briefings and to do the independent thinking that is required. It is investment in that aspect that I was talking about.

**Professor Kerley:** I will come back to the question about alcohol in a minute.

My answer to the first question is, in a sense, a reiteration of the observation on the trading sector, which is that any of the organisations that have an umbrella representative role for the third sector, the voluntary sector or charities—use whichever term you want—covers a very wide spread of organisations. Related to that is the impact on organisational behaviour of increasing numbers of those organisations becoming contractors for local authorities or the health service rather than simply being the recipients of a grant, which is how many of them grew up and developed their activities. I could not put a scale on that at the moment, but any substantial budget line, particularly in the context of local authorities, will now show a contracting relationship rather than a recipient relationship.

The contracting role is often quite tightly defined, so surrounding it with the representational role is sometimes quite difficult. Big charities—by that, I mean genuine charities, as opposed to bodies that are registered as charities—often comment on the fact that they struggle to sustain any kind of policy engagement, which is really what we are talking about here. They often do not have the resources to talk more generally about how we improve child health, care for the elderly and so on.

I am not sure how that can be addressed, because any local authority of scale will just have more people who will gather round probably a slightly smaller table than this one and start their discussion by asking what to do about a particular matter. I will give an instance that is a hobby-horse of mine, which is young people driving fast cars and killing themselves and their friends in single-car accidents, which is far more of a problem in the north-east and in the Highlands than it is in Glasgow or Edinburgh. How do we tackle that? What do we do? What are the implications for the police, in terms of dealing with the young people and so on?

I will be brief about alcohol in off-licences. Obviously, Margaret Mitchell and I spent a very similar weekend. I hope that nobody took photos of you—they probably were not concerned about me. Price comparison can look a wee bit iffy if you are holding up a can of White Lightning.

The focus should necessarily be on volume sellers of sweet, sugary, alcoholic drinks and high-calorie, low-protein products of that type. It may be the small, family-run corner shop that is the source of such products, but it is virtually impossible to engage them in discussion on the issue, not because they are afraid but because they work long hours.

**The Convener:** I should say that other brands of cider are available.

**John Pentland:** Professor Kerley said in reply to what I think was the convener's first question that sharing budgets in pursuit of shared outcomes has huge advantages. Is there any evidence that that is happening in Scotland? What are the main barriers to sharing budgets?

**Professor Kerley:** The sharing of budgets is happening hesitantly and slowly; it is often a challenge within ostensibly unitary organisations, as much as it can be a challenge across the boundaries of organisations.

If you want to look at a particularly interesting exercise in redirecting resources and achieving more beneficial health outcomes, particularly for older people, just Google "Nairn community hospital" and track down some of the work that has been done there in preventative planning for

healthcare and looking at the circumstances of a significant chunk of elderly people in that area. You can find papers that compare their experience with that of other general practitioner practices within the Highland NHS Board area and within the different community health partnerships in the area. Some of the papers refer to their current discussions about shifting resources from acute care into primary care and how difficult that can be.

The people who work in and run large hospitals are as reluctant to transfer budgets to GPs and health centres as they are to transfer them to a shared arrangement with local government. Boundaries are not absolutely discrete in terms of that sharing.

The main barriers are in defining what a budget is. If you look across different elements of provision, you will find that, like health boards or universities, local authorities pretty well get a single-line budget. They then make choices within that budget allocation that produce very different outcomes in different areas. If we consider older people, which I think will be the prime focus of any closer integration, you will find that Age Scotland, for example, will give you very detailed evidence showing that the initial grant distribution or appropriate allocation to care for older people in different local authorities translates into local authority X not spending that and spending more on younger children, for example. That is the essence of local decision making. That occurs in the health service as well, but it is just not as obvious or transparent.

11:00

**Dr Sinclair:** I will say something brief on that. I do not want always to raise difficulties, but we have to be aware of what is involved in sharing budgets and pooling resources in order to accomplish outcomes. For example, we can consider something that I believe is close to the heart of the Scottish Government, which is Sir Harry Burns's interest in an assets-based approach to health inequalities, investing in early years and building up the resilience of vulnerable communities and so on. Think about all the budgets and the departmental lines that would be involved in the shift to that approach; we are talking about education, personal social services, investing in early years and investing in childcare. Those are all admirable things, but you can imagine the difficulties in pooling those budgets at local authority and community planning partnership level.

We must be aware that to a large extent Scottish Governments still think in terms of departmental budgets and lines. If they do not pool their budgets to achieve the desired outcomes,

there are good reasons for that. Similar barriers and difficulties are faced at community planning partnership level. There has been a shift in belief, but it has not been translated into a shift in culture or in operational practice because of the great difficulties.

**The Convener:** We have received from most of the local governments in Scotland evidence on the structures of community partnerships in their areas. Most are pretty similar, but it seemed to me that they are perhaps a bit complex. Is it possible to simplify the structures, or have we got them right?

**Dr Sinclair:** There is a trade-off between representation and simplicity, but there is no formula for that. Fitness for purpose depends on the locality and the relationship between the different organisations that are required in an area. There will be communities in which it is not crucial to have a designated representative of the transport sector involved in the corporate body of the community planning partnership, while in other areas that would be a serious omission.

We cannot come up with an optimum number for how many layers or how many representatives the corporate body should have, but we can look at more nuanced and less exact things, such as the strength of trust, the degree of consultation and the soundness of the relationship between the partners, and we can try to understand how effective relationships came about and the extent to which they could be transferred to other areas. It sounds rather messy and vague to say such things, which makes me uncomfortable as an academic and social scientist. However, we are talking about complex human relationships and not about mechanisms. So, the focus must be on building up and developing that capacity.

**Professor Kerley:** We are also talking about complex institutional relationships in a country in which the population is distributed very unevenly between the intensely populated urban areas in the centre of the country and the more sparsely populated areas in the north and south, including the north-east and the islands.

As I said in my evidence, I talked to people in NHS Health Scotland who are extremely good at handling information about health outcomes and achievements. Their information is typically on a health board area, but when they re-presented it organised according to local authority areas—I am told that that is technically quite easy to do and just involves punching the right buttons to re-order everything—they found that there was far greater interest in it. The interest was already there, but they found that there was a deluge of people saying “Oh! We can now make sense of that. We can look at that in terms of our focus.”

However, if we consider community health partnerships, which are to be the foundation for the proposed lead area in integration—health and social care—we find that there are 38. Glasgow has three, Highland has three and Fife has three. When I thought about that, I began to wonder. I can see that there is probably an epidemiological distinction to be made between north-east Fife and west Fife and Dunfermline, but why should Kirkcaldy and Levenmouth have an entirely separate community health partnership? I do not know the Highlands well enough to comment, but I know that such industry as is in the Highlands tends to be concentrated in the Ardersier, Dingwall and Inverness area. I can see the merit of a split in Glasgow, given the scale of the area, but the approach creates complexity.

