



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# LOCAL GOVERNMENT AND REGENERATION COMMITTEE

Wednesday 29 May 2013



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**LOCAL GOVERNMENT AND REGENERATION COMMITTEE**

**17<sup>th</sup> Meeting 2013, Session 4**

**CONVENER**

\*Kevin Stewart (Aberdeen Central) (SNP)

**DEPUTY CONVENER**

\*John Wilson (Central Scotland) (SNP)

**COMMITTEE MEMBERS**

\*Stuart McMillan (West Scotland) (SNP)

\*Anne McTaggart (Glasgow) (Lab)

\*Margaret Mitchell (Central Scotland) (Con)

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

\*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

John Baillie (Accounts Commission for Scotland)

Professor David Bell (University of Stirling)

Antony Clark (Audit Scotland)

John Downie (Scottish Council for Voluntary Organisations)

Nancy Fancott (Coalition of Care and Support Providers in Scotland)

Kate Higgins (Children 1st)

Calum Irving (Voluntary Action Scotland)

Fraser Kelly (Social Enterprise Scotland)

Professor Richard Kerley (Queen Margaret University)

Gordon Smail (Audit Scotland)

Rachel Stewart (Scottish Association for Mental Health)

**CLERK TO THE COMMITTEE**

David Cullum

**LOCATION**

Committee Room 1



## Scottish Parliament

### Local Government and Regeneration Committee

*Wednesday 29 May 2013*

[The Convener *opened the meeting at 09:30*]

### Decision on Taking Business in Private

**The Convener (Kevin Stewart):** Good morning, and welcome to the 17th meeting in 2013 of the Local Government and Regeneration Committee. I ask everyone to ensure that they have switched off mobile phones and all other electronic equipment.

Agenda item 1 is consideration of whether to take item 5 in private. Are we agreed?

**Members** *indicated agreement.*

## Budget Strategy Phase 2014-15

**The Convener:** Item 2 is the budget strategy phase 2014-15. Today, we will have an oral evidence session as part of our pre-budget scrutiny of the Scottish Government's 2014-15 draft budget. The purpose of that scrutiny is to look back at the challenges that local authorities have faced in recent years and to look forward over the next few years. We aim to examine the big picture, looking at high-level local government budget information rather than focusing on individual local authority allocations or a particular aspect of local government responsibility.

The evidence that we receive during our pre-budget scrutiny will feed directly into our formal budget scrutiny in autumn 2013, which will enable us to better scrutinise and influence the Government's budget proposals.

We have three panels of witnesses this morning. I welcome our first panel: John Baillie, chair of the Accounts Commission for Scotland; Gordon Smail, portfolio manager for best value and scrutiny improvement at Audit Scotland; and Antony Clark, assistant director of Audit Scotland.

We need to conclude the session with this panel by 10.15, as Mr Baillie is also giving evidence to the Public Audit Committee this morning. You are a busy man, Mr Baillie.

**John Baillie (Accounts Commission for Scotland):** It feels that way.

**The Convener:** Indeed. Would you like to make an opening statement?

**John Baillie:** Sessions such as this one are now an established part of the Accounts Commission's work, and we welcome the opportunity to discuss with the committee the challenges that face local government. We hope that the discussion will help the committee in its work, particularly in relation to the budget strategy under consideration.

Previous overview reports from the Accounts Commission have identified the pressures that are facing local government. This year, our report focuses on how councils are responding and on what more needs to be done. Councils are managing their finances in challenging economic circumstances and, so far, they are coping well. Among the many changes that they face, they are placing due importance on the significance of welfare reform and its implications for communities and people. There are good examples of partnership working, but there is a long way to go before the full potential of community planning is realised. Overall, councils are facing tougher challenges and more change in the years ahead.

Our report identifies key recommendations that the commission believes will, if they are implemented effectively, make a real difference to councils' prospects. We set out those recommendations in straightforward terms on page 4 of our report, under the four headings of "Leadership and governance", "Working in partnership", "Service changes", and "Performance information and management".

Achieving best value is crucial, as our report says. As we have been saying for about three years, councils that place best value at the centre of all that they do are well placed to deal with challenges and change. We are happy to take any questions that the committee wishes to ask.

**The Convener:** Thank you. Do any of your colleagues want to add anything?

I see that they are shaking their heads, so I will start. One of the surprising things in your report is that you say that reserves have increased. You rightly go on to say that they can be used only once and are not a sustainable resource. It is quite surprising to some of us that reserves have increased during these tough times. Did that increase occur because of a number of underspends that were not supposed to happen, or because councils were planning for the future?

**John Baillie:** If I may say so, that is a very good question; it is one that we have tried to look at. There is a general feeling that councils are trying to be prudent in the face of the maelstrom of cuts and the future demands on services. The other aspect is that each council has its own policy on reserves, and some are quite different from others. For example, the extent varies to which councils will put aside funds for a rainy day.

I will leave Gordon Smail to develop that, because he has studied the subject in some detail.

**Gordon Smail (Audit Scotland):** Mr Baillie has captured the main point. We like to emphasise that we do not have to go back many years to the time when we did not have very good information about local government reserves. There would be a figure in the accounts. Over the years we have been able to get behind that, as it were, and encourage more detail to come out. There is certainly more information available that helps us to understand the picture.

There are a number of reasons for the increase in reserves. There is evidence of underspending. Some councils are rebuilding from the position that they were in a few years ago, so that they have money available to meet unplanned items that may come up. It is worth bearing in mind that, although the figures are large, the report shows that the actual amount that is unearmarked, as we call it—in other words, the part of the reserve that is not set aside for other things—is relatively small,

at about £334 million, which is about 2.7 per cent of net spend. To put that into more accessible terms, that £334 million represents only six or seven days' spend for councils. It is good to keep the figure in that context.

From our point of view, the main issue is to have good-quality information so that elected members can ask officers what their policy is on reserves and what that means for the overall management of the council.

As our report says—and to pick up on Kevin Stewart's point—there is plenty of information available to the public about why, at a time when finances are under pressure and likely to become more so, those reserves are there. It is important to be able to tell communities why councils are holding reserves, why those reserves have built up, and what will be done with them in the future.

**The Convener:** One of the confusing issues for members of the public in particular is that of committed reserves versus uncommitted reserves. On how many occasions of late have we seen a move from committed back to uncommitted because of changes in policy?

**Gordon Smail:** We have seen movements in both directions, to be honest. Part of the point of producing exhibit 21 in the report is to reflect the wide variation between councils. Some councils have moved from commitment to uncommitment and to unearmarked from earmarked funds. I made the point earlier about ensuring that there is transparency in the use of reserves, why they are there and what will happen to them. Throughout the report, there is a strong sense of giving elected members the information that they need to ask those questions locally of finance officers and councils.

**The Convener:** Do you monitor those switches in direction? Folk have said at different points that perhaps some moves from committed to uncommitted were unwise—for example, many moves in the past around equal pay, modernisation, single status and so on.

**Gordon Smail:** There is no technical underpinning on the accounting side for what differentiates between earmarked and unearmarked, so decisions are made about that locally. Things may switch over time. The situation varies very much from council to council, which is why it is vital that councils have good information about the very point that you raise—namely, where movements have taken place—and can ask those questions locally.

**John Baillie:** Sometimes the very disclosure of the reserve is a self-fulfilling prophecy. If those who are interested in what is set aside for a particular event are interested in receiving their money for that event, it is always part of their

strength in negotiation to see that information. There is sometimes difficulty when councils are too specific about some of the reserves.

**The Convener:** Thank you, Mr Baillie. That was very useful.

**Stewart Stevenson (Banffshire and Buchan Coast) (SNP):** Before I ask about councillors, I will pick up on something that has just been said. If you were a commercial company, you would have to provide in your accounts figures for liabilities and contingent liabilities. Are councils not in the same position?

**John Baillie:** Yes, they are. As you know, contingent liabilities are just that. The extent to which one discloses the likelihood of a provision in due course for it requires a deft touch, to avoid triggering the very liability that you just talked about as a contingency.

Yes is the answer to your question.

**Stewart Stevenson:** Of course, one does not provide financial cover for a contingent liability.

**John Baillie:** No, but nonetheless one refers to it in the notes, so that the reader can take it into account.

**Stewart Stevenson:** Right. I do not think that I need more than that. I just wanted to be clear that there was no difference, because I think that the accounting rules are the same.

**John Baillie:** They are very similar—almost the same, in fact.

**Stewart Stevenson:** Mr Smail referred to the provision of good information for councillors. Appendix 1 in your report is a series of action points for councillors. Those action points—and perhaps what is being captured by the phrase “good information for councillors”—suggest that you see councillors’ role purely as monitoring what is done by officials. The word “leadership” appears in the “Leadership and governance” heading on the table in appendix 1, although it does not appear in the text of that part of the table. Leadership is referred to only in the phrase:

“Are you satisfied with how your council and its partners are leading public sector reform?”

In practice, are councillors much more focused on monitoring and much less focused on innovating, leading and driving change?

**John Baillie:** It varies by council. We would always say that councillors should be very keen to see that the council’s aims, objectives and policies are clearly articulated and that plans are put in place to support them.

Appendix 1 has a lot to do with monitoring, but that is not in any way to preclude or de-emphasise the very important need for councillors to start

further up the line with what they are all about as a council.

I am not sure whether that is enough information.

**Stewart Stevenson:** Given that we have limited time, we will not go too deep.

Are councillors supported sufficiently to lead? Unlike us members of the Scottish Parliament, who have assistants who work to support us and our agenda, by and large councillors do their own correspondence, to varying degrees, and frankly they are paid a pittance. The support that they appear to get is pretty modest. If someone is the convener of a finance committee, they probably get some support, but generally councillors do not get very much. Does that impact on councillors’ ability to—as you say under the “Service changes” heading—lead public sector reform?

**John Baillie:** It can do. Gordon Smail or Antony Clark will elaborate on that.

**Antony Clark (Audit Scotland):** Most local authorities have member support units that provide support to elected members and policy units that provide guidance. Those offices have a very important role to work together productively to ensure that the direction that is set by elected members is executed in practice.

It is difficult to give a specific answer to Mr Stevenson’s question, because all councils have different organisational structures and levels of resourcing. In the work that we have done on our overview report and our series of reports into how councils work effectively, we have not seen evidence of an absence of support for members that would cause them to have difficulty in exercising their proper leadership role.

**Stewart Stevenson:** Let me put a number on it. We in Scotland have the lowest number of elected politicians per head of population of any country in Europe, at 33.5 per 100,000. In England the figure is 42; in France it is something like 75; et cetera. Yet, we appear to expect councillors to operate semi-independently. Member support units are global, rather than focused on individual members. Given that we have the lowest number of elected members, should we look at whether they need to have greater support?

09:45

**John Baillie:** It is a fair point and I expect that the effective chief executive and his or her staff would be looking to do just what you have suggested.

The very first report that we issued, which was a state-of-the-art thing called “How councils work”, emphasised the need for effective working

relationships between councillors and senior officers and among councillors; part of that is about providing the right level of support when councillors need it. If that means that senior staff are overworked, those staff will have to do something about that. In a sense, therefore, I agree with the general thrust of your question.

**The Convener:** It would be interesting to find out how much support is available in each council, because I know that it differs dramatically. It might well be that some folk are particularly well serviced and others not quite so.

**John Baillie:** We will take that back and see whether we can provide any information.

**The Convener:** That would be useful.

**John Pentland (Motherwell and Wishaw) (Lab):** Mr Baillie, I want to tailor my questions to comments that you have made in the past to find out whether things have improved or indeed have got worse. In 2009, you said with regard to the poor condition of council buildings:

"While cutting building maintenance may seem attractive, it won't help in the medium to long term, as it just makes backlogs worse and leads to higher costs."

How badly are buildings suffering now with the subsequent budget cuts?

**John Baillie:** I will include in my response other aspects of infrastructure such as roads, because I think that they are indicative of the thrust of your question. I do not have in my head the details of building conditions, but in general only repairs that are needed are being done. That is only to be expected, but our constant concern is that today's small repair is tomorrow's large repair with all the associated increased expense.

Gordon Smail will pick up that question.

**Gordon Smail:** I do not have that detail either, but I can tell you that we monitor the situation. We have a couple of measures about how fit for purpose buildings are and although I do not have that information with me, I can supply it to the committee.

Over the past year, we have done some work on how major capital projects in councils are being taken forward. Of course, roads are very closely linked to that and a report on that issue was published recently. In short, we have information on the matter but the overall position is that the pressure of finances is leading to the deferral of maintenance.