A far more distinguished academic than me, Derek Senior, wrote that when we draw a boundary we cut across a problem. That is not to argue that there should be no boundaries—I am not advocating a single police force, single fire and rescue service and single everything else. However, boundaries can cause structural difficulties, which themselves feed into the issue to do with personal relationships.

**Anne McTaggart:** How effective are the change funds likely to be? The 2011 spending review was about encouraging a decisive shift to preventative spend. How is that impacting on community planning?

**Professor Kerley:** If we had a projector here, I would show you on a bar graph the proportion of the budget that is now formally committed to preventative spending; it hardly blips on the line, compared with the continuing budgets that flow into established legacy activities. That is not surprising to me. It is not something that can be addressed with the snap of a finger, because it is extremely difficult to turn round a budget in the long term, for reasons that Stephen Sinclair mentioned and because of issues to do with getting any kind of traction to start off.

I am positive about the idea of the change funds. They have the potential to be significant in moulding behaviour, by making money available to generate activity, hire expertise and focus expertise on activity. The funds will be of the most significance if they are distributed in ways that give clear signals. If the change funds are split in a way that is a wee bit like saying, “We have 38 slices of cake and everybody gets roughly the same,” they will lose credibility in the context of what the Government is trying to model.

That brings the automatic response from lots of people that I am encouraging competition between different aspects of public services. I argue that I am encouraging comparative competition, because that happens anyway. Directing money

towards successful outcomes encourages other people to look at what the highest achievers are doing and say, “That is what we should aim for.”

**Kevin Stewart:** Is there evidence of a community planning partnership investing in community capacity building to such a degree that it performed better? Given what you said earlier, is there a requirement for third sector capacity building?

No CPP has moved towards incorporation, but might such an approach take the lead away from councils and create bodies that were a little more independent minded about what they were trying to do?

**Dr Sinclair:** We do not have any evidence on the effect that incorporation would have, but we can speculate, and speculation can be more or less informed.

I have not encountered any strong appetite to move in the direction of incorporation. It would be the outcome of a process through which most of the things about which we have talked had already been aligned. Organisations would have agreed objectives, pooled budgets and shared staff, and staff would move easily between different organisations, so the organisational boundaries could be dissolved. Incorporation would be the outcome of that, but we are far away from that, sometimes for practical reasons and sometimes for sound political reasons or judgments about what is appropriate for a particular area.

There is obviously patchy representation of communities and variation in the quality of engagement. More use could be made of the guidance that exists. We have national standards for community engagement, which must be carried out not because it is a duty or a statutory requirement but because it is valuable and contributes to better policy, as it leads to improved lines of feedback and allows policy to be informed.

Moreover, communities do not like things to be done to them; they like to have a voice. People will go along with any change if they feel that they have been involved or understand why it has come about. Even if their preferred option has not been selected, they will think, “Well, at least I know the justification for that.”

The more advanced and developed community planning partnerships are aware of that and have invested in and carry out community engagement. My concern is that, in a time of cuts and austerity, that could be one of the first things to be cut, because it does not seem to be a core function and to deliver important outcomes. That would be a mistake. Investing in such community involvement pays dividends in community wellbeing and improved policy making.

**Kevin Stewart:** Should there be third sector capacity building?

**Dr Sinclair:** The areas in which the third sector feels that it is involved in an effective partnership and makes an effective contribution often reflect a history of investment and support on the part, largely, of the public sector and reflect the fact that the community planning partnership is drawing on that legacy. When third sector organisations feel that they do not have capacity or a voice, they need to be involved, and steps will need to be taken to ensure that they can get involved.

**Professor Kerley:** There is some activity in capacity building, but it is a complex and long-term process that is, in essence, about building confidence in people and equipping them to handle higher-order discussion. I do not mean that patronisingly; it means moving to talk about what happens across the totality of the big chunk of Scotland to which we refer in some CPPs.

I am sceptical about incorporation. We have what people often refer to as a cluttered landscape of organisations. It is often not appreciated that the legal personality of that cluttered landscape is, itself, complicated.

For example, many people were surprised that a former Minister for Health and Community Care was able to remove one health board from the map simply by delegated power. He could not have done that to a local authority, even if it had been underperforming dreadfully.

As for the relationship between partners in a CPP, key partners will soon have different forms of legal personality. That raises the complex issue, which you may shortly be considering, of who exactly the partner is. Who will be the police partner in a CPP that is defined by local authority geography? Will it be the proposed local commander, the chief constable or the Scottish police authority? That is not an easy call to make.

**John Pentland:** Quite a few of the submissions that we have received suggest that it might be useful to complete a mapping exercise to determine total public sector investment across all agencies within an area and then to focus on how that is aligned with the area's strategic priorities and needs.

11:15

**Dr Sinclair:** As an academic researcher, I would never caution against doing further investigation into spending. Some interesting work was done a few years ago by researchers at Heriot-Watt University, who looked into where spending goes at the local level and which communities and groups benefit from mainstream spending. The picture was very interesting,

because it gave an idea of what we are getting for our mainstream services.

A mapping exercise could be useful. What really matters about a research exercise is what will be done with the results. Researchers need to know that the people to whom the data is presented are interested in it and will act on it. That means that they have to be involved, that the information that they require is valuable and that they know at the outset what they will do with it.

Knowing where spending goes can raise lots of issues. My friends and colleagues at the University of Glasgow, for example, have looked at which communities benefit from environmental services such as street cleaning and so on, and it will not be a surprise to the public or committee members that the communities that have the most effective voice and demand, or the most affluent communities, tend to get a better service. Knowing that is interesting sociologically, but it raises the issue of what we are going to do about it. Are we going to redirect our resources to the more deprived communities and take them away from those who will be more vocal and complain about what they perceive to be a decrease in quality of service?

That sounds like a trivial issue, but Ben Page at Ipsos MORI has said that the best way for a local authority to get a good rating from the general public is to have clean streets and a good local newspaper. If a local authority has those two indicators, it is doing fine and we can ignore all the other stuff that local authorities and community planning partners do that really matters.

The subject is not negligible. Knowing where spending goes is one thing, but doing something about it and shifting money to where it is required is quite another. The political will to do that must be in place before we do any research or investigations that will be worth while.

**Professor Kerley:** I agree.

**The Convener:** That is great. I thank the witnesses for their evidence.

11:17

*Meeting suspended.*

11:18

*On resuming—*

**The Convener:** I welcome Joe Simpson, the principal strategic adviser with the Local Government Association. You are very welcome. You have come a bit of a distance to be with us today, so I thank you for your efforts.

Will you kick off by telling us a bit about the history of the total place initiative, the experiences from other jurisdictions that were used in developing it, and the broad themes that underpin it?

**Joe Simpson (Local Government Association):** Various acronyms have been used during the evolution of the total place approach; I will try to avoid using any of them, because they have a particularly English context.

The journey started with the fairly simple premise of asking whether we know what the public expenditure is in any place and whether that has any rational determination. The work started in Cumbria. I was then at the Leadership Centre for Local Government, and we produced a report called "Counting Cumbria", which tried to make some sense of the whole of public expenditure.