**John Baillie:** I have bored committees before about what I call the dangling debit. It is waiting to happen at some point but, with every year that passes, it gets bigger.

**John Pentland:** You have also said that as local government is a labour-intensive sector, budget cuts make staff cuts inevitable. In the past, you warned that that could lead to key skills being lost and recently you highlighted that public bodies have spent £561 million on losing 14,000 staff. What impact has that had on the skills base and could that money have been better spent?

**John Baillie:** That goes right to the heart of the issues, particularly in councils. We advocate that councils sit down and look at their aims, where they want to go and what their workforce strategy will be as a consequence. We have not seen too much of a three, four or five-year workforce strategy and, of course, if councils do not put together something like that, they will encounter the very issue that you raise. In other words, they will not have the skills and capacity in the right places and at the right time to address what they want to do. That, in itself, is a gap.

The fact is that those who left councils were ready to leave, and there are now probably not as many who are keen or ready to leave as there have been in the past. As a result, the market for a voluntary release scheme is dwindling.

**John Pentland:** Organisations such as yours sometimes have a good habit of lobbing a grenade into the mix. As Pat Watters rightly said, "Talk is cheap; it is action that costs." With that in mind, do you believe that even if the councils' share of the Scottish budget could be maintained with a fully funded council tax freeze, we would not be nearly as badly off?

**John Baillie:** That almost strays into the area of policy, on which we make a point of not commenting. However, I will try to be helpful. Our role is to say that a long-term workforce strategy is needed. Until councils have a workforce strategy along the lines that I suggested, it is difficult for them to know what skills they need and therefore which staff they can afford to release. It is for councils, as separate, local elected democracies, to perform the actions and to take specific decisions. The concordat that was reached five years ago is a political matter, on which we do not comment.

**Gordon Smail:** Mr Pentland's comments contained a valid challenge about how we take this forward and report it. Audit Scotland is producing a piece of work for the Accounts Commission and the Auditor General called, "Reshaping Scotland's public sector workforce", which will examine whether public bodies are managing changes to the workforce effectively. That will get to the heart of the issues that Mr Pentland raised in terms of service delivery; at the end of the day, that is the crucial thing.

**John Baillie:** That report is due out next year.



**Gordon Smail:** We have a date, which is October 2013.

**Stuart McMillan (West Scotland) (SNP):** In paragraphs 25 and 26 of the report, you talk about welfare reform. Is it safe to assume that the Accounts Commission will keep a close eye on welfare reform as it progresses?

**John Baillie:** Very much so. As I am sure you know, councils see that as one of the major challenges that they face. So far, councils have addressed the issue very attentively; they have had to do so. We will monitor that closely as time goes past.

**Stuart McMillan:** What action on review mechanisms does the commission see itself undertaking?

**John Baillie:** That will be included in the audit work that is done for us by Audit Scotland. Gordon Smail or Antony Clark will elaborate on that.

**Antony Clark:** We identified that as a big issue in the community planning partnership audit work that we did earlier this year. We saw some good examples of councils such as Scottish Borders Council working with third sector social housing and others to ensure that people are aware of the changes to welfare reform and to mitigate the risks for communities. We aim to pick up that theme as we move forward in our community planning partnership audit work. It is likely that we will look at that when we do our best-value audits of local authorities, given the local authorities' central role in dealing with the Department for Work and Pensions on those reforms.

**Gordon Smail:** I will add a bit more depth. The commission has called on us to produce reports. Earlier this month, we took a report to the commission on the state of preparedness of councils and how they are dealing with welfare reform. We looked at a number of issues, for example the amount of money that has been taken out of local economies and what that might mean in the longer term, as well as more nuts-and-bolts issues such as what councils are doing, how they are working together and how seriously they are taking welfare reform.

As our report said, councils are taking welfare reform very seriously, in terms of the impact on their workforce and what they can be expected to do, and in terms of the wider impact, such as the likely increased demand for council houses to be built with fewer bedrooms and the potential for increased demands on other services, given that the most vulnerable people who are affected will perhaps present more to voluntary organisations and to councils for support. The commission has given us a clear steer that it wants us to keep on top of the issue and to produce progress reports,

which we will do over time. The reports are public documents, so they are on our website.

**Stuart McMillan:** You mentioned house building. When a council wants to build houses, it takes a long time for plans to be drawn up and to go through the process. Has there been any indication of a council changing its plans midway or part of the way through the process, as a consequence of which additional costs have been borne by that local authority?

**Gordon Smail:** We are auditors. We look for evidence and pick up what we hear. Clearly, welfare reform has had an impact. We know anecdotally that councils are looking at their capital plans, at what the impact might be and at what the demand for housing might be in the future.

**The Convener:** Mr Clark mentioned the good practice that is going on in the Scottish Borders. The committee often hears about good practice. Are any councils not moving forward quickly enough? Are there any examples of bad practice or no change?

**Antony Clark:** We have not done work in all 32 local authorities to put me in a position to give you an answer to that question. However, we will do some work to keep an overview of welfare reform on behalf of the commission.

**The Convener:** How are you conveying your findings to all 32 local authorities to ensure that they are aware of good practice and can pick up on it?

**Antony Clark:** We are doing a number of things. We present the findings of our report to networks such as the community planning managers network. We have also attended parliamentary committees such as this one, and we are engaging with the Convention of Scottish Local Authorities and the Society of Local Authority Chief Executives and Senior Managers to ensure that the top leadership groups of councils are aware of our findings. In addition, we publish the findings of our reports and try to communicate them through our engagement with the media.

**Margaret Mitchell (Central Scotland) (Con):** Good morning, gentlemen. In the first part of your report, "Service challenges in 2013", in exhibit 2, under "Resource pressures" and "Economic pressures", you cite

"reduced income from non-domestic rates".

However, I have in front of me a Scottish Parliament information centre briefing with the latest figures that show that, in 1999-2000, the contributable amount of non-domestic rates income was £1,497 million and that the figure has

risen to £2,362 million in 2012-13. How do those two statements equate?

**Gordon Smail:** I have seen the SPICe briefing, which came through this morning. I think that the figure is what is anticipated through improvements in business. Other things such as the tax increment financing arrangements—the new arrangements for financing capital—are predicated on an improvement in the non-domestic rates side of things. Exhibit 2 in our report looks at it from the point of view of our having seen, over the past couple of years, a lot of evidence of businesses closing down. Our assumption would have been that, as a result of that, non-domestic rates income would have reduced. However, according to the SPICe briefing and what the Government is saying, there is an expectation that non-domestic rates income will increase, and things such as TIF are intended to contribute towards that.

**Margaret Mitchell:** So, it is anticipated that, if everyone pays 100 per cent for every building on which non-domestic rates are payable, the SPICe figure is the correct figure.

**Gordon Smail:** I think that it is a projection of what the non-domestic rates income will be across the piece for Scotland in the years ahead. As you know, it is all drawn back to the centre and then redistributed by central Government. The projection is that non-domestic rates income will increase by dint of a number of initiatives that are being taken both locally and nationally to improve the yield from non-domestic rates.

**Margaret Mitchell:** Yet the income is falling, and that is cited as one of the resource pressures.

**Gordon Smail:** We are trying to reflect the pressures as we see them in the economy overall going forward. However, the new figures that are coming through suggest that things will improve, particularly in the medium to longer term.

**Margaret Mitchell:** Would it be possible for you to send the committee more background to exactly why there seems to be that discrepancy?

**Gordon Smail:** That is a fair point. I think that it is primarily a timing issue—I am perhaps not getting that across as well as I might. I will have a look at that and see whether we can get back to the committee with something.

**The Convener:** Mr Clark, do you want to come in on that?

**Antony Clark:** No.

**The Convener:** I beg your pardon.

**Margaret Mitchell:** I notice that there is a section in the report on arm's-length external organisations and the need to monitor them properly. Do some of them have charitable status?

10:00

**John Baillie:** There is a wide range of ALEOs; some have charitable status. That is an area that is exercising the Accounts Commission quite a bit just now because we are concerned about the extent to which spending of public money is placed beyond scrutiny on the performance side. Scrutiny on the financial side still exists, because ALEOs appoint their own auditors to scrutinise their accounts and so on, but the performance side concerns us, particularly because certain activities are not regulated. Home care is regulated, so performance in that area is reviewed, but other areas are not.

**Margaret Mitchell:** If ALEOs—such as leisure trusts, for example—have charitable status, do they pay non-domestic rates?

**Gordon Smail:** One of the advantages that is cited in moving things such as leisure services into trusts is that non-domestic rates are not due on charitable organisations. Many of the trusts are set up in that way, and one point of that is to reduce the tax burden.

**Margaret Mitchell:** Would ALEO leisure complexes that no longer pay non-domestic rates because they have charitable status be included in the figure that we have from SPICe?

**Gordon Smail:** Such bodies may contribute to that figure. We need to look at that and then come back to you with information. One advantage that councils cite in moving to the trust model of delivery for things such as leisure services is the saving that can be made by not having to pay non-domestic rates. That would have an effect but—off the top of my head and without looking at the figures—I reckon that it would be a relatively small contributory factor.

**Margaret Mitchell:** It would be useful to get that information, as you can appreciate. If I understand the situation properly, if an organisation is at arm's length and pays no non-domestic rates, that means that there is income that is not going to the local authorities.

**John Wilson:** That is correct.

**Margaret Mitchell:** It would be interesting to look at that.

Your report lists as a resource pressure

“reducing income from planning and building control fees”.

It is my understanding that both planning fees and building control fees have been rising recently, if they were not previously.

**Gordon Smail:** My response would be similar to that on non-domestic rates. There is a timing issue, but we can certainly look at that and see what information is available.

In exhibit 2—to which Margaret Mitchell refers—we tried to give an overall sense of the things that have, as the diagram shows, been squeezing council services from both sides. One can look at what has been happening in the past few years on things such as non-domestic rates. Planning income has undoubtedly fallen in the past couple of years because there is less building going on. However, with regard to how things look now and what the projections might be, we will see what information we have and come back to you.

**Margaret Mitchell:** Empty properties are, of course, a key factor in the fall in income from non-domestic rates.

I have one last question on CPPs and the emphasis on outcomes. The committee has been concerned about the performance of community planning partnerships. Are you satisfied that outcomes are being measured effectively?

**John Baillie:** Measurement of outcomes is one of the most difficult parts of any job for an investigator or auditor. We can measure efficiency, but measuring effectiveness at the other end is a much softer area on which to report. Nonetheless, Antony Clark and his team have been doing a lot of work on that.

So far—to go back to what we said earlier—we have reported on the three pathfinder projects. The new national community planning group has been tasked with taking the reports and seeing what it can do about them—specifically and more generically—using the Improvement Service. Quite a lot of targeting is going on as a direct consequence of those reports. Pat Watters, who chairs the group, described the reports as a call to arms to get things moving, and a lot of action is being sought.

**Antony Clark:** As the committee will be aware, when we spoke to you about public service reform and community planning partnerships more generally, we highlighted our significant concerns about the range, quality and reliability of information that is available for monitoring the performance of CPPs.

Our evidence from the three early audits and from our previous work indicates that single outcome agreements have not been a particularly efficient vehicle for performance management, or for assessing whether the activities to which CPPs have committed are delivering real change and improving outcomes for communities and citizens. At strategic level, we have concerns about that aspect of the CPPs' performance.

We highlighted in our local and national reports concerns about the extent to which CPPs understand what difference their projects are making. We found that, where CPPs are running projects that focus on, for example, crime and

disorder or on improving health outcomes and addressing health inequalities, there are often weaknesses in their and their partners' understanding of whether the projects are working, whether they are effective in delivering change and whether they are providing value for money. We have concerns at strategic and operational levels about where community planning partnerships are at present.

**Margaret Mitchell:** I return to non-domestic rates income. Have you had any feedback or heard any concerns from councils about uncertainty around how much they will get as a result of the rates review and the business rates incentivisation scheme? Due to the number of appeals, the Government now says that the targets that were previously set are probably not accurate and it wants to change them, so there will be less money available. Has that issue appeared on your radar?

**John Baillie:** We have heard anecdotal evidence that councils are concerned about the uncertainty and want matters to be clarified. Perhaps Antony Clark or Gordon Smail can elaborate on that.

**Gordon Smail:** I do not think that we can add anything. We can certainly look at the bigger picture in that regard as part of our commitment to come back to you with information.

**Margaret Mitchell:** You have not quantified how much that would be in income terms.

**John Baillie:** No.

**Margaret Mitchell:** I could probably give you some information on that.

**Anne McTaggart (Glasgow) (Lab):** I have a wee question for Antony Clark. You mentioned some of the work that you are doing with CPPs. Has that work, and the information that you have given, been made public? Are we able to read the findings?