I return to a comment by a witness on the previous panel. Knowing the spend does not mean that all that spend can be moved. For example, if spending on pensions is high, that will be because an area has a high number of pensioners, so some figures are not flexible.

First, the work threw up the point that there was a series of decisions on expenditure that were made within departmental cultures and were not necessarily joined up—a witness on the previous panel referred to that. That could be equally true if we tried to disaggregate local government expenditure into sub-areas.

The second question that was thrown up was whether, if we knew the totality of expenditure, we would spend money in the present way. A significant amount of work went into looking at what are now called complex families in England—families who have a fairly high level of contact with public services and who would be called "families" in inverted commas, because they do not correspond to many people's traditional assumptions about families.

That work showed that a significant number of public interventions looked remarkably unco-ordinated, to be frank. Salford City Council came up with an illustration of a family who had 240 different interventions by different parts of the state in one year, yet that did not deliver the outcome that was wanted—a stable family who did not create problems for their neighbours.

We started to ask whether we were doing the right things to give such families a solution. The truth was that the lack of co-ordination meant that we were not solving the problem, but we were spending significant amounts of money.

The third question that came up was what the obstacles are to reconfiguration towards better delivery of public services. We are struggling with

three issues. The first is having a new investment model. The problem is that, when one agency makes an intervention that might relieve the total public expenditure in due course, the saving is normally made by another agency. How do we incentivise agency 1 to intervene early to make a difference, when that has a cost to agency 1 but the saving accrues later to agency 2? The argument about early intervention, on which the committee has touched, is key to that. We know that early intervention makes more sense than very costly intervention later, yet the way in which we have configured public services means that making that switch is very difficult. Can a new model of investment be developed?

The second issue is that we probably need new delivery vehicles. The present configuration of state services works for many people but, if we are to solve some of the problems, we need to do some reconfiguring. How can we do that?

The third question is about addressing the significant cultural differences between different public agencies that have grown up over time. It is not just about differences between local government and health or between local government and the police. For example, a teacher focuses on how to ensure that the whole class works, while a detached youth worker focuses on different kinds of people who cause problems. That is a natural cultural tension that we must live with.

The process that we have gone through is to take that argument on. In England, the bulk of expenditure still remains within national silos. We are not saying that all the resource should be transferred to local government level, but it is becoming clear that, if we are going to deliver radical solutions, we need flexibility at a local level to do the reconfiguration.

In addition to doing that work at the leadership centre, I was the chair of the review of Welsh local government that was commissioned by the Welsh Assembly Government in 2010. The subsequent report, which is colloquially known as the Simpson review, looked again at these issues. The problem that we have been trying to tackle through our approach with total place—it is now called whole place—is common across the United Kingdom. Indeed, I read a report last week about a total place approach being considered for Northern Ireland. Whichever way we configure, the problems turn up.

**Margaret Mitchell:** I want to ask you about how the scheme worked. How was the initiative funded? How did the pilots work in practice?

**Joe Simpson:** The precursor of the work in Cumbria and so on was self-selecting authorities that wanted to go through the process. The next

stage was an agreement with Government to have an official set of pilots. However, there were also a number of unofficial pilots, because some places said, "Even though we're not officially on the list, we would like to explore this." One of the interesting things about that is that some of the unofficial pilots produced some of the most interesting work. That was encouraging because it showed that we were beginning to get some traction.

We at the leadership centre were then given funding by central Government to support individual pilot areas. Key to those pilot areas working was a buy-in across the local public sector. If it was seen as something that was purely to do with local government, it was not going to work. It worked best where one could see some accord between local public sector players. That helped to get some momentum, because Treasury ministers in particular became very interested in the approach. They started to look at the scale of the financial problems post-2008 and were interested in what mileage there could be in this way of working to deliver quality public services in a different way.

As ever, the reports came out just before the general election and the new Government decided to tweak the thing. That is how we got to the next phase, with a strong concentration on complex families and a rebranding. We have just moved into that phase with whole place, which is going in four areas. It is interesting that there are now a significant number of Government secondees in those four areas. There are large teams that will be working for the next six months, which comprise people from across the local public sector and secondees from Whitehall. Colleagues have just this morning made a presentation to a group of permanent secretaries, to get the message across Whitehall. The whole place approach is an attempt to begin to embed the message.

11:30

A number of people still see their agendas strongly in departmental terms. We are going through the classic tension between a set of departmental priorities and how to configure locally, which is being played out in the pilots. The key thing that we all must move towards is a set of jointly agreed objectives that can be applied within an area and which allow people the flexibility to deliver solutions that are tailored to particular problems.

To return to the previous discussion, services in rural areas would be configured slightly differently from those in densely populated central belts. We have exactly that agenda in England and in Wales,

where south Wales is densely populated but north Wales is much less so.

**Margaret Mitchell:** Were there any good examples of preventative spend and, if so, how were the outcomes measured and evaluated?

**Joe Simpson:** One of the most detailed pieces of work on this was undertaken by Westminster Council. It was a targeted intervention with complex families—families whose total cost to the state was significant. The council developed a model based on a contract with consequences, which made clear to families the scale of targeted support that the authority would be prepared to give and also the expectation of the family's role in that. There is evidence that the model has resulted in direct tangible savings, because of reductions in expenditure in other parts of the public sector. The formal report is detailed, and I will happily submit it to the committee.

There has also been some work with complex families in Swindon using a slightly different approach; we are beginning to see evidence that that is leading to savings. Given the fiscal constraints that any Government will face over the next few years, one of the challenges of this next phase of considering a new investment model will be that requests for a large amount of money up front for further investment will be unlikely to get the scale of resource that they might have done 10 years ago. We will therefore have to look at models in which we produce an evidence base and simultaneously have an investment model to finance the transition. That will be one of the key bits of our work over the next few months, to see whether we have a robust model as we move into this payment-by-results approach.

There has been a lot of discussion about social investment bonds and payment by results, but we do not yet have a methodology that is robust enough for us to go to the banks with the proposition and have many bankers say, "Yes, that looks pretty good. I like your business plan. I understand what it is and I am prepared to back it." Creating the investment model within which to do that is the next big piece of work, but we are accumulating evidence about how early intervention can make savings. I reiterate that the difficulty is that often the agency that is best placed to make the early intervention is not the one that subsequently gets the financial benefit of it. That is the other key part of the problem that we must try to resolve.

**Kevin Stewart:** I take you back to "Counting Cumbria". While Cumbria was being counted, was there an exercise to benchmark the county against similar places? What role does benchmarking play in getting the desired outcomes in the total place pilot areas?

**Joe Simpson:** The counting in Cumbria was less about benchmarking than about understanding the spend. We need to recognise that localities are different. As an attempt at a joke, I used to say that, despite 10 years of Audit Commission top-down targets, it still rained more every year in Cumbria than in Cambridgeshire. I say that flippantly but, on the present chief executive of Cumbria's first day in post, she went into emergency session at 10 o'clock because of the disastrous flooding there. One needs to understand that Cumbria will have a different spend on certain services from Cambridgeshire because they are very different places, and the same is true for other places. I am therefore not a massive advocate of assuming that one can do national benchmarking.

**Kevin Stewart:** I am not an advocate of national benchmarking per se, but there could be family groupings. Cumbria might have a lot in common with, say, Cornwall, where there was flooding at about the same time. A rural setting could be benchmarked against small towns. I am not saying that Cumbria should be benchmarked against Cambridgeshire, but it might have a wee bit of a match with Cornwall.

**Joe Simpson:** I agree. In England, we have been trying to use a peer review approach. The Local Government Association is facilitating peer reviews of authorities in order to do that benchmarking, so that like-for-like comparison can be made with near equivalents. The first part of the Cumbria project was the counting, and the second report was entitled "Calling Cumbria", which, in a sense, asked people, "Given what you now know about the spend, are there areas where you think you should look at a slightly different configuration?"

The spend threw up some interesting statistics, some of which would be moderately obvious if you thought about them. The bulk of Cumbria is a low-wage economy. The bit of the county with the highest average wage is what is now called the nuclear coast, where all the nuclear investment has produced a requirement for a slightly better-paid skilled workforce. You cannot transport that investment in nuclear plant and so on to another location 10 miles away. There are reasons why it is there. However, mapping that through showed the impact of a specific spend, because it directly translated, within a comparatively low-wage economy, into a slightly better average standard of earnings in a particular area. That helped with benchmarking by helping people to begin to understand where we are at.

The second step has been to look at total assets. Historically, the public sector has developed its asset base almost in isolation. Different departments and different authorities

have developed their physical assets from the perspective of departmental or other needs. That throws up two questions. First, do we have the right distribution? Secondly, is there an opportunity for significant savings, which will not affect the public, through a more rational use of the asset base?

Some specific work that has emerged from that approach addresses moderately straightforward issues that arise. I will give an example that comes from the work that happened in Kent. When Kent looked at its distribution of assets, it noticed that it had made a significant investment in registrars and in bereavement counselling. If you go to report a death, you are likely to be one of the people who might require bereavement counselling. Co-locating bereavement counselling services and the registrar not only saves money but improves the service. That is a small but telling example of how, if you can map this stuff through, you can make changes.

**Anne McTaggart:** I have a few questions. First, what were the key successes of the pilots and what difficulties were encountered?

**Joe Simpson:** A key success of the pilots was an encouragement of a proceed-until-apprehended culture. A major factor in what has happened in public services is that we have developed a self-denying ordinance. The approach has been that we cannot do this, because we are not allowed to do it. We said to people, "Why? Take yourself back to why you originally got involved in public services. You did not start work in public services to be involved in demarcation disputes between different parts of the public service." What we found refreshing was how liberating the process was for the participants. It energised people at grass-roots level to think, "Yes, we can do things differently." That helped to empower people to make changes.

I come back to the point that some of the interesting work happened in unofficial pilots rather than the official ones, because people just said, "We want to do some of these things. We want to explore a different way of working."

The biggest challenge remains that, until there are incentives in the system that allow that local alignment, we still run into the problem that, when different parts of the system face financial pressures, they retreat into a departmental perspective. Professor Kerley alluded to the fact that we had made reasonable progress on joint appointments between local government and the health service, but there has been a retreat following the abolition of primary care trusts and service reconfiguration.



11:45

As we make the tough choices about local public services that will have to be made over the next couple of years, the challenge will be whether to view things through the department-by-department prism and continue to operate within the present model, or to use a new prism through which to look at the spending review and total expenditure, which is what the new way of working might suggest. That is the tension and the difficulty in the system, with enthusiasm for things to happen being found at a local level but people not being given the flexibility to make local arrangements to do things differently. That comes back yet again to the question of creating an environment in which people can be authorised to make local arrangements if they will make savings for the public purse.

At the beginning, many people of course focused exclusively on how to do things better, but against a backdrop of significant squeezes on public expenditure the question whether a certain quality of public service could be maintained at less cost also had to be addressed. People are recognising the need to do the latter as well as the former.

**Anne McTaggart:** Given that there can be excitement and vibrancy around pilots, how were the pilots' outcomes and experiences evaluated? I hope that you will say that the evaluation methods were different and vibrant, and not our usual standard.

**Joe Simpson:** I will send through some of the reports that were written in an attempt at evaluation. We tried to capture both the outcomes and the process by which the outcomes were reached.

In local public services, there has been a problem that has come about because of the culture that we have had for a long time. For example, we find four people who really like one another—regardless of the jobs they do—and they just say, "Let's do it." They get together and make things happen because they have absolute trust in one another and just get on with it. What then tends to happen is that within two years they are all promoted in their respective organisations and, three years later, it has all gone away. That is because we have never captured the "How do we do it?" What we have captured is the outcome, but we have to invest as much in the "how" as in the final outcome, because that is how we begin to capture the change.

This comes back to addressing people's different cultural backgrounds based on which part of the public sector they come from. It is perfectly legitimate for someone who is in a police uniform to have a slightly different perspective from a

social worker. Those individuals would be expected to have slightly different cultural backgrounds, and we should not assume that they would automatically work together perfectly without recognising why each profession has a slightly different culture.

There is a depth of evidence in the reports, but I recommend that you focus as much on the "how" as on that, because whatever configuration you come to have in Scotland—it will be a Scottish solution—you might find some of the "hows" of implementation useful.

**The Convener:** As we develop the services, it will be important to look wider in making decisions about what is best for Scotland. Thank you very much for your evidence, which has been helpful.

11:49

*Meeting suspended.*

11:55

*On resuming—*

## Subordinate Legislation

### Non-Domestic Rates (Levying) (Scotland) (No 2) Regulations 2012 (SSI 2012/29)

**The Convener:** Agenda item 2 is an oral evidence-taking session with the Minister for Local Government and Planning, Derek Mackay, and Government officials on the Non-Domestic Rates (Levying) (Scotland) (No 2) Regulations 2012, which is a negative instrument. A motion to annul the regulations, which has been lodged by Margaret Mitchell, will be considered formally immediately after the evidence-taking session.

Members have a copy of the regulations and a paper that sets out their purpose. The Subordinate Legislation Committee had no comments to make on them.

I welcome the minister; Marianne Cook, who is policy manager in the Scottish Government's local government finance unit; and Colin Brown, who is senior principal legal officer in the Scottish Government's legal services directorate.

I invite the minister to make opening remarks on the regulations.

**The Minister for Local Government and Planning (Derek Mackay):** Thank you, convener.

In preparing our budget, the Government faced tough decisions on how to fund the public services that are vital to Scotland. There is consensus in the Parliament that increased preventative spending is the key to the sustainability of our public services and the improvement of outcomes, so the Government decided that it seemed reasonable to boost preventative spending with additional resources wherever we can. Therefore, it proposed the introduction of the public health supplement as an income-raising measure to boost preventative spending, to come into force in April 2012 for only the very largest retail properties that sell both alcohol and tobacco.