**Antony Clark:** We have published three local reports, on the North Ayrshire CPP, the Aberdeen City CPP and the Scottish Borders CPP, and we have published the national report on "Improving community planning in Scotland", so the information is publicly available.

**John Wilson (Central Scotland) (SNP):** Good morning, gentlemen. I am seeking clarification on exhibit 2, on "Resource pressures". The third bullet point mentions early release costs, which we have already covered, and we have seen the report that you have produced on that, which was highlighted in the media. However, that bullet point also mentions equal pay commitments. My understanding is that those commitments are now 14 years old, as they were supposed to be dealt with in 1999. Are there still local authorities that

have not settled equal pay claims? I am talking about equal pay and not single status.

**John Baillie:** Gordon Smail has the detail.

**Gordon Smail:** We are monitoring the matter closely; it has been important for a long time. We have the figures for how much equal pay claims have cost to date, but there are—certainly in our understanding—likely to be more in the system, to go back to Stewart Stevenson's comment about how those things are accounted for.

We have the known costs for what has been paid out, and there are provisions set aside for the known amounts that are due to be paid and that will be paid at some point in the future, but there are also contingent liabilities in councils' accounts that it is not possible to quantify.

However, it is recognised that there may be more payments to be made; some councils have not settled. There is uncertainty about some on-going legal cases and how those may affect claims that have already been settled, and there is the possibility that issues that were thought to have been dealt with will be reopened. I do not think that it is the end of the story yet.

**John Wilson:** I once equated the equal pay settlements to a taxi meter; for every minute or every hour that passes, the amount ratchets up. The question is whether local authorities have enough resource reserves to make the total commitment for which they may be liable with regard to equal pay. Are you confident that local authorities have enough money set aside to meet those commitments?

**John Baillie:** Yes—as far as we can assess that just now. However, as you have just said, time passes, some new feature appears and a retrospective view can be taken of what was agreed in the past. It is awfully difficult to be precise, but as far as we know, councils have provided properly for equal pay commitments as best they can.

**The Convener:** I will allow a brief supplementary question from Stewart Stevenson and I ask for a brief answer, please, because I am aware that Mr Wilson has another question or two.

**Stewart Stevenson:** I just want to be clear what you mean by contingent liability, because a little alarm bell rang. Are councils actually using contingent liability? Are they, rather than using it for things that may happen in the future, as I understand it is to be used, using it for things that they know will happen but just do not know when? That would be misuse of contingent liability funds.

**John Baillie:** As you know, there are clear accounting definitions for what constitutes a contingent liability. There is no evidence that

anyone anywhere in the local authority world is not reporting matters as they should.

**Margaret Mitchell:** On equal pay, I think that councils have all made some movement towards making contributions, except for South Lanarkshire Council. It always said that it had a separate scheme that was bullet-proof, but it has lost appeal after appeal—it is going to the Supreme Court. At what point, if at all, would Audit Scotland say how much public money will be spent on that if it looks as though South Lanarkshire Council is losing the case, at every step of the way?

**John Baillie:** The brief answer—to respond to the convener's exhortation—is that it is for whatever local authority to justify its treatment in the accounts, and for the auditors to evaluate whether that treatment presents a true and fair position.

Am I being too general and too glib with that answer? If I am, forgive me.

**Margaret Mitchell:** Given the potential liabilities, I imagine that the auditors may be concerned about the potential outcome. I wonder, therefore, whether there is a question of balance in mitigating the situation.

**John Baillie:** In essence, if there is a real liability, that must be booked and recognised in the accounts.

**The Convener:** We can write to you asking for more clarification on that.

**John Wilson:** My next question concerns borrowing commitments—the fifth bullet point under “Resource pressures”, in exhibit 2. From the graph that is presented on page 14 of the SPICE paper, we can see that the costs of public-private partnership/private finance initiative projects have not reached their peak yet. According to that graph, the peak will arrive in 2025-26. What pressure is meeting the commitments from the PFI/PPP projects that were commissioned in the past putting on local authority expenditure and resources?

**John Baillie:** I will ask my colleagues to elaborate, but that is putting, and will put, significant pressure on resources, for the reasons that are behind your question. I am sorry to go back to this point, but that is the biggest dangling debit that we have at the moment. It will not go away. It will just have to be funded and faced.

**John Wilson:** Before your colleagues answer, will you confirm that that is, as you have indicated, an economic pressure that has a larger impact on local authority expenditure than just about any other present commitment?

**John Baillie:** I agree that that cost will grow and become a bigger chunk of expenditure as time goes on. It will grow from what it is just now, in accordance with the terms of the contracts.

**The Convener:** I am aware, gentlemen, that we are very pushed for time now. Does Mr Clark or Mr Smail want to come in on that?

**Gordon Smail:** At a high level, the point is well made. The issue is just how much flexibility there will be in councils' future budgets. The more money they have to set aside right at the start for items such as PPP, the greater the limit on flexibility. The bigger the first call on the money in budgets, the less flexibility councils will have to make the shifts that they will need to make over the next few years.

**John Wilson:** I have a tiny question on reducing staff numbers, which is in a bullet point that you have put under "Resource pressures". We mentioned ALEOs earlier; we know that staff get transferred from local authorities to ALEOs. How much is that impacting on the reducing numbers of staff? We have had academics cite figures about staff losses in local government, but there is no indication of whether those staff losses are due to early release or transfer to ALEOs.

**John Baillie:** We do not have the detail of that, but we are examining it just now, because it is a chunky figure. We are happy to try to come back to you with figures once we know what the story is.

**The Convener:** That information would be extremely useful, once you have gathered it up.

I thank you very much for your evidence. I realise, Mr Baillie, that you now have to run to the Public Audit Committee.

10:15

*Meeting suspended.*

10:18

*On resuming—*

**The Convener:** I welcome Professor David Bell, who is a professor of economics at the University of Stirling, and Professor Richard Kerley, who is a professor of management at Queen Margaret University. Gentlemen, would you like to make some opening remarks? Professor Bell, do you want to go first?

**Professor David Bell (University of Stirling):** Okay. I think that I am first alphabetically, anyway.

In relation to local authority budgets, it seems to me that we are now feeling the full effects, which are cascading down, of the austerity budgets that the United Kingdom coalition Government has been following since 2010. The Institute for Fiscal

Studies projects that, as a share of gross domestic product, departmental expenditure limits in 2017-18 will, I think, be back to 1998 levels, as a share of national income. In effect, that means that all the increases in local government's share during the noughties, as they are called, will be rolled back by 2017-18.

Local government in England has been adversely affected by protection of the budgets for health, overseas aid and—going forward—schools. That is interesting because the pressures on schools in England are greater than the pressures in Scotland, due to England's having had a baby boom earlier than the boom that we are currently experiencing in Scotland. It was also a bigger boom, so there are intense pressures on school education in England.

All the changes roll through to the Scottish budget via the Barnett formula, and we are seeing significant real falls in the amount of resource that is available to local government. What we mean by "real falls" is an open question. People tend to understand it in relation to prices, but local government's main expenditure is on wages, and wages have been frozen, or near-frozen, for a long period. We might think that that will not necessarily have a negative effect on the output of local government, but as some of the papers that we have seen today show, it leads to demoralisation of staff and may also lead to authorities' better staff leaving. So, although it is difficult to assess what we mean by "real falls", it seems that the reduction in budgets creates genuine pressures on the ability of local government to provide services.

In regard to all that, the spending review on 29 June will be critical, although it will look only at 2015-16 because of the way in which election timing kicks in, and there will have to be another spending review almost immediately after the 2015 UK election. From what we have heard in the press over the past few days, although there is much manoeuvring among UK Government departments around which will take the largest hits, it appears to be unlikely that local government in England will be protected.

I draw the committee's attention to something that I have never understood, but which is touched on in some of the papers for today's meeting and may be mentioned in the discussion that we will have later: how resources are transferred from national health service budgets to local government to support long-term care.

We are moving to a world in which chronic conditions will not necessarily be more important, but will have greater weight than acute conditions. Therefore, care and how we resource that by transferring money from the NHS, which is focused primarily on acute care, to local government, which is responsible for long-term

care to a large extent, will be important as we go forward.

In some of the written submissions to the committee, the third sector discusses loss of the co-operative provision of services that was implicit in the approach that was advocated by the Christie commission. In effect, we see local authorities exerting their market power, and they are in a dominant position as far as the third sector is concerned. Until there is a change in that situation, you will always find local government pushing its potential suppliers as hard as it can.

That is probably enough to be going on with.

**The Convener:** Thank you, Professor Bell. Second, alphabetically, we have Professor Kerley. I will use Robson rotation next time.

**Professor Richard Kerley (Queen Margaret University):** I want to draw the committee's attention to a few observations, but I am happy to cover a wider range of topics in response to questions. I will pick up on something that David Bell has just referred to as well.

I will first suggest a number of areas that it might be worth examining in discussion with the Government when looking at the budget in relation to the council tax standstill, which I understand is set to continue for the remainder of the current session of Parliament. Some of us have different views on that measure. I consider it technically to be regressive, but there is little point in discussing that because we could go on for hours and hours. There are a number of technical aspects. I have recently become interested in the immensely challenging task for valuers of setting a valuation for new properties—we are encouraging the building of new housing and the improvement of older housing, which has an impact on council tax banding—and of trying to attribute a 1991 price to a property that is being sold in 2013.

The initial data that I have looked at—in the sense that I have scanned it—suggests that that is throwing up a fair number of anomalies. It is uprating newer properties and leaving those that are older—whether they are occupied or for sale—in a lower council tax band, which has implications for both revenue and equity across the home ownership community.

Another factor is the current level of incentive payment for maintaining the council tax standstill, which started off at £70 million a year and has continued at £70 million a year for the past five years. The Government's local government finance report shows that, in effect, if you apply a GDP deflator to that figure over a number of years, the real-terms reduction in the value of that £70 million in cash has been 0.7, 2.7, 1.5, 2.8, 2.1 and 2.1 per cent, without taking account of the current financial year. The £70 million is therefore not

worth what it was worth when the concordat was first arrived at. That may not be germane to a budget discussion, but I believe that it is important in the longer term.

I encourage the committee to discuss with ministers what happens next in terms of the property element of local government funding. My global observation is that, when you freeze any charge for a significant period, the consequences when you try either to remove the freeze or to change it substantially are often quite dramatic. I will not say out loud the term that I use, but one can see the impact in countries where prices have been changed.

I have recently—and, indeed, over a number of years—spent a lot of time looking at the separate matter of the extent to which councils levy fees and charges and use them to generate income. There are a number of local authority services in which the direct charge to individuals, households, families or businesses is substantial. On-street charged-for parking is the most obvious one. I do not criticise that; I commend it as being an example of an extremely effective modernised service. People who bleat about paying parking fines have only themselves to blame and will not get any sympathy from me. On the other hand, there are services in which significant charges are levied. My observation across local government and other public bodies, including central Government, is that public bodies are generally very poor at making strategic decisions on charging—that is, thinking about why they charge, how much they charge, the manner in which they charge and the variation of that—which means that there is enormous variance in charges not just between local authorities, but within any given jurisdiction for different services. It might be worth exploring that a little more.

Charging is a growing aspect of local authority financing. It has changed substantially over a number of years, but we do not have the data to see the impact. Actions always have an impact on increases in charges of every kind. For example, charges do not increase much just before an election, but they increase substantially just after an election. However, we do not have the 2012 data yet.

10:30

I noticed the Scottish Council for Voluntary Organisations evidence on co-operation between local government and voluntary organisations. That seems to be an extremely good example of clashing policy drives from within the Scottish Government. Much emphasis has been placed on efficient and tough procurement. Once a tough procurement regime is used, it applies not only to buying water flasks and buildings from private

contractors but across the board. Voluntary organisations are in exactly the territory where, at one level, Government and its ministers have urged public bodies to get the best value they can for public money. The consequence of that is that prices are often forced down through competition—and the competition is between voluntary bodies. I will stop there.

**The Convener:** Thank you very much, gentlemen. I will start off by asking almost the same question that I asked the Accounts Commission at the beginning of the meeting. We are seeing, according to the Accounts Commission information, an increase in council reserves during what are tough economic times. What are your views on that increase in reserves? Are councils cutting too quickly or are they planning for the future?

**Professor Bell:** I am not sure that I have a clear answer to that. It may be that, for example, in targeting reductions in staff costs, councils offered incentives for individuals to leave and more people left than they had expected and, consequently, the reserves have built up. It may be that they are anticipating the future difficulties that I have alluded to. It is probably the case that the increase is more unanticipated than anticipated, and that would have potentially negative consequences for service provision.