It is important to put the measure into a wider context. Scotland is not alone in this respect: a large retail supplement has been introduced in Northern Ireland. Only around 240 retail premises—or 0.1 per cent of all business premises—in Scotland will pay more. That should be contrasted with the 63 per cent of Scottish retail premises—well over 30,000 shops—that currently pay zero or reduced business rates as part of the most generous relief package in the United Kingdom.

Since we published our proposals, ministers have held constructive discussions with retailers and business organisations, and have reflected on the points that have been raised. Mr Swinney confirmed to Parliament that

“within the constraints of delivering a balanced budget, I will reduce the amount that is paid by individual retailers and limit the length of time that the supplement will apply to the next three years.”—[*Official Report*, 8 February 2012; c 6153.]

That is the overall effect. The income that is generated by the public health supplement will reduce by an estimated £15 million over the three-year period to 2015. That reduction will be offset in full by the income that is generated through our matching the English large business supplement.

Members have heard arguments that retailers will be deterred from investing in Scotland as a result of the public health supplement. On the basis of recent evidence, that is simply not the case. On 23 January this year, Asda announced plans to invest in a replacement depot and open four new stores in Scotland. That is a perfect illustration that the impact of the new supplement will be relatively small and that it will not discourage large retailers from investing here.

Scotland remains the most competitive place in the UK in which to do business. We announced that we would maintain the small business bonus for the lifetime of this session of Parliament and that the thresholds for 2012-13 would be maintained at 2010-11 levels. The scheme benefits two in every five commercial premises and it will continue to benefit small and medium-sized businesses. The scheme is just part of a relief package that is worth more than £500 million every year and which benefits many sectors, including around 63 per cent of all Scottish retail premises, which pay zero or reduced business rates. In addition, all businesses will be able to benefit from the creation of the deferral scheme that we announced in December, which will provide flexibility to businesses by allowing them to spread the normal retail prices index-linked inflationary increase for 2012-13 over three years.

12:00

Preventative spend was a major focus of the Finance Committee's work. We sought new resources and the public health supplement is a new resource. I ask members to walk the walk in securing the resources to make preventative spending happen. If you believe—as we all say we do—that preventative spending is a necessity and that new revenue is critical, opponents of the public health supplement have a duty to say where they would find new funding streams. If not here, where?

**The Convener:** I thank the minister for his opening remarks. We will now have questions from members.

**Margaret Mitchell:** Why has the Scottish Government not carried out a business and regulatory impact assessment on the impact on the Scottish retail sector of a tax that will, as the minister stated, raise some £95 million over the next three years, given that a business and regulatory impact assessment was carried out on smaller tax takes?

**Derek Mackay:** Clearly, some specialisms may require deeper analysis, but for the public health supplement we should bear it in mind that proportionality suggests that a business and regulatory impact assessment is not required. Business rates account for 2 per cent of turnover in the retail sector, and even with the public health levy the figure would be only 2.3 per cent. We must keep the change in context. We can also look at the profit margin, if you are interested in impacts. The profit margin of the big four retailers, which generate a turnover of £90 billion, would fall by 0.5 per cent as a result of the public health levy. That is some of the analysis of the policy's potential impact.

**Margaret Mitchell:** I will address that later, but it was useful to have your explanation.

The charge is billed as a public health levy, but there seems to be no direct evidence that it will have the stated effect. What precisely will the levy be spent on once it is collected? Will you comment on the lack of evidence and on what the levy will be spent on? In addition, why was there no mention of the levy in the Scottish National Party manifesto?

**Derek Mackay:** The £90 million that it is estimated will be generated through the supplement will contribute to the Government's preventative spend agenda, which totals over £500 million for three years; those funds will be delivered in partnership with the national health service and local authorities. At this stage, I cannot give a line-by-line account of how each penny and pound will be spent. However, every pound will be spent on preventative spend over the three-year period. The money that we will contribute from the supplement will be targeted at that spend. A range of preventative measures has been delivered, and as we roll out the change funds, which are still subject to on-going discussion but will be in place for the new financial year, we will ensure that every penny of the supplement is spent on preventative spend.

Margaret Mitchell is right that the tax in itself will not necessarily change consumption or individual behaviours around alcohol or tobacco. The policy is different from minimum pricing, which we

believe will have a clear impact on consumption. The new tax is about income generation that will fund preventative work and will therefore have a seismic effect that will change and improve how we do business as a Government. The committee has discussed some of that this morning—for example, the importance of community planning and the difference that change funds can make in turning around some of the difficulties that our society faces.

The tax should deliver change, and we can describe how the money is being spent by all the partners who will work together on the preventative spend agenda.

**Margaret Mitchell:** To be quite clear, there is no guarantee that the money that is raised from the levy will be spent specifically on preventative spend on health issues.

**Derek Mackay:** No. All the funds will contribute to the over £500 million. As you will be aware, a large part of that sum is the early years fund, but there is also the older people's fund and there will be an element for money to address reoffending. However, for very good reasons, the lion's share is for work on early years.

To try to extrapolate how any individual tax take is spent on any individual project would be incredibly difficult, because we are bringing together local government finance, health finance and—this is really important—the revenue from the new levy. As we have discussed before, adding to existing spend to help our services deal with their current pressures is incredibly difficult. That is why a new revenue stream is essential.

**Margaret Mitchell:** What about my question on why the measure was not in the manifesto?

**Derek Mackay:** The manifesto said that, in government, our party would make great strides on the preventative agenda. I think that spending £500 million on that agenda is pretty impressive. I recall that the Labour MP Graham Allen came to Scotland to present evidence to a committee here. He was tasked by the UK Prime Minister to find, I think, £5 million, and if he did so, the Prime Minister was to give him another £5 million for preventative spend. Here in Scotland, we have targeted £500 million at preventative spend, which shows that we take the agenda seriously.

**Margaret Mitchell:** How can a tax grab on some of Scotland's largest employers help economic recovery and combat unemployment, notably youth unemployment?

**Derek Mackay:** The member is well aware that the knowledge that the supplement was being created has not deterred retailers from making new investments in Scotland. There have been announcements on the creation of extra

employment in the country. The proof of the pudding is in the eating. Investment in Scotland is on-going, and it does not involve only the four Asda stores that I mentioned. We must address some of the difficulties in our society so that we have a workforce that is fit for the future, which is why preventative spend is particularly important.

To put the measure in the context of the overall economy, a £90 million contribution over three years pales into insignificance compared with some of the UK Government's decisions on the economy, including the VAT rise and the raid on oil and gas revenues, which have affected our economy to the tune of billions of pounds, not £90 million. We have targeted that money at creating a better Scotland.

**The Convener:** On the point about a tax grab, the UK Government's decision to increase VAT is estimated to have removed about £1 billion from the Scottish economy. Is the minister aware of any detailed business and regulatory impact assessment that was carried out for that tax change in Scotland? Will the minister comment on the absence of the intention to raise VAT from the Conservative and Liberal Democrat—the coalition parties'—manifestos?