**Professor Kerley:** I am certainly less well equipped to answer that question than your previous three witnesses. My observation is that the level of reserve in gross terms across 32 councils seems to be a large slug of money but, in comparative terms, is not a substantial proportion of local authorities' budgets. The extreme case, which would be to have no reserves at all, would have to be tested. Would that be acceptable? Would that satisfy the *Scottish Daily Mail* or whoever goes on about that? I expect that more examination would be needed. For example, although the figures are not immediately available, I expect that both Aberdeen City Council and Aberdeenshire Council will have seen a substantial increase in their reserves because of the delay in the western peripheral route. I may be wrong about that, but if they have a commitment in the capital programme for that, that may be the case. Similarly, that may be the case where there has been a delay in capital or, indeed, revenue projects in other councils. However, that is intuitive and I have not looked at the detail.

**The Convener:** We are talking in the main about reserves in the revenue budgets, rather than in the capital budgets.

Professor Bell mentioned welfare reform. Could some of the reserves be related to councils prepping up for what is about to come because of that? Is there any evidence of that?

**Professor Bell:** I have not followed that closely, so I cannot answer authoritatively on it. Looking forward, I think that there are certainly likely to be difficulties, but I have no specific information about what local authorities have done in preparation for that.

**Stewart Stevenson:** I will pick up initially on something that Professor Bell said in his opening remarks and then, perhaps, extend the question to Professor Kerley, as he is a professor of management and my questions are related to management.

Professor Bell, you said that there is demoralisation of staff. My first simple question is this: what objective evidence do you lay for that?

**Professor Bell:** I was referring to written evidence that has been provided to the committee. I do not know whether that is entirely objective.

When we examine the labour force in general, we detect that workers are less happy than they used to be. In particular, they are unhappy with the hours that they are working and would like to work longer hours than are currently offered to them. That is because, due to wage freezes on the one hand and the continuing increase in prices on the other, they find that their pay does not go as far as it used to.

**Stewart Stevenson:** One piece of objective evidence that we have from the "Responding to challenges and change" report from the Accounts Commission, which was published in March, concerns absence. That evidence plays two ways. Exhibit 16 and paragraph 110 in the report talk about absence. It is generally thought in management that, where stress has led to distress in staffing, absence will rise. However, over the period 2008-09 to 2011-12, there was a pretty substantial reduction in absence. It is, of course, explained that management has had a focus on absence, so that evidence is ambiguous as to what it may tell us. However, those are the only numerical data that I can look at that tell me something that touches on the subject. I would be interested to hear where you think those data come from.

**Professor Bell:** That could go either way. When people are worried about their jobs, they may go to work more readily with a cold, for instance, than they might have in the past. They are more concerned about their employment situation than they were, say, five years ago. I also agree that there clearly has been a focus on absence management. I am not quite sure how to interpret that evidence.

**The Convener:** Do you want to have a stab at that, Professor Kerley?

**Professor Kerley:** Yes. There has been a focus on handling absence management in local authorities and, indeed, other public bodies over the past five or six years. Historically, the rate of absence in some public service sectors has been higher than the comparable all-private sector data, where it is available. I have always been sceptical about that being a general phenomenon, because the mix of employment is often typically very hard to compare. For example, I can fully understand how somebody who is up at 5.30 in the morning and emptying my bins at quarter to 7 in the rain right through the winter will have a variety of illnesses, aches and pains that he or she would not have if they were working in hotel reception for six days a week. I think that the focus on absence management is part of the explanation for the reduction in absences.

On other aspects, I am not entirely persuaded that what is often claimed as evidence is awfully persuasive. I understand David Bell's point that the wish of many employees to work longer hours reflects those forms of employment that have much greater flexibility in hours. Typically in local government, part-time employees are not on zero-hours contracts or similar but tend to be on defined contracts, such as 12 or 16 hours a week. They might want to work more but are just working in the job that they have at the moment.

The often-reported stress studies have some value, but the people reporting stress studies often tend to be advocates of stress being a phenomenon in a particular work setting, whether it is that of primary teachers, secondary teachers, social workers or whatever.

**Stewart Stevenson:** I make the observation—I do not require comment on it—that I think that stress is good and is a problem only when it becomes distress. In other words, some stress motivates too much, which is a difficulty.

Can I pick up on a point that I raised with the previous panel of witnesses, looking in particular at Professor Kerley, as a professor of management? In your view and experience are councillors adequately supported, trained and mentored to be managers in any meaningful sense and to be able to help develop strategies and oversee their implementation? Even if you conclude that they are more functionally equivalent to non-executive directors in a business setting than to executive directors, are they supported and equipped to fulfil that role? If not, and given that we have a relative paucity of elected members compared with other jurisdictions, should we do more?

**Professor Kerley:** May I start at the tail end of that question? I am not a great enthusiast for the notion that, simply because France has 37,000 communes and 300,000 councillors, we should

adopt that in Scotland. I think that there is an argument either way.

**Stewart Stevenson:** I agree with you on that.

**Professor Kerley:** Okay. We are agreed on at least one thing, but possibly only one thing.

The dilemma that has always faced bodies with elected representatives, whether Parliaments, Governments, local authorities or other bodies, is what capabilities and capacities they should seek in the people who are elected to the body and whether they should seek to determine in some way that those people are technically qualified. We have always taken the view that in electing people—I think that this view is broadly held across a variety of elective democracies—we seek people who represent their fellow citizens and that some are well equipped but some are not, and some have personal resources and social capital that others do not have. The question is how we complement and support them in their role.

I chaired a Government working party in 2000 in which we made a point of writing down really simple statements about what support councillors could reasonably expect. As I recall, that included things such as provision of a phone at home, paid for by the council, for those who did not have one; and provision of secretarial support and research services. I would be loth to draw an analogy with the position of MSPs in the Scottish Parliament, because I do not think that a direct analogy can be made given that being a councillor is achievable on a part-time basis.

**The Convener:** What about the convener of a finance committee on a council compared with a back-bench MSP, for example?

**Professor Kerley:** I fully accept that that is a very different position, convener. It is hard to distinguish, though, the extent to which the convener of a major functional committee—or an executive member, depending on the arrangement—draws support from within the functional department or entity that he or she is notionally responsible for as a non-executive, although it is often quite substantial. You will find in many local authorities that the education convener, for example, can draw on resources in the education department as opposed to drawing on resources that are allocated to them as a councillor.

10:45

**The Convener:** For a convener or executive member for finance who needs to carefully monitor what is happening—I think that Mr Stevenson was trying to make this point—could an overreliance on the finance staff be detrimental because that convener or executive member will get only the



story that he or she would receive in reports anyway, which may not include some of the hidden factors?

**Professor Kerley:** I will give my classic answer: it depends on a wide variety of factors. I would always encourage, and generally assume, that in an effective organisation an effective lay representative—that is, that councillor or convener—will be having discussion with people outside the formality of the written report, rather as, I assume, the convener and members of this committee will do.

A dilemma of all organisational decision making is that lay members or non-executive members, whether of a plc or a public body, will always have less information than the executive members, whether that is accidental, a consequence of the arrangements or, indeed, deliberate. In some of the major finance debacles in big American quoted companies, that has been true even of the most distinguished lay members. For example, Enron had three professors of finance on its board and a qualified auditor chairing its audit committee, but all of them missed the big spectacular hidy-holes that people chucked money into.

We could do more, but I am not convinced that creating personal support is the right way to do it.

**The Convener:** Perhaps Professor Bell could ignore my devil's advocate question and respond to Mr Stevenson's original question.

**Professor Bell:** I accede to what Richard Kerley has said. I do not think that there is a general recipe that will work, as there are particularities in every situation. Clearly, the provision of as much support as possible is to be recommended, but the in-house team will always have an information advantage.

**Stewart Stevenson:** I wonder whether, like ministers or MSPs, councillors perhaps need to have not so much the information as the questions and having a structured approach and the confidence to ask those questions by playing things back to people. For example, the first thing that I asked today was simply to play back something that had been said to me and to say, "I want to know more about that," and I can then make a judgment on the response. How well do we equip our councillors to fulfil that role? How easy is it for them to find the questions that they should be asking? Like members of a jury, who are laypeople in the legal system, do councillors perhaps need to make a judgment on the quality of the response that is based not simply on their having the specialist knowledge of the technical expert? How are we doing on that?

**Professor Kerley:** The issue is partially about equipping people with the capacity and the information to ask those questions, but it is also

about encouraging people who are non-executive and lay members to have the confidence to ask those kinds of questions.

Earlier today, I read about the interesting Twitter term "headdesk", which I think describes what I did when, about 18 months ago, I heard an Edinburgh councillor on the radio say, "We are not engineers, so how could we be expected to have known how the tram project was working?" I thought, "No, you're not an engineer, but you're the person who, in a closed room or in a private meeting or even in a public meeting, should keep asking, 'Why is the project X amount over budget? Why is it not working? Explain to me as though I were a Labrador or a child—just tell me what is wrong with this.'"

That is a tough cultural change to put to people, but people hold elected office for about three months before they stop asking questions in that direct form. That is a rough judgment, but you can see the absorption pattern in any elected position. People soon get to the point of saying, "I had better not ask this, because I will look like a fool." However, that does not bother some elected representatives, Mr Stevenson.

**Stewart Stevenson:** Mea culpa. I will just make the observation that the only silly question is the one that you do not ask because you feel inhibited.

You referred to the fact that Enron had an auditor on its board, and of course auditors are accountants who are working to rule and who therefore feel perhaps even more constrained than ordinary accountants. Is it better to have diversity on the review body? How do we encourage that, given that the iconoclast will ask the question that those who are part of the system will not ask?

**The Convener:** We need brief responses, please, gentlemen.

**Stewart Stevenson:** Sorry, we are getting philosophical, so the convener will rein me in immediately.

**The Convener:** Absolutely.

**Professor Bell:** I certainly go along with that. Having bunches of 50-plus-year-old white males will not necessarily provide the kind of diversity that is required for people to ask the daft-laddie questions.

**Stewart Stevenson:** Can I just briefly ask—

**The Convener:** Very briefly, Mr Stevenson.

**Stewart Stevenson:** Is there enough public engagement in these issues? The public have an awkward habit of asking these questions, and they do not have the three months' experience that leads to inhibitions.

**Professor Kerley:** No, there is not enough. There could be more.

**Margaret Mitchell:** Good morning, gentlemen. In your opening remarks, you both referred to the third sector. In their written submissions, the third sector organisations say that they are fully signed up to

“the Christie Commission principles of doing things differently ... However, the experience of providers is that they are being asked to do more of the same for less.”

They also say that

“local authorities hide behind ‘dwindling budgets’ as an excuse not to offer multi-year funding to third sector organisations”.

If I may paraphrase, I think that your comment on that was, “Welcome to the real world. Local authorities can flex their market muscles, so live with it.” Is that unfair?

**Professor Bell:** That is essentially what I said. There is a monopoly buyer of, say, care services, and monopolists always tend to exercise their market power. Unfortunately, the third sector is at the other end of that bargain. Albeit that people reference the Christie commission and the co-operative working that people hoped would follow therefrom, as Richard Kerley said, those principles tend to get shoved aside when budgets are pressed hard.

**Professor Kerley:** I agree. I would not put it as harshly as, “Welcome to the real world,” but it seems to me important to understand that, in the formal procurement process that is now engaged in across a wide variety of contracts, which are sometimes at an absurdly low level—if you look at public contracts Scotland, you will find some ridiculous tenders on that site—there are a variety of actors seeking to procure and a variety of providers seeking to provide. Third sector organisations, in particular the big cross-country third sector care organisations, are competing with each other as much as with the local authority. Different organisations will offer varying bids and prices—you cannot attribute any one to any particular organisation—so it has become a market.

As I said earlier, the Government along with all, or most, parties represented in the Parliament has encouraged that process. More efficient procurement means specifying what you want, making it clear what you expect the outcomes to be once you have procured that, and getting a good price for it. Price variation in contracts awarded is pretty dramatically broad. It is interesting to look at that.

**Margaret Mitchell:** We have certainly looked at getting a good price. Key to the issue, and underlying it, is value for money, in terms of

providing a better service and recognising that the third and voluntary sector is more flexible and often has the local knowledge and experience to deliver a service that is a prime example of preventative spend. I do not see that coming through in your analysis.

**Professor Kerley:** I apologise if I am not conveying that.

**Margaret Mitchell:** You did not mention it at all in your response.

**Professor Kerley:** We have to consider the totality of the environment in which such organisations work. If we look at major contracts for services that have been let recently, we will find that, for example, some of them have been won by third sector organisations that, at the point of bidding, have no geographical or social relationship with the area concerned. It is not uncommon to find an organisation that is based in Edinburgh, Glasgow or indeed Aberdeen bidding for a contract in another part of the country. They might be good organisations and have expertise, but it does not do anyone any favours to overclaim for their alleged virtues.

**Margaret Mitchell:** I suggest that bringing up examples in which there is no local connection is not a fair assessment either. We have gone out as a committee and looked across the board, so we know that there is evidence that third sector organisations can often do things better but are frequently strangled by being offered one-year funding instead of the three-year funding that would allow them to do what they do more efficiently. Every year, money is being committed and spent on personnel making bids for funding. You mentioned market forces, and we recognise that, but I am disappointed in you today in that you are not factoring that into your response.

**Professor Kerley:** I regret that. I would argue for a longer period of sustained funding for service contracts and for funding and support from public bodies.

**The Convener:** Let me add something to Mrs Mitchell's question. At the very beginning of the evidence session, Professor Bell talked about the spending review that is taking place at Westminster. Yesterday we heard George Osborne trumpeting the fact that he has already found £20 billion in cuts. Professor Bell also talked about the spending review that will follow automatically after the next UK general election, if we see that here.

Is it such short-term spending reviews, particularly when an election is coming up, that go right down the system and cause so much grief, instead of the long-term views that are taken in many European countries, particularly the smaller ones?

**Professor Bell:** Local government in Scotland is dependent on funding from the Scottish Government, which in turn is dependent on funding from the UK Government. The time horizon for decisions that local government can make is dictated, to a large extent, by the time horizon that the UK Government sets. I agree that, in an ideal world, it would be good to have long contracts and established relationships.

As Mr Baillie mentioned earlier, it is difficult to measure outcomes. That is another way of saying that it is difficult to know whether we are getting value for money. In that environment, it might be that local authorities find it difficult to offer the kind of certainty that we might all agree would be desirable.

**The Convener:** Again, you are talking about measuring outcomes. We have had the SOAs for a very short time, and yet we all want to measure the outcomes and see what difference has been made. Are we perhaps taking a short-term, simplistic view that we would not take if we had longer-term spending plans? Does the focus on short-term spending reviews, which in the main comes from Westminster, make us want to know exactly what is happening with every penny at a particular moment in time rather than take that longer-term view?

11:00

**Professor Bell:** That issue definitely applies to the preventative spend agenda, because we may spend money now and realise the benefit only 10 or even 20 years hence. A classically evidenced aspect of preventative spend is early years intervention for young children; we may not see the benefit of that until they are teenagers, with further benefits when they are in their 20s, 30s, 40s and so on.

If we have a very short-term view that is determined by budgets that are year to year, more or less, it is difficult to have a proper focus on the preventative spend agenda.

**Margaret Mitchell:** Local authorities have just undertaken a benchmarking exercise. Have you looked at that data and come to any conclusions based on it?

**Professor Kerley:** I cannot say that I have come to any conclusions. The exercise provides interesting data but it has been slightly overclaimed as being novel or the first occasion that such a thing has been done. Significant amounts of information that have a long time series to them are included in the data. However, it is interesting as much for anything as for providing the opportunity—this is always the potential advantage of collecting benchmarking data—for an organisation to see how far out of line

it is with what others do or whether it is in line with what others do.

Benchmarking data is best used by organisations. Let me take two specific instances from dramatically different councils. My recollection is that the cost of council tax collection in Fife was reported as being about £2.60 per household as opposed to a Scotland-wide figure of about £9 or £10. The cost of residential childcare to Shetland Islands Council was about £10,000 as opposed to a cost of about £4,000 across Scotland. I have not had a chance to check whether the figures are technically correct, but the variation is so dramatic that if I were in either council I would be saying, “What are we doing here that is apparently so different from what others are doing? What is it that others are doing?”

Some of the data does not tell us anything fresh at all. We know, for example, that in sparsely populated areas—the islands groups, Argyll and Bute, Highland and, to a lesser extent, Borders and Dumfries and Galloway—the costs of education and social work services are much higher per capita and per household than they are in tightly concentrated urban and semi-urban areas. However, there is a wealth of material in the exercise and elsewhere that councils should be looking at—as John Baillie mentioned, I think.

**Margaret Mitchell:** With respect, Professor Kerley, that is probably stating the obvious about what we knew before the benchmarking exercise. However, if we go to voluntary organisations, they can tell us that, for example, they can save £14 for every £1 spent. What can we look at from the benchmarking data to improve the outcomes that Professor Bell says are so difficult to measure?

**Professor Kerley:** I am not sure that I understand the point that you are making.

**Margaret Mitchell:** My point was that voluntary organisations—the third sector—know the service that they are delivering. They know the outcome of that service; they can measure it. Surely the whole point of benchmarking is to see how we can do things better and achieve value for money; it is not just to say that we are failing in a particular service. I hope that somewhere there are the triggers that would lead to preventative spend—more long-term spending—rather than short-termism. Professor Bell, what do you think?

**Professor Bell:** Benchmarking exercises are really useful. We had a great example this morning about the collection of data that has not been collected before. It appears that, in England, it is certainly not a good idea to have an operation on a Friday. You have the information, the collection of which may have been tedious and objected to as being a bureaucratic exercise, and you have the startling finding that someone's

chances of surviving an operation are something like 40 per cent higher if they have it on a Monday than they are if they have it on a Friday. The question is then: what do you do?

The benchmarking exercise is the first step. You then have to have processes to say that you can maybe reduce the variation across local authorities, or, if you are given some outside information that there are other ways of doing things, you can take that into account and adopt different structures, given the difference.

I am not an expert on the issue, but the processes of collecting the information—which I do—and then making use of it in decision making seem to be the key element.

**Stewart Stevenson:** I want to use the NHS example, which I have had a wee look at, to illustrate some of the difficulties. Outcomes are worst on a Friday, but why is that? Is it because patients are not refreshed by having just completed a weekend—in other words, is it because of the patients going into the system? Is it because doctors, nurses and practitioners are exhausted after a week? Is it because theatres are cleaned properly only at the weekend and that therefore infection is higher on a Friday?

In other words, is it not always the case that good analyses will give you more questions than you start with?

**Professor Bell:** There is an element of that. What I listened to this morning suggested that the possible explanation of exhaustion at the end of the week had been eliminated, but there might be other explanations that need to be checked.

We need to zero in on the key issue but, when we observe a big variation that is difficult to explain, that should be a trigger—

**Stewart Stevenson:** —for more questions.

**Professor Bell:** Yes. I do not have experience of the recent benchmarking exercise, but for a very long time I have looked at variations in the costs of care across local authorities, and I have always found the reason for the variation to be a complete mystery.

**The Convener:** I will be very lenient and bring in Margaret Mitchell again.

**Margaret Mitchell:** The main point that comes up before committee after committee is that there is a lack of data. The benchmarking finally gives us some data, and from there we can do a lot.

**John Pentland:** SPICe's briefing shows that, over the past 15 years, there has been little variance in the Scottish Government's funding to local government, and yet we know that almost 14,000 members of staff have left local authorities and we have seen cuts to services, increases in

council charges and funding uncertainty for the third sector. Do you believe that the time is right for a review of how local government is funded?

**Professor Kerley:** We have had several of those reviews. They generally tend to produce an outcome that can be highly disruptive for citizens. Some citizens are likely to make considerable noise about such disruption, and elected representatives tend not to be keen on that.

John Baillie, who was here earlier, was part of the Burt review of local government taxation in Scotland. Within half a day of publication, its report was dismissed by the then First Minister, Jack McConnell, and the leader of the Opposition, Alex Salmond. I thought that it had quite a lot of merit to it, and the scheme that it proposed had the advantage of being somewhat more progressive than the step banding of council tax. We should bear it in mind that the report addressed only a very small proportion of local government funding, much of which comes in some shape or form through general taxation systems and is channelled through Parliament.

Equally, I think that any review that is about the shape, form and structure of local government is immediately diverted into a discussion about boundaries, which is one of the most fruitless exercises that anybody can engage in. Members have a lot on their plate, and I would not go in for that kind of review.

My view remains that the current council tax system is not a very good means of taxing property, and it is made even worse by the standstill on council tax. That is one of the reasons why I suggested that you should ask ministers what is next.

**Professor Bell:** There is a lot of discussion about taxation at the moment, so perhaps at least some of those issues are being discussed.

I wrote the research report for the Burt committee, which Jack McConnell dismissed within a day. We proposed a land tax to replace the council tax. As Richard Kerley has said, the council tax has now ossified. Having built a new house in Dornoch, I recently received an assessment of that house's value, which ran back to 1991 values. That is meaningless to me; I have no idea whether it is accurate.

The Scottish Government is also taking over stamp duty land tax, which will be another tax on property. To be honest, I do not believe that either tax is an ideal tax on property. One tax is on transactions, so it slows down the market; the other, as Richard Kerley said, is quite regressive in that it does not hit those with the very largest houses to a massively greater extent than it hits those with relatively modest houses. As the SPICe paper shows, the council tax is just about to fall

behind non-domestic rates income as a source of income for local government. Things are going on because we have left the system alone for a long time and it has significant anomalies.

Overlaying all that, of course, is the fact that, even if we move around the existing pieces on the chess board, local government will still raise only a relatively small proportion of the resources that it spends. That is not an ideal situation. It makes local government less accountable, which has consequences for the interest that the electorate has in local government and perhaps for the quality of people who want to become councillors.

I am perhaps moving outside my brief, but it seems to me that we should not assume that just a few small tweaks to local government finance can provide a much better system than the one that we currently have. There is a way to go on that.

**John Pentland:** To take a leaf out of Professor Kerley's book, can I have a yes or no on whether you think that a review of local government funding is required?

**Professor Kerley:** Not in the current circumstances, with the discussion about possible independence and therefore regime change in the sense of proposed taxation change. I would not do such a review as a free-standing exercise; I agree with David Bell that there would be a case for it as part of a broader review of public financing and taxation.

11:15

**Professor Bell:** There is a lot of discussion about taxation in Scotland, but at the moment it is mostly about changes at the Scottish Government level rather than at the local government level. Richard Kerley is right in saying that you will probably have to leave it for at least a couple of years, until we know the outcome of the referendum, before you enter into that particular area. Nevertheless, it seems to me to be unfinished business that, at some point, the Scottish Parliament ought to address again.

**John Pentland:** Professor Kerley, in the past you have commented:

"Just calling something strategic does not make it so. ... Decision makers need guidance—not rote templates—as to how they make choices between various options for resource allocation. Without such clear guidance then the game to be played by all organisations will be how they can best present their special case as meeting these objectives".

To what extent do you think that the Scottish Government's budget approach qualifies as strategic? What would you suggest as a strategy?

**Professor Kerley:** Within a minute?

**The Convener:** Well, within a short time, although maybe more than a minute.

**Professor Kerley:** I stand by the line that I took—I am just trying to remember where I said or wrote it.

Simply labelling something as strategic does not make it strategic, but it is a good way to win friends and influence people, and sometimes to generate more money. That is part of the skill set of many public officials when defining their particular current project or enthusiasm or something that they think is a good idea. It may be a good idea, but if they label it "strategic" they are more likely to get support for it from the financial paymasters, wherever they happen to sit.

I would argue that one of the difficulties of the executive role in local government—as elsewhere in public bodies—is that, too often, the broad strategy is not clearly set and councillors think that they are engaged when they are just pushing and prodding at the edges of a particular direction.

If you look at the overall shape of what we are trying to do in Scotland, you will find that we have not shifted budgets a great deal in recent years. I must step back and point out that it is not just councils alone, but the Scottish Parliament has recently had some discussion of the matter in relation to looked-after children.

For a very small subset of the youngster population in Scotland, we have not done a lot very differently in the recent past from how we have done things in previous decades. Children in care still get an incredibly rough deal, whether they are in the care of the local authority or in some form of non-institutional care.

The consequence of that, as we know, is that a far higher proportion of looked-after children will graduate from Saughton or Polmont than will graduate from a university or further education college. We could have taken a big, bold step with a number of elements to it. We could have done something about the kids who, by dint of their having absent, dead or feckless parents, are just left to bump around at the bottom of society.

**The Convener:** It should be said that the Education and Culture Committee is looking at that issue in depth. I am sure that members here will look at it very carefully, too.

**John Wilson:** Good morning. I would like to return to some of the issues that have been raised in relation to the voluntary sector and the pricing regimes that local authorities seem to apply when drawing up contracts.