**Derek Mackay:** That is perhaps a matter for Margaret Mitchell to address. I am not aware of any impact analysis or whether one has been published or what it contained. However, clearly, from the numbers that are involved, we know that the VAT rise will have a greater impact than the supplement. I should correct the figure that I gave—we estimate that £95 million, not £90 million, will be generated through the health levy.

**Kevin Stewart:** I have a similar question on last year's budget and the impact of the oil taxation changes on Scotland's economy, particularly the economy in the north-east of Scotland. The measure has created uncertainty in our country. Was any impact assessment done by the coalition Government on that one?

**Derek Mackay:** I am not aware of any assessment, although I am aware of the First Minister's comments on how damaging the measure would be to the sector, jobs and the prospects for future exploration, and on the overall impact on Scotland's economy. To put the issue in context once again, the public health supplement pales into insignificance when compared with the decisions that the UK Government has taken, which will impact on employment and, crucially, future investment. The evidence that we have so far is that investment in retail in Scotland will continue when the supplement is introduced.

**John Pentland:** As the budget has been agreed, it would be wrong of us to oppose the measure and remove £30 million from the

Government's finances. Therefore, we will have to support the measure. However, we are extremely disappointed that an impact assessment has not been carried out and that there has been no consultation on the impact on businesses and employment. The Government has not set out whether the money that will be collected by local authorities will be ring fenced to help local authorities or will go to other initiatives.

Why is there such urgency to get the regulations passed? The Cabinet Secretary for Finance, Employment and Sustainable Growth stated in a written answer to Tavish Scott:

"The Scottish Government has no proposals to bring forward a proposal for a large retail supplement to business rates."—[*Official Report, Written Answers*, 14 June 2011; S4W-577.]

**Derek Mackay:** I will address your last point first. The Scottish Government must adapt to changing circumstances, including a reduced UK budget and the effect that that is forecast to have in Scotland. We must match the resources that are available within the current Scottish block and the funding restrictions with the aspirations that we have as a country, as a Parliament and as a Government.

You more than most, Mr Pentland, given your time on the Finance Committee, are well aware of the importance of preventative spend. You asked whether the money will be ring fenced for local government; the answer is no. It will be ring fenced for, directed towards, contribute to and fund preventative spend across the country in partnership with the other funds that are available. It is important that we deliver on that aspiration.

Circumstances change, as does the UK Government's settlement for Scotland. The challenges that the country faces will change and the economy will change. The position has moved on and the Cabinet Secretary for Finance, Employment and Sustainable Growth has listened to the comments from the retail sector and others; that is why changes were made. It has been agreed that the supplement will be a temporary measure over three years and the overall take has been reduced. We have been able to show that, as a Government, we have listened and responded to the concerns that have been raised.

You mentioned employment numbers. You should bear in mind the figures that I quoted earlier: £90 billion is generated in turnover by the sector and the supplement will be a 0.5 per cent reduction in the companies' profits, which will help to fund essential work.

**Jamie Hepburn:** We have been told that the measure might make Scotland less competitive. It is interesting to hear that Asda still plans to build four new stores and that other large retailers still

plan to invest in Scotland. In any conversations that the Scottish Government has had with those companies, have they explained why they are still keen to invest in Scotland? Have they suggested that it is because they will still be able to make profits from their stores?

**Derek Mackay:** Absolutely. The private sector will assess the health of the market, and the market in Scotland is clearly still very strong. There are great job opportunities and opportunities for growth as well. Although we may disagree about the figures, Scotland has been outperforming Great Britain in retail growth, raising it to quite a high level. Scotland is still a good place to do business.

Government policy has been to match the English rate poundage, and we have the most competitive rates in the United Kingdom. Ensuring that our high streets are largely protected with a package of reliefs that amounts to more than £500 million, including the small business bonus, has made a difference and has preserved many jobs. If we had not had those policies, those jobs may have been lost.

**Margaret Mitchell:** You mentioned the oil and gas levy. Is the Scottish Government not guilty of double standards? The First Minister said that changes in business taxation should be subject to a year's statutory consultation before implementation. The imposition on business of a supplement of £110 million originally—now £95 million—is a very big change.

**Derek Mackay:** You must put the matter into perspective. The scale of the oil and gas raid on Scotland's economy is £2 billion, whereas the impact of our policy is £95 million. You must keep the matter in perspective and be proportionate in your analysis. If we were an independent country, we would have access to those resources and could consider how to use all the various economic levers in our taxation policy, instead of being left with the few levers that we have.

**Margaret Mitchell:** I will bear in mind that the First Minister does not consider £95 million to be a substantial amount. It is good to have that on the record.

Some supermarkets and large businesses are still talking about investment, but the levy has not yet been implemented. In other words, this very negative message to investors has not yet been sent out because the levy has not yet been set. How should the large retailers find the extra finance? Should it come from consumers, suppliers or shareholders?

12:15

**Derek Mackay:** It is not for me or the Scottish Government to set out how companies choose to pay the levy. Some would argue that it should be funded by profits rather than anything else. Many committee members, including you, have commented on supermarket profits so I suggest that companies need to look to their profits.

I have more faith than you in the companies' ability to plan ahead and forecast how tax changes and economic policies will affect them. It is ridiculous to suggest that, because the tax has not yet been implemented, the companies have not considered it. They will have planned ahead and considered it in any business case that they have produced.

Given the Scottish Government's position, the regulations will, in all likelihood, be agreed to. Businesses will have been preparing for that and it is wrong to suggest that there is some doubt over whether the policy will be implemented. The companies will have been forecasting, planning and producing business cases that will mean new investment for Scotland in the knowledge that the policy will be implemented.

**Margaret Mitchell:** The profits that are made by the big four supermarkets that have been mentioned come, by and large, from outwith Scotland, so when they have the opportunity to choose where to locate, the levy will be very much a disincentive. Does the minister acknowledge that?

**Derek Mackay:** Would not a good Scottish Conservative think that it is a good idea that Scotland's Parliament can raise resources without necessarily taxing economic activity in Scotland? Overall, the profit margins of the big four companies that you have mentioned will be reduced by a fraction of a per cent from 5 to 4.5 per cent. That needs to be kept in perspective.

**John Pentland:** You are probably aware that Scottish Labour supported the social responsibility levy, which is to apply to all businesses that sell alcohol. We are unclear about how that fits in with the public health levy.

**Derek Mackay:** That is a fair point. Scottish Labour in local government also made the point that implementation of the social responsibility levy should be phased and slowed in consideration of the impact that it might have on some. That makes a point about the proposed public health supplement. To be required to pay the supplement, a business will have to have a rateable value of more than £300,000, be selling alcohol and tobacco, and not be eligible for any other relief. The social responsibility levy is much wider than that and there is an argument that now is not the time to implement it.