There is a definition of best value, but you have both indicated that you feel that best value is not being applied in the way that some of us perceive it. Best value is getting the best delivery of service,

not the cheapest delivery of service. Do you think that there is currently an attitude within local government that best value is about delivering a service for the lowest cost rather than delivering a service as well as it can be delivered?

In the earlier evidence session, the example was given of how some local authorities deal with potholes. A local authority will fill in a pothole and then go back six months later and fill it in again rather than tackle the real problem. Do you think that best value is not being applied by local authorities at the moment and that it should be reviewed to ensure that we are getting the best possible service delivery in a value regime?

**Professor Kerley:** I have never accepted that generalisations can be made across local authorities as a whole; indeed, it is hard even to make generalisations within a particular local authority. It is extremely hard to compare some local authorities with others but, if you look at the big family, you can find very good practice in one part of a local authority and quite poor practice in another. Members who have been councillors or who have had a direct relationship with local authorities will know that in council X there will be someone who will say that the social work department is great but the highways people are just not up to the job.

Best value is a very difficult concept; it is not and should not mean the cheapest. It strikes a fine balance between the specification that is drawn up, the number of people who can deliver to that specification and getting a good price from the people who can. That is not a trivial consideration.

In response to an earlier question, I pointed out that there is a huge variation between the successful and unsuccessful bids from qualified tenderers. If the price variation is 100 per cent, that in itself is a significant signal. As I have said, the balance is very fine, and I simply would not make any generalisations, given that some local authorities are striking the balance well in some areas and less well in others.

Moreover, the situation is changing over time. The Parliament and Government are partly responsible in their emphasis on procuring better, because that tends to mean more elaborate forms of procurement. The other day, I looked at the procurement document for a relatively low-cost project for a local authority and found that it ran to 80-odd pages. Indeed, procurement documents issued by the Scottish Government for relatively low-cost projects can run to 50, 60 or 70 pages. That is the nature of that emergent exercise.

**Professor Bell:** I agree with Professor Kerley that there is variation across local authorities, but we must also consider who is making the decision about what is best. I noticed that one of the

submissions for today's evidence session mentions self-directed support and puts the question of what is best in the hands of the consumer. I have not followed the exact outcomes of this policy—it is relatively new, and it will be interesting to see how it develops—but I think that the question of who decides on the specification is very important.

Going back to the issue of preventative spend, I think that the question of who decides the time horizon over which best value will be calculated is vital. Indeed, that brings us back to the question of how certain local authorities can be about their own budgets over time. It is certainly a very big issue, but I agree that best value and lowest cost are quite different concepts.

**John Wilson:** It is interesting that you use the example of self-directed support. One of the most common complaints that I receive from individuals is that they feel that the financial provision that they are being offered for such support is being reduced, and the support that is delivered is very much determined by the money that is released, mainly by local authorities. There is certainly an issue to address in that respect.

Earlier, John Pentland talked about 14,000 job losses in local government over a certain period. Professor Bell, too, has referred to that figure and in his opening comments talked about people wanting to work more hours, whether they be part-time workers or those on full-time contracts who want to work overtime.

Are the 14,000 job losses that have been mentioned straight job losses or, as I have previously suggested, jobs that have come off local authorities' books and have been put on the books of ALEOs and other organisations as straight transfers? In Glasgow, for example, 3,000 staff were transferred to an ALEO, and I know of other local authorities that are transferring staff from their budgets to ALEO budgets. How can we measure the real level of local government job losses over time if we are getting this sleight of hand, with staff being transferred for various reasons from direct local authority control to ALEOs?

**The Convener:** I must ask for brief responses because time is moving on.

**Professor Bell:** As the previous panel pointed out, it is very difficult to get accurate numbers for the number of people who have been transferred to ALEOs. Of course, once those staff are in an arm's-length organisation, they are in a different situation and their terms and conditions might not be the same as they were. Such definitional changes can have big impacts; indeed, one of the biggest changes has been the transfer down south of 200,000 further education jobs to the private

sector. However, although this important issue has been frequently brought to my attention, I have found no way of getting the numbers. I suppose that I could ask individual local authorities, but I have not done that.

**Professor Kerley:** There are two dimensions—

**The Convener:** Please be brief, Professor Kerley. The question was directed to Professor Bell.

**Professor Kerley:** The data on staffing—I was going to say “manpower”, which is what it used to be called—for local government and other public bodies in Scotland is now Office for National Statistics-compliant. My understanding is that the position of ALEOs is quite distinct from that of a contract that has been let to a voluntary organisation or commercial provider; I think that they are incorporated in the local government staffing figures.

The situation in England that Professor Bell referred to is something of a curiosity. It is incomprehensible to me that further education is defined as private whereas the staff in the two major banks that we rescued are now defined as public service employees. I simply cannot make sense of it.

**Stuart McMillan:** I have a few questions, the first of which goes to the nub of the wider local authority funding debate. Do you see local authorities as facilitators or as service deliverers, and which role should they actually play?

**Professor Kerley:** Both.

**Professor Bell:** I hope that they facilitate the expression of the local electorate's wishes but surely they are not just the deliverers of services.

**Stuart McMillan:** Professor Kerley, in the section on page 2 of your submission relating to

“Approximate figures for fees as a % of costs”,

I was struck by the figure for “Museums; Libraries; Policing”. My reading of that is that local authorities pay more for those things and have less money coming in from them, but are you suggesting that local authorities should actually charge for, say, access to museums and libraries?

11:30

**Professor Kerley:** No, but I am suggesting that there should be a more considered discussion around what we charge for than is the case. Much of it is an historical legacy. It strikes me as curious that it is assumed that I can walk into a museum and pay nothing but that if I want to go to the theatre or a public venue to see a production or a music event by a publicly supported company, we all assume that it is natural that I should pay for a

ticket. I find it hard to justify either position. It is just a question of the historical legacy.

**Stuart McMillan:** Under the heading of “Claw-back”, the paper from the SCVO highlights the issue of profits being returned to the public sector from the voluntary sector. Paragraph 3 states:

“It is also worth noting that this occurrence does not happen with the private sector.”

Is there an argument for local authorities to challenge private sector companies that deliver services for the public sector, so that we can ensure that some profits go back into the public sector?

**Professor Kerley:** There is an issue about how contracts are written. It is now accepted in a number of dimensions that—as happens between private companies and private companies—if a contractor generates much more profit than was anticipated in a proposal, there should be a clawback of some kind. We all learned the hard way from the early years of PFI that, without anyone intending it, such schemes can balloon into immensely successful money-making schemes and, when people ask how that happened, they are told, “It is because you didn't write the right contract.”

**Professor Bell:** I agree with Richard Kerley.

**Stuart McMillan:** Page 4 of the submission from the Scottish Association for Mental Health says:

“From an equality point of view, the UK Government's welfare cuts have been shown to be impacting disproportionately on disabled people. Increased charges from local authorities for social care services at a time when benefits are being reduced will hit service users doubly hard.”

Is there an argument for local authorities to consider increasing their use of third sector and voluntary sector organisations for the delivery of services, rather than bringing more services in-house, which might have an adverse effect on the clients who need those services?

**Professor Bell:** That goes back to our previous discussion. Whether services are delivered in-house or are contracted out comes down to the local authority's decision about the extent to which it is driven by the best-value agenda. It may well be the case that contracting out would be seen as a way of delivering better value.

Of course, one of the interesting things about charging disabled people—this harks back to the general welfare issue—is that, when Scotland decided to implement free personal care, it was decided that that would be restricted to those who were 65 and over. Effectively, the UK Government has also protected those who are aged 65 and over from any welfare cuts. All the difficulties are

particularly focused on the working-age disabled, who are now in a very difficult situation.

**Professor Kerley:** I agree with David Bell. In response to what I think was your question, I would hope local authorities would do more to facilitate access by disabled people to pre-existing services that they are entitled to. In the 1980s, a significant number of local authorities put enormous effort into benefit campaigns because, as we know, one of the consequences of a complex array of discretionary benefits and services is that the smart people get everything and the less well-informed ones get a lot less. That is a common phenomenon with all forms of specialist support, ranging from special educational support to support for a physical disability. Some people draw on everything that is available to them and others are left isolated and unequipped.

**The Convener:** Do you think that the welfare reform proposals that are being put through will be the greatest pressure on local government in the next few years?

**Professor Bell:** Demographic change seems to be one of the absolutely key issues facing local government, because there will be an increasing proportion of the population aged 65 and over. Welfare cuts are a reflection of the fact that the economy, particularly in the period from 2008 to 2013, has not been doing as well as it might have been expected to. Unless the economy starts to recover, the interaction of a slow-growing economy and demographic change will produce huge difficulties for local authorities.

**Professor Kerley:** I do not know that I would rank the pressures, but I agree with David Bell's point that the demographic change that we are seeing is important. We have tended to focus all our interest at the top end of the scale—at older people—and, in my view, we are not paying sufficient attention to the demographic changes that are occurring at the junior end of the scale. That and welfare reform will be key factors.

However, the inescapable factor is the broader economic climate. Some parts of Scotland are struggling at every level and in every dimension. Livingston town centre—which is one of the most popular retail destinations—has an extremely low empty shop ratio, but Cumbernauld, Glenrothes and Irvine, for example, as well as many of the smaller towns that are scattered across the country, have high streets that are really struggling.

There are three key factors: the general economy; general demographic issues; and decisions by Government on social protection changes—I would have said welfare reform, but I do not like that phrase.

**The Convener:** Thank you for your attendance, gentlemen.

11:38

*Meeting suspended.*

11:45

*On resuming—*

**The Convener:** We move on to our third panel of witnesses. We are joined by Kate Higgins, policy and communications manager for Children 1st; John Downie, director of public affairs for the Scottish Council for Voluntary Organisations; Fraser Kelly, chief executive of Social Enterprise Scotland; Calum Irving, chief executive of Voluntary Action Scotland; Nancy Fancott, policy and development officer for the Coalition of Care and Support Providers in Scotland; and Rachel Stewart, policy and campaigns manager for the Scottish Association for Mental Health. I welcome you all. Most of you are not strangers to the committee.

We will start off with questions, although you may wish to give a wee comment at the start of your answer about how your organisation views the current position. There has been some very good input from your organisations into the committee's public services reform inquiry. Much of that has involved your organisations explaining how they can help by retaining service delivery in the current economic climate, and how procurement has been quite difficult for you.

My first question is about the difficulties that you have experienced with procurement. Do you have examples of good practice in some parts of the country? Do you have examples of bad practice? We tend to hear about the good, and not necessarily about the bad.

**John Downie (Scottish Council for Voluntary Organisations):** Your earlier discussion this morning reminded me about the last time we were around the committee table. You indulged your adviser by allowing him to ask what we thought of best value and what we thought its definition should be. Everybody agreed that the issue is not just one of money; it is about getting the best outcome and the best service.

Your earlier discussion around the heart of the procurement issue indicated that we are not taking a co-production approach. In particular services, such as children's services, service users are not at the heart of service design or decisions about the outcomes that they need. As was evident from your discussion about local authorities, emphasis has not been placed on outcomes or what people want to see in their communities.



There is a democratic deficit, yet people's input is really important. At the most recent local government elections in Scotland, 37 per cent of people voted. Local government is totally disengaged from people and communities. The last time I was at the committee, I was struck by a comment from the City of Edinburgh Council official, who was talking about a £20-odd million budget. He said that the bit of the budget on which people had a say came to £300,000. That is part of the key issue, and it relates both to procurement—in relation to the types of services that we want—and to the best outcomes and what we want for communities and individuals.

Let us take a couple of the key issues around procurement itself. In a lot of contracts, lip service is paid to community benefit clauses. The guidance around that is complex, and it needs to be clearer. For example, a company might take on six apprentices for the length of a contract, which could last for 18 months or two years. That is totally unacceptable, and it is not in the spirit of how we want to approach things. Community benefit clauses should be taken to a higher level and should take into account the broader social economic impact. How do we commit to making community benefit clauses and the social impact much more sustainable over a longer period?

It is an absolute nonsense that small local organisations should be required to take on an apprentice who has been imposed on them. That comes at quite a cost. Year on year, such organisations employ people from the local community whose wages are spent in the local community.

Procurement is too bureaucratic. It is driven by cost. People do not think about outcomes, and there is no participation by service users or the third sector organisations that deliver the services.

**The Convener:** Is the emphasis on cost a result of the short-term budget settlements that come right the way down from Westminster to local government?

**John Downie:** Cost is always a factor, but the issue is more a cultural one: it is to do with not thinking about what the best value is. Thinking about outcomes is not part of the culture. People do not think about the best outcome, and that is part of the problem.

On procurement and public services reform, we keep coming back to questions of culture and how things are implemented. We could have the best procurement bill in the world come September, but the way in which it is implemented will be key.

**The Convener:** Stewart Stevenson has a supplementary. I ask him to keep it brief, because I want to get round all the witnesses.

**Stewart Stevenson:** I want to pick up on the point about community benefit in relation to apprentices, and the suggestion that, as part of local authority and Government contracts, apprentices are taken on only for the duration of the contract. Can you give us examples of cases in which that is happening, as opposed to people being kept on through to the completion of their apprenticeship, which will be longer than the 18-month period that you mentioned? I would want to know about such cases.

**John Downie:** We can certainly try to do that.

Under the Public Services (Social Value) Act 2012, a lot of local authorities south of the border—such as Manchester City Council, which is working with the Centre for Local Economic Strategies—are trying to change behaviour in third sector, private sector and public sector organisations to ensure that more money is spent in the local community. In creating more jobs and ensuring that more is spent in local businesses, they are getting miles ahead of us.

**The Convener:** If other witnesses want to answer Stewart Stevenson's question as we go along, that would be grand.

Anne McTaggart has a wee supplementary to add to the mix.

**Anne McTaggart:** No, it is not a supplementary; it is a different question. I will ask it later.

**The Convener:** Okay. Thank you.

Calum Irving would like to respond.

**Calum Irving (Voluntary Action Scotland):** Our membership is composed of what are now known as the third sector interfaces in Scotland, which are local volunteering agencies that support all aspects of the third sector. Although they work with the whole of the third sector, a large part of their activity is about supporting smaller community groups, social enterprises and volunteers. A lot of them are good at brokering local activity to have a community impact. They are very good when it comes to areas such as mitigation of welfare reform and the preventative agenda, in which they can play a bigger role.

Something that is quite challenging for us and our members is that we do not want everything to be done in a procured fashion, because the scale is not there in the local third sector to meet the scale of procurement contracts that we are talking about. For a relatively small investment, third sector infrastructure locally and other organisations locally, such as some of the larger charities, can broker activity that ends up meeting community outcomes and some local authority objectives.

I will give an anecdotal example. One local authority—I would rather not identify it, if that is okay—was on the verge of procuring 10,000 lunches in the local authority area. The local third sector interface stepped in to point out that something of that order was being delivered by local community groups collectively in the area. There is a role to play in helping local authorities to have a better understanding of what the third sector is and what it could do, and allowing relationships to develop that can make the most of that.

**Kate Higgins (Children 1st):** I start by apologising to the committee: I am here rather than our director, Alison Todd, because she is at the early years collaborative two-day event at which, yesterday, the Cabinet Secretary for Finance, Employment and Sustainable Growth, John Swinney, held sway. He seemed to be the person who challenged the most and who had everyone talking last night. He had quite a challenging message for the early years collaborative and everyone who was participating in it, which amounted to saying that we needed to get our act together and to start spending better. A great phrase was used: “Stop feeding the machinery and start seeing the people.”

Listening to the earlier evidence from the two professors, I got quite despondent that the discussion was about process, machinery, value and contracts. To some extent, the discussion that we are having now is an extension of that. Children 1st comes at things from a slightly different angle but, in doing so, we are safely under the umbrella of CCSP, which represents our interests as a service provider. On all the issues to do with procurement, best value, contracts and cost, our view is that we all need to focus on what is in the best interests of vulnerable children, young people and families.

To some extent, it does not matter who provides the service. It is about whether that service best meets people’s needs. My heart sank when I looked at the benchmarking framework. It is all about inputs and outputs; there is nothing in there about outcomes. We have created an industry around gathering data and more information about inputs and targets, and we still have not bottomed out how we will measure outcomes. There are some obvious things here. It is about what works. Procurement is part and parcel of that.

The most depressing thing is that we are still having the conversations that we were having three or more years ago about equal partnerships with local authorities, the nature of procurement, what constitutes best value and what is and is not happening.

We are still coming up against the same obstacles, too. We face the same challenges in

contracts and tendering processes as all our service provider partners and the organisations with which we work closely. We decided to go for some tenders that have been utterly unrealistic. That was not a luxury but a conscious decision, as an organisation, to maintain a high fundraising base. At the moment, 50 per cent of the money that we spend in a year is raised by us. We decided some time ago that we would always protect our independence and protect ourselves against the hard times that we face. However, we decide to go for such contracts because we think that we are best placed to deliver that work. On other occasions, we do not go for tenders because we know that there are other people who can do the work.

More generally, with regard to procurement, there is clear evidence at budget-setting time that local authorities are not taking a strategic approach to reprovisioning, cutting and changing how they deliver services. In some instances, the first inkling that we have had of a very long-standing service going is a few days’ notice. That is not about us feeling aggrieved that we are losing that service—although obviously we do, because losing a service creates huge issues, not just for us but for the families that we have been supporting. It may even be that, ultimately, what replaces the service is better. It is about the process of transparency and about local authorities engaging in panic budget setting and making cuts rather than taking a more strategic view, working with local interfaces, working through their CPPs and engaging with their service provider partners to look at what is realistic. We all know the financial difficulties, but if we all got round the table we could do something a bit more innovative and creative to work out how we can continue to provide the services that local authorities obviously want to continue to provide. There needs to be more transparency in the procurement process, however it is done.

**Margaret Mitchell:** You mentioned your heart sinking. In the first instance, the academics came at this purely from the point of view of price—they did not even mention value for money. As I understand it, you want better services—as this is all about people—which must come under the heading of value for money.

I think that we all recognise that local authorities will not hand you a contract on a plate because you smile nicely or say that you have a better service. That is where it comes down to the benchmarking. Organisations have to prove that what they are doing provides better value. I assume that Children 1st can produce that data. However, your submission came in very late last night and the committee did not see it till this morning, which is a great pity because perhaps we could have found some examples in there.

**Kate Higgins:** I apologise for the delay in sending the submission.

The benchmarking framework provides a tiny amount of data that is only about looked-after children. That data was already in the public domain, so we already had access to it. The benchmarking framework tells us nothing that we did not already know about outcomes; it does not tell us how much local authorities are spending or what has been delivered for the most vulnerable children and young people in our society. That is a huge gap and a weakness in the information that has been provided.

12:00

It is not that we disagree with the information that has been provided. However, although the exercise was set up with some fanfare, an awful lot of the data that it provided was around already. We do not know that much that is new. A lot of obvious things were picked up in the previous evidence sessions about the framework trying to compare apples with pears—one example is the attempt to compare the cost of provision in rural authorities with the cost of provision in urban authorities.

In the area of children and young people, which we are interested in, the exercise has produced nothing that we did not already know about looked-after children and young people. A key point is that we, Barnardo's Scotland and, I think, Aberlour—three of the big providers of children's services—have all developed our own outcome frameworks and all measure the outcomes of what we do for the children, young people and families that we work with. If the Improvement Service had engaged with the third sector, it could have had access to that information to support its own exercise.

**Margaret Mitchell:** Is that not the point? The fact that the Improvement Service has provided that information gives you the opportunity to say, "Right, that gets us so far, but where is A, B or C?", and to take the process a step further.

**The Convener:** It would be very interesting for the committee to have sight of your outcome frameworks in the context of strand 3 of our inquiry into public services reform and local government, which we will definitely revisit at a later date.

**Kate Higgins:** I am happy to share the information with the committee.

**Rachel Stewart (Scottish Association for Mental Health):** SAMH believes that there is a bit of a disconnection between the national strategy for mental health and local commissioning by some local authorities. Obviously, when the Scottish Government published its mental health

strategy last year, we were pleased that it was so comprehensive and that it received such wide support across the Parliament. As we have said all along, the strategy is not just about the NHS; it includes commitments on criminal justice, employability, trauma and the balance between in-patient and community services, of which SAMH provides more than 60 across Scotland.

We are worried that there have been so many cuts in spending and reductions in high-level supports, as those developments harm the chances of achieving some of the commitments in the wider national strategy. The Scottish Government has made the strategy a big priority, but we are not seeing the services being commissioned to deliver it.

As a national organisation, we face challenges in our procurement discussions with 32 local authorities, because each authority has its own system. Given the lack of consistency, it is very labour intensive for us to try to build relationships and so on.

The lack of negotiation that is offered by some local authorities has been really hard to deal with. Some local authorities have just put something on the table and said, "Take it or leave it." They have promoted a very low ceiling, which means that we cannot pay our staff what we think they are entitled to.

**Nancy Fancott (Coalition of Care and Support Providers in Scotland):** My colleagues have made a lot of the points that I was planning to make—thanks for that.

It seems as if the CCSPS has been working on procurement issues for a lifetime. We have submitted fairly detailed representations to the consultation on the procurement reform bill. For our constituency, which is social care and support providers, procurement is mostly about getting the same kind of services that have always been provided, but for less.

There is often difficulty in finding the connection between procurement exercises and the strategic planning that local authorities may or may not be doing. The procurement process also clearly highlights the problem of the power imbalance, which has been mentioned during the discussion and in the submissions to the committee, between the local authorities, which have a market monopoly, and the third sector, which believes that we can contribute a lot of positive solutions to enable the challenges around public service reform to be met.

Also, the process is imposed on potential service providers without any negotiation, collaboration or common consideration of the needs of a particular community and how we might best address those needs. We understand

the messages of the Christie commission as proposing that kind of exercise; therefore, we think that, for the most part, procurement is not at all an appropriate tool to use in relation to social care. That is one of the points that we have made in the procurement consultation. We think that joint strategic commissioning, which is being developed in the context of the integration of health and social care for adults, offers much greater potential as a framework for us to use to identify proper strategic planning and proper connections between the kind of outcomes that we are aiming for and how we might achieve them. It is just one possible alternative to procurement as it is used now.

**The Convener:** Thank you. Before I bring in Mr Kelly, can we do something to improve the microphone sound? I do not know whether it is just me—I have sinus problems at the moment—but the volume seems to be quite low. I do not know whether others are experiencing that.

**Fraser Kelly (Social Enterprise Scotland):** Our members consistently tell us that, in bidding for contracts through procurement models, they regularly reach performance thresholds, meet quality standards, satisfy quality assurance methodology and meet financial capability and financial viability assessments. The areas in which they do not compete well are price and discounts.

Another area that we find challenging when we work with local government and public agencies is our inability to provide evidence to them of the value that would allow them to make an assessment of whether one proposal provides a better net present value to the finance director than another. We have not yet been able to represent that value well enough for such an outcome assessment.

John Downie mentioned a number of issues about service design and where community benefits are going. Community benefits are far more sophisticated now than they have been for some time. We have moved away from having obligations in capital contracts to take 10 per cent of the new entrants to a contract from among people who are unemployed or seriously disadvantaged. Local government and statutory agencies now buy services from the voluntary sector and from social enterprise, which is a far more powerful mechanism than obliging providers to build a requirement into a procurement model.

As the adage goes, do you give a man a fish or do you give him a boat and a fishing rod? I would rather that we bought services from people so that they could then create the market. If the market is created rather than controlled, it becomes a far more effective mechanism to allow the third sector and social enterprise to participate. At the moment, we are delivering services according to a

design that has already been mapped out before we even get to the table. We are not involved in the early stages of service design that John Downie mentioned, whether in terms of the people who use our services or the people who deliver them.

**The Convener:** There has been lots of talk of lip service being paid to community involvement in service design. Many local authorities say that they bring in the community and community organisations at an early stage when they redesign services, but how often does that happen? Is that the norm or is it extremely rare?

**John Downie:** It is extremely rare.

**The Convener:** Does anyone think that it is anything other than extremely rare?

**Nancy Fancott:** From the perspective of social care providers, it is at the rare end of the spectrum.

**The Convener:** That is useful to know.

**Anne McTaggart:** Although the Children 1st submission was late, I managed to scroll through it. One element that it mentions is befriending. I come from a social work background. I worked for local government, but it was important that we had the voluntary sector there. Now that we face the demise of such community services, how are you coping with that?

**Kate Higgins:** Our submission contains two examples of our work. Any of the children's service providers could have pointed to early intervention services that they provide that, increasingly, local authorities are deciding not to fund or commission at all.

I think that somebody said earlier that there are competing drivers in Government policy. Costs are a concern and there are cuts to services but, as evidenced by all those who are involved in the early years collaborative, people are still trying to find ways to work collaboratively and put money into early intervention and preventative spending.