It would be difficult to implement both levies simultaneously and to ensure that we do not harm the local economy in any way. That point has been made by John Pentland's colleagues across the board in local government, who will have to implement the social responsibility levy at the local level. There is a fair and valid point about implementing both levies simultaneously, but the public health levy is far more targeted and focused on larger centres that have a much greater rateable value as opposed to the other premises that might be affected by the social responsibility levy.

**Margaret Mitchell:** I have one final question, minister. Again it is about the double standard.

The Cabinet Secretary for Finance, Employment and Sustainable Growth talked about the previous coalition's policy on business rates, which saw Scotland's firms at a competitive disadvantage for seven years until 2007. They had to pay 10 per cent more than the non-domestic rates in England before the introduction of the unified business rate, and now the Scottish Government is advocating that large retailers in Scotland should pay 20 per cent more than they would in England over the three years. Is that not double standards?

**Derek Mackay:** If I were Margaret Mitchell, I would think hard about making accusations of double standards. It is probably only a matter of time before the Conservatives in England adopt minimum pricing and the public health levy. She should be mindful of that before accusing us of double standards.

We still provide the most generous package of reliefs. We have matched the poundage in England and made Scotland the most competitive place to do business in the United Kingdom in terms of business rates.

We are choosing to do some things differently and to target revenue generation at large retail premises as opposed to all premises throughout the country for very good reasons, such as preserving the high street and supporting small and medium-sized enterprises.

The balance of the package is right. Scotland remains on a strong competitive footing.

**The Convener:** There are no further questions, so I thank the minister for his evidence.

We move to item 3, which is the debate on the motion to recommend annulment of the regulations, on which we have just taken oral evidence. I remind the witnesses that only elected members may take part in the debate and I invite Margaret Mitchell to speak to and move motion S4M-02155.

**Margaret Mitchell:** I thank the Confederation of British Industry, the Scottish Retail Consortium

and the Scottish Property Federation for supplying at short notice written evidence in support of my motion.

I welcome the opportunity to speak to the motion, which I lodged for the following reasons. The proposed levy is at odds with the Scottish Government's stated objective of delivering

"A competitive tax regime which incentivises business growth".

Instead, the £95 million levy would make it more expensive for retailers to invest in Scotland, so it would put at risk much-needed investment from, for example, large chain stores, which can choose where is best to locate.

The introduction of the levy contradicts the Scottish Government's stated aim of ensuring that

"Scotland is the most attractive place for doing business in Europe".

It marks the departure from the unified business rate and poundage rate parity with the rest of the UK. That, in turn, means that the affected retailers will pay the highest poundage rate to be set in Britain for more than 20 years.

The retail tax has been presented as a public health levy, but there is no objective evidence to support that description or to justify the decision to target some large retailers as a means of reducing alcohol and tobacco consumption. In the absence of that evidence, the levy is simply a tax on a handful of companies that the Scottish Government believes can afford it.

The minister argued that the levy will raise only the equivalent of 0.1 per cent of retail turnover in Scotland, but turnover is not profit and profit is what drives investors. That fact was borne out in December, when the Centre for Economics and Business Research gave the Cabinet Secretary for Finance, Employment and Sustainable Growth clear evidence that the levy amounts to 8 to 10 per cent of the profit of the estimated 240 stores in Scotland that will be liable to pay it.

Even with the decrease of £15 million in levy income over the three years, we are still looking at approximately 8 per cent of profit. That will certainly affect investment decisions, job creation and the retail sector. Despite that, the Scottish Government has refused to carry out a business and regulatory impact assessment. That refusal contradicts best practice guidance and the recommendations of the Scottish Government's own regulatory advisory group.

The absence of a BRIA means that a full and proper assessment of the levy's wider implications has not been undertaken to establish, for example, its potential negative impact on the construction sector, the store fitting sector or employment; the implications for business improvement districts; or

the potential for jobs to be ceded to online retailers that are based outwith Scotland, resulting in lower tax revenues and/or additional complexity in the non-domestic rates system, which would have associated costs.

It is ironic that the SNP Government, which continues to argue for more powers—for example, over corporation tax—to boost economic growth, should decide to use the powers that it already has over business rates to introduce a regressive tax that endangers investment and job creation in Scotland, especially as 59 per cent of retail jobs in Scotland are part time. Flexible working attracts young people and particularly women. Sixty-two per cent of the retail workforce is female, and such jobs are often second incomes to boost household incomes—additional spending power that benefits other local businesses. A third of retail employees are aged 25 or under, and many young people get their first foothold on the employment ladder in retail.

It makes no sense to put those jobs in jeopardy by introducing the retail levy, especially when the youth unemployment figure in Scotland is now more than 100,000. Given all that, it is no surprise that the levy has been opposed by a wide range of organisations, including the Scottish Property Federation, the Union of Shop, Distributive and Allied Workers, the Wine and Spirit Trade Association, the Scottish Retail Consortium, the CBI, the Scottish Chambers of Commerce, the Scottish Council for Development and Industry and the British Council of Shopping Centres.

I urge members to think again and to vote in favour of the motion. In the event of a tie, I urge the convener to support the status quo because, in the interests of transparency and accountability, a decision of this magnitude deserves to be debated in the chamber with the full involvement of all parties.

I move,

That the Local Government and Regeneration Committee recommends that the Non-Domestic Rates (Levying) (Scotland) (No.2) Regulations 2012 (SSI 2012/29) be annulled.

**The Convener:** I thank the member. I will give reasons for using any casting vote if required.

**Derek Mackay:** To avoid repeating myself I will not go through every point again, but I will make some comments.

First, on the point about debating the issue in Parliament, the budget for Scotland was debated by Parliament, and the proposal was a key part of the budget. Some people were silent then and are silent now on the question of which form of revenue generation should be used, if not this one. It seems sensible to use the levy to fund preventative spend. There are guarantees that it

will contribute to the £500 million step change in how we do business as a public sector that works with others to achieve change in our country.

It has been said in the past, although not today, that this is a Scotland-only tax. I make the point again that Northern Ireland is developing a public health levy.

The Scottish levy involves a fraction of the profits of the large companies. The proof of the pudding is in the eating. The take would come from 240 of 217,000 commercial premises—0.1 per cent of non-domestic premises in Scotland. It is reasonable to put that into perspective.

Of the companies affected, most are still announcing job creation and new investments in Scotland, which suggests that the policy will not have the impact that some suggest. On the whole, the levy is an important revenue-generation measure, which will impact on preventative spend and public health.

I remind Margaret Mitchell that under the Conservatives, for a consistent period of more than 17 years, business rates in Scotland were higher than those enjoyed by England. Our performance has been to ensure that Scotland remains a competitive place in which to do business in the United Kingdom. I urge members to support the budget line because, apart from the fact that it is good and sound, no one has suggested any other measure to fund preventative spend, which every member of Parliament professes to support.

12:30

**The Convener:** We move to the open debate. I remind members that, under rule 10.6.3 of standing orders, it can last for a maximum of 90 minutes. A number of members have indicated that they would like to speak. I will kick off, but I will not make a lengthy speech. The issue has been debated extensively in the chamber, where the arguments were well made.