However, we are finding that, when it comes to the crunch and local authorities have to make budget decisions, they are increasingly choosing to pull money out of some of the low-level but fairly cost-effective intervention activity. That is a frustration. That approach is tied up partly with the short-termism of funding arrangements, partly with the time of austerity that we are in and absolutely with the culture of how we set budgets and design services. I do not know what the answer is. Everybody is at the stage of banging their heads off desks in thinking about how we change that culture and move money.

To go back to the top of our submission, there are de facto cuts coming through in local authority

spending on children and young people, and in the Scottish Government allocation for that. However, COSLA and the Scottish Government would say that children and young people remain a priority. We are not necessarily saying that cuts should not be made; we are saying that we should have a discussion and that, if we are going to make cuts, we should make a strategic and open decision about it. What is happening at the moment is the slicing effect and it is hidden.

We want to have that debate and discussion. We would say that cuts should not be made to children and young people's services, because the outcome of that is an increase in child poverty, particularly among vulnerable children, and we know that we then try to battle that outcome through other spending interventions.

**Anne McTaggart:** I totally agree. It is a false economy, in a sense. As a former front-line worker, I know that families need every one of the community activities that go on, whether befriending services or SAMH services. If those services are not in the community, it is a false economy, because families' conditions start to escalate and, before we know it, we are accommodating children. You are not the only one who is frustrated with that, Ms Higgins.

**The Convener:** Ms Higgins mentioned salami slicing of budgets, which seems to be the norm. Have any of the witnesses' organisations been involved with any local authority in priority-based budgeting exercises to stop the kind of salami slicing that she mentioned?

**Calum Irving:** Third sector interfaces have a small amount of funding from the Scottish Government to participate in community planning, both to be community planning partners and to facilitate other third sector engagement and community planning. The problem is that considerable resource is required to do that. Set against the statutory sector's resources, the interfaces do not really have enough research and staffing behind them. At the same time, they are trying to participate in various public service change agendas.

Some of the discussion with the previous panel was about the ability to interrogate and manage information to understand what is happening. The kind of infrastructural resource does not exist in the third sector to be able to interrogate that information sufficiently and then add to it and change things.

12:15

**The Convener:** Yet Ms Higgins said earlier that frameworks are already in place regarding outcomes for various organisations. I would have thought that priority-based budgeting exercises

might well mean that councillors would want to consider not only the cost implications, but the outcome implications of doing certain things.

I understand that you might not have access to lots of data, but I would have thought that the data and frameworks that you have could be brought into play in those scenarios.

**Calum Irving:** The jargon at the moment is about resource sharing, but that does not happen. We are talking about trying to participate in discussions on how the limited funds can be used better. However, in effect, in many cases, community planning works like this: people come to the table with what they have and, as Richard Kerley said earlier, the spending patterns hardly change. We are talking about preventative spend, mitigation and, if you like, shielding communities from the worst impact of the cuts, but unless we get into real resource sharing so that the third sector could influence and then take part more effectively, as it would see it, we will have an exercise in which it will be more difficult to gain the outcomes that communities need.

**The Convener:** I am sorry if you think that I am being harsh, but you seem to be fixated on the resource—the money—and we are hearing that many others are fixated on the value-for-money aspect. I would expect you to go to the table to talk about sharing not necessarily huge amounts of money, but huge amounts of knowledge, which might lead to different decisions when it comes to a priority-based budgeting exercise.

**John Downie:** I agree with you, convener. The sector can bring a facilitation role and the voice of service users, as Kate Higgins talked about, to say what the best outcomes are and how best to provide them. We have a problem in that some local authorities forget that they are there to serve the people, not themselves. That is a real strategic issue.

The committee talked earlier about councillors and, in a sense, the quality of councillors. I accept that the issue is difficult. Executive and elected member leadership needs to be better and more strategic. Much of the time, the question is whether councillors and senior staff in local authorities talk to people about the vision for their community, and, if you think about it, what the priorities are and where to invest.

When I talk to senior staff in local authorities, I am still amazed that, if they get people involved in participation in budgets and making decisions about their community, those people are well able to make tough decisions. They can say, "We have three choices here, and we have money for two, so we will do that." To be honest, it gives the local authority a lot of cover when people are involved

in making those decisions. I fail to see why some local authorities do not do that.

People are prepared to make tough choices in communities, based on what they think, although they will not please everybody. That is a cultural change that has happened. The third sector has to bring its voice. As Fraser Kelly said, we need to prove our case on the outcomes that we can deliver and the added value that we bring. There are a lot of great outcomes, such as the outcomes from Kate Higgins' organisation and others. There are also frameworks and other ways of doing things that we can show. However, if all that is to make a difference, it has to be taken seriously when people think about contracts or how commissioning works. Commissioning is probably a much more effective way of using the third sector than contracts are, as Fraser Kelly said.

**John Wilson:** I have a follow-on question. Does anyone on the panel have an example of engagement with elected members in discussing delivery of local services?

**Fraser Kelly:** Some local authorities are far more progressive than others. At the moment, West Lothian, Edinburgh, Glasgow, Falkirk, Dundee, North Lanarkshire and Argyll and Bute councils have all identified social enterprise officers, either within their chief executive service—

**John Wilson:** I am asking about engagement with elected members, not with officers of the council. One of the problems that we are picking up on—this goes back to the earlier panels, for those of us who were here—is that the engagement seems to be with officers. Officers carry out the procurement process. There seems to be a lack of exchange or interaction between the elected members who, at the end of the day, make the decision on contracts and service delivery. I am trying to establish whether there is an example of an organisation that, prior to contracts being awarded, had direct engagement with elected members on the delivery of services.

**Fraser Kelly:** The appointment of those officers is a direct result of engagement with the elected members in each of those local authority areas.

**The Convener:** I still think that that is not the point that Mr Wilson is trying to make. In some regards, that gives the officers even more cover in terms of stopping direct engagement, given that you now have an officer specifically for you. However, that is only an opinion.

**Rachel Stewart:** We have a service in Montrose that works with what was previously the local mental health association. One of the local councillors sits on our joint board with that association, because he is aware of the work that

we do in the community and is very supportive; so we have that relationship with him.

**The Convener:** That is interesting, because it smacks of the champions that have been put in place in various other areas. I have found that there is often rivalry between the champions to see who is best, which means that resource is diverted to the winning champion, if you like. That can lead to more difficulties. Sorry—I am giving too many opinions and we are not getting your answers.

**Nancy Fancott:** We had a recent experience, which unfortunately was not prior to a contract being agreed, but after the fact. It was in the context of a lot of public lobbying against a council's decision to make an across-the-board cut to the entire voluntary sector service provision group in the area. We met with the head of social work and the convener of the health committee and another officer. It was an interesting experience, because we realised—although we probably already knew it—that the officers had a lot of sympathy for our concerns. There was a lot of interest on the part of the elected representative at the meeting, who did not really know what was going on. There was obviously a lot of unstated power sitting with the head of finance at the council, with whom we do not normally interact, given that we deal with the social workers.

The practicalities of a national organisation such as ours, which lobbies on behalf of providers that deal with the elected representatives of 32 local authorities, are a bit mind-boggling. I am not sure how we will tackle that issue, nor how our resource-pressed local providers will do so, but it is important and we are all thinking about it.

**John Downie:** I think that I can give quite a good example that relates to welfare reform. We recently published a mapping report on welfare. Inclusion Scotland was invited in 2011—I think it was in September—to take part in a welfare reform conference in West Lothian at which there were elected members and council officials. The presentation went down well. Consequently, the council's leader and executive invited Inclusion Scotland to make presentations to heads of services. It can therefore be seen that the council led from the start, in partnership with the third sector, on welfare reform mitigation, because it had the political leadership and the buy-in from everybody. Although that is a good example, it is a rare example of engagement with elected members. The exception to that is engagement by community organisations, but engagement further up in local authorities is rare.

**John Wilson:** Ms Fancott said—I will paraphrase her comment, although I think that this is exactly what she said—that in the meeting that she had with officials along with an elected

member who was the chair of a committee, the elected representative did not seem to know what was going on. Part of the problem that we have in many local authorities is that, although the elected members are effectively the responsible individuals for making decisions on behalf of the council, they do not know what is going on in many respects.

We have seen the dispersal of services to voluntary sector organisations because local authorities thought that it would be useful for them to deliver those services. My follow-up question—to throw out this issue again—is: how many local authorities have decided to bring services back in-house, for whatever reason?

**Nancy Fancott:** On the elected representative who did not know what was going on, I do not want that to be misunderstood. It was interesting that the local authority described the budget cut as something that would come out of the administration costs of provider organisations. That is probably a way to make it palatable to the elected members. However, it might not be realised that, in most cases, 85 to 90 per cent of our member organisations' operating costs are staff costs. Realistically, they cannot take 5 per cent out of 10 per cent, and so there will be an impact on the workforce and, potentially, the quality of service. It is in that respect that information is provided in the context of these difficult decisions.

We do not have proper evidence of councils taking services in-house, but we are picking up on that anecdotally. In that regard, I am also thinking about the earlier discussions about ALEOs. At least one local authority has decided to put all its social work services into an ALEO, so that is another way in which the situation is manifesting itself.

**The Convener:** Does that monopoly—putting all social work services into an ALEO—mean that there is likely to be more restriction on your members getting contracts or being commissioned for services?

**Nancy Fancott:** That is one of our concerns. That does not feel fair from a competition point of view.

**Kate Higgins:** Children 1st has been directly affected by council decisions to take back in-house services that we were previously commissioned to deliver.

To return to John Wilson's question, one of my jobs is to work closely with and encourage all our local services to develop good relationships with their elected members. We do that in a more grounded way so that we can call on them if we need them. It would be good if elected members could more proactively engage with what is going

on on their doorstep, as well as the other way round. Not every charity or third sector organisation has a policy team. We have a small team that can support local services, but most of them are more than happy to open the door.

12:30

On the development of in-house services, I have looked at budget proposals that have affected us and at budget papers from local authorities. Reading between the lines, I believe that elected members are being told whatever in order to justify proposals going through, with no opportunity to question or scrutinise the rationale. For example, a service was taken away from us and the money for it was used to provide a bigger in-house service that it was claimed would save the council over £1 million a year by year 2. However, who follows up on that to see whether the investment comes to fruition? The theory is good, but we could argue that, as a voluntary sector organisation, we could save the council more if it continued to invest in us rather than moved the money to an in-house service.

I am not sure how much scrutiny there is of the rationales that are being applied or of the impact on the voluntary sector. However, it is clear from the budget-setting papers and strategy documents for this year that what can only be described as a bit of a circling of the wagons is going on, because services are more often than not being brought in-house and any new service is being provided in-house as well. Our view is that all of that is fine if that is the best way and it delivers the best services for the people who use them.

**The Convener:** We are getting short of time, so I would like brief questions and answers, please.

**Stuart McMillan:** I have heard a tremendous amount during the meeting that is useful. My question is for Rachel Stewart, who said in her written submission:

"On welfare reform: SAMH is currently undertaking a survey of our 2,500 service users".

When is that survey due to be published?

**Rachel Stewart:** We hope to publish it in July or August. Obviously, it is quite a big endeavour to reach all our service users. Alongside surveying welfare reform's individual impacts on each person whom we support, we are running a survey of our service managers to see how welfare reform is impacting on our service delivery. We will publish the two surveys together, which I hope will be in August.

**Stuart McMillan:** Will the information be broken down to local authority level or even parliamentary region level?

**Rachel Stewart:** We can probably do that. The survey is being done through our service arrangements, so our support workers are working with our service users to gather the information. However, we can identify the services at a local authority or parliamentary region level.

**Stuart McMillan:** Thank you.

**Rachel Stewart:** That is okay.

**The Convener:** We have had a very short time today. As I think members would agree, in such sessions we always hear about good practice. For example, today we have heard about West Lothian in that regard. However, we would be interested in hearing about local authorities with which the witnesses find it difficult to engage and examples of that, which would be useful. In addition, if you can provide any information about the detrimental effect of services being taken back in-house, that would be extremely useful.

Kate Higgins said during one of her last comments that it would be good if elected members actually engaged. As an MSP who was formerly a councillor, I know that it is possible to get bogged down in getting a huge amount of policy documents through. However, perhaps one of the best ways of understanding what a service does and its outcomes is to be invited to see the service being undertaken. Some organisations are much more proactive than others in doing that and councillors seem to get fewer such invitations than MSPs. I therefore recommend that you go out and suggest to councillors that they visit some of your projects and other work, because that is immensely useful, particularly when councillors come to make budget decisions. I know about that from past experience.

I thank our witnesses very much for their evidence. As previously agreed, we now move into private session.

12:35

*Meeting continued in private until 12:56.*



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