I have three main points. First, during difficult times such as those in which we find ourselves, it is appropriate that those with the broadest shoulders, such as the larger supermarkets in Scotland, bear a little bit more of the burden. Those supermarkets are among the few organisations that have managed to continue in profit, irrespective of the pressures facing hard-pressed citizens in Scotland.

Secondly, and in contrast, the UK Government's increase in VAT has not just affected every business in Scotland but impacted directly on individuals' living standards. It is taking money out of the pockets of every single citizen in Scotland, which is the exact opposite of what the Scottish

Government is doing via provisions such as the council tax freeze, which most members of this Parliament support.

Thirdly, in the context of the £1.3 billion cut to Scotland's budget and the £1 billion removed from Scotland's economy by the VAT increase, £25 million may not seem a huge amount of money, but the Scottish Government's intention to specifically target that relatively small amount towards preventative spending for health means that it could have a big impact on Scotland's health in the future. It is the right thing to do and I will certainly support the minister later today.

**Jamie Hepburn:** I, too, am in favour of the Government's position. Margaret Mitchell reiterated her view that the proposal puts investment in Scotland at risk and that it will make Scotland a less competitive place to do business, but we have heard evidence to the contrary. Companies are still investing in Scotland.

In response to a point that Margaret Mitchell made during the evidence session, I am entirely unconvinced that companies do not factor in changes to the taxation base in every part of the world in which they do business. I emphasise my reference to the world, because an insidious suggestion has been made that the companies under discussion do not make profits in Scotland.

The Scottish Property Federation's briefing argues—Margaret Mitchell picked up on this point—that the companies' profits

"largely come from outside Scotland."

They are, self-evidently, multinational companies, so I am sure that that is true, but it suggests that they do not make a profit in Scotland, when they clearly do. They would not invest in Scotland if they did not think that they could make a profit. Moreover, they will continue to invest, because they can make a profit.

That leads to another point made by Margaret Mitchell, which was that the companies will choose where to base themselves. Frankly, I say with the best will in the world that that is nonsense. If they want to make money in Scotland—the companies are designed to make a profit—they will have to be based here. If they want to make money out of my constituents in Cumbernauld, they will have to be based in Cumbernauld. I say to Margaret Mitchell that my constituents will not travel from Cumbernauld to Cumbria to get their messages. The companies will continue to be based here in Scotland.

To return to the convener's point, it is entirely correct that the companies under discussion bear the largest burden. It is disingenuous to refer to the levy as a tax raid—it is entirely proportionate—and as regressive because, by its very nature, it is

progressive. It is right that we ask the companies to bear a little more of the burden in meeting the challenge of preventative spending, particularly given the challenges that we face in Scotland. I do not support Margaret Mitchell's position.

**John Pentland:** As I said in the evidence session, my whole concern has been about the process. For the record, I say that we are extremely disappointed and concerned that the Scottish Government has shifted dramatically from its own best practice on regulation and that we regret that it has failed to carry out a statutory consultation and an impact assessment on the tax. However, as the budget has been passed, we reluctantly support the measure, because it would be wrong to leave a £30 million hole in the Government's finances.

**Kevin Stewart:** It really annoys me when Opposition parties, wherever they may be, try to change budgets without saying where moneys will come from. Aberdeen City Council's standing orders state that no one can change anything unless they say where the money will come from; perhaps the Parliament should look at its own standing orders. It is far too easy for folk to say, "Get rid of this," without saying what they would do instead. John Pentland says that the budget has already been passed and that he will support the minister, and I respect that honourable position.

The proposal is certainly not putting large retailers off investing around the country. I could give Margaret Mitchell a number of examples from my city, where large retailers are scrambling about for sites and trying to get planning permission. They have not been put off one iota. We hear constantly about the new jobs created by large retailers. I am not entirely convinced that new superstores always bring with them new opportunities and do not simply shift employment from some areas to others, but I will not go into that today.

We are seeing double standards from Margaret Mitchell and the Scottish Conservatives. I come from the north-east of Scotland, and the huge impact there of last year's oil taxation changes has been incredible. Those folk have a choice to move their business elsewhere in the world. As Jamie Hepburn rightly pointed out, no one will go from Cumbernauld to Cumbria for their messages, but it is easy for the big oil companies to shift their investment from Scotland to west Africa or Kazakhstan. What is being done here today is hypocritical. I fully support the minister and the Government.

**Margaret Mitchell:** I find Kevin Stewart's comments absolutely astounding. Thank goodness we still have the right to freedom of speech in this country. In Mr Stewart's world, it seems that any alternative view or opposition to



Government policy should be crushed. Although we now have a majority SNP Government and no checks and balances, an alternative view can still be presented, even in this committee, with its SNP majority.

On Mr Stewart's point about funding, the Barnett consequential would more than deal with that. Changing the prescription charges policy to move from a universal benefit to targeting those in need would more than pay for the levy in the first year.

No other member has brought up anything that was not covered in my reasons for lodging the motion to annul. The minister has said nothing that changes my belief that this is an anti-competitive tax, which will raise £95 million, nor has he assuaged my fear that it will endanger jobs and investment in Scotland.

The tax sets a worrying precedent and sends out the message, "If you make profits, we don't really mind if we put you at a competitive disadvantage compared with England by making your business rates higher." That is certainly not the message that the Scottish Government said that it wanted to send out. It is doing the opposite of preventative spend and potentially putting at risk jobs, particularly those of women and young people. For all those reasons, I remain committed to pressing my motion to annul.

**The Convener:** The question is, that motion S4M-02155 be agreed to. Are we agreed?

**Members:** No.

**The Convener:** There will be a division.

**For**

Mitchell, Margaret (Central Scotland) (Con)

**Against**

FitzPatrick, Joe (Dundee City West) (SNP)  
 Hepburn, Jamie (Cumbernauld and Kilsyth) (SNP)  
 McTaggart, Anne (Glasgow) (Lab)  
 Pentland, John (Motherwell and Wishaw) (Lab)  
 Stewart, Kevin (Aberdeen Central) (SNP)

**The Convener:** The result of the division is: For 1, Against 5, Abstentions 0.

*Motion disagreed to.*

12:42

*Meeting suspended.*

12:42

*On resuming—*

### **Non-Domestic Rate (Scotland) Order 2012 (SSI 2012/27)**

### **Non-Domestic Rates (Levying) (Scotland) Regulations 2012 (SSI 2012/28)**

**The Convener:** Item 4 is consideration of two negative instruments that give effect to the new poundage rate for non-domestic rates for the financial year 2013-14 and to the provision of the Government's small business bonus scheme in that year. The Subordinate Legislation Committee had no comments to make on either instrument. As members have no comments and no motion to annul either instrument has been lodged, does the committee agree that it has no recommendations to make on the instruments?

**Members indicated agreement.**

12:44

*Meeting continued in private until 13:05.*



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