



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# LOCAL GOVERNMENT AND REGENERATION COMMITTEE

Wednesday 30 April 2014



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**LOCAL GOVERNMENT AND REGENERATION COMMITTEE  
12<sup>th</sup> Meeting 2014, Session 4**

**CONVENER**

\*Kevin Stewart (Aberdeen Central) (SNP)

**DEPUTY CONVENER**

\*John Wilson (Central Scotland) (SNP)

**COMMITTEE MEMBERS**

\*Cameron Buchanan (Lothian) (Con)  
\*Mark McDonald (Aberdeen Donside) (SNP)  
\*Stuart McMillan (West Scotland) (SNP)  
\*Anne McTaggart (Glasgow) (Lab)  
\*Alex Rowley (Cowdenbeath) (Lab)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Hugh Dunn (City of Edinburgh Council)  
Steven Grimmond (Fife Council)  
Sally Loudon (Argyll and Bute Council)

**CLERK TO THE COMMITTEE**

David Cullum

**LOCATION**

Committee Room 5



# Scottish Parliament

## Local Government and Regeneration Committee

*Wednesday 30 April 2014*

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

### Flexibility and Autonomy of Local Government

**The Convener (Kevin Stewart):** Good morning and welcome to the Local Government and Regeneration Committee's 12th meeting in 2014. I remind everyone to switch off mobile phones and other electronic equipment, as they can affect the broadcasting system. Some members might consult tablet devices during the meeting, because we provide meeting papers in a digital format.

Item 1 is an oral evidence session for our inquiry into the flexibility and autonomy of local government in Scotland. There is a last-minute change to the published agenda: Sue Bruce of the City of Edinburgh Council cannot be with us—we understand the reasons why. We would welcome a written submission from her, if that is possible. Perhaps her colleague can pass that on.

I welcome Hugh Dunn, corporate finance manager for the City of Edinburgh Council—I thank him for standing in for Sue Bruce at the last minute. I also welcome Steven Grimmond, who is chief executive of Fife Council, and Sally Loudon, who is chief executive of Argyll and Bute Council. Does anyone want to make introductory remarks?

**Steven Grimmond (Fife Council):** I have no introductory remarks.

**Sally Loudon (Argyll and Bute Council):** No, that is okay, convener.

**Hugh Dunn (City of Edinburgh Council):** May I just pass on Sue Bruce's apologies to the committee? I know that you understand the reasons for her not being here, but she wanted me to convey her apologies to the committee in person.

**The Convener:** Thank you—that is much appreciated.

You might be aware that some members have been in Europe for a few days to look at local government. We were struck by the turnout in local council elections in other parts of Europe, and we are interested in community engagement. How do your councils engage with communities? What could be done to improve engagement and to boost turnout in local government elections here in Scotland?

**Sally Loudon:** We do a range of things. We have an overall community engagement strategy, which contains a number of tools that can be used by not just the local authority and community planning partnership but groups in the community in engaging with communities on specific issues.

At service level, our services routinely engage with user groups and specific groups such as homeless people to find out about the particular issues that people have in accessing services. When we are planning significant changes in service delivery, we do a number of things, including setting up focus groups and surveys.

At corporate and community planning level, we have significant engagement in developing our single outcome agreement, for example. We use a citizens panel, we go out to speak to community groups and we run online surveys. We also engage the third sector to speak to what for us are harder-to-reach groups, which might include speaking to individuals. I think that our most recent consultation had 200 to 300 responses from harder-to-reach groups.

We have a community capacity team, which helps communities to develop. The team is responsible for delivering the community engagement strategy and has a community resources toolkit. The toolkit is a significant document that lays out different ways of engaging with communities and which has resources behind it. We have found some things that work pretty well, such as setting up a tent where people can give their views. We have done a fair amount of work to support groups to develop projects themselves. For example, the South Kintyre Development Trust is acquiring one of our buildings in Campbeltown under our asset transfer process. The community capacity team helps such groups to consider issues to do with funding, how they are constituted and so on.

Our overall percentage turnout in local government elections was in the high 40s, although turnout varies across wards. With any election, we have a communications strategy to try to encourage people to vote. We have just engaged with the electoral registration office and put in some money to see whether we can do better and get a higher turnout at elections.

I hope that I have given committee members a flavour of what we have put in place in Argyll and Bute.

**The Convener:** Thank you. You mentioned harder-to-reach groups. The Argyll and Bute Council area includes a number of island communities. Is it more difficult to communicate with them? Do they feel that they are listened to? Have you put in place special arrangements to help island communities to engage?

**Sally Loudon:** Our islands are very different. Some are very active and engaged and come knocking on our door for support. We encourage our other island communities to engage. I mentioned the third sector in the context of the harder-to-reach groups, and the sector does some work for us on islands. If we are putting on a significant corporate communications or engagement event, we will do specific events around the islands. A lot can be done by videoconference.

**Steven Grimmond:** Sally Loudon talked about multiple channels of communication, and there are a number of similarities with the approach in Fife.

We have a significant commitment to a decentralised approach, partly because of Fife's scale and geography, and we focus on seven area committees. Each area has a committee of elected members and a focused area management team, which is there to ensure a degree of engagement with the more localised communities and to co-ordinate services. Those constructs also have a focus on the development of community planning and engagement in relation to the wider basket of public services.

On the multiple channels that we use to engage with communities, there is a range of evidence gathering, at service level and through the significant people's panel in Fife, which has more than 3,000 members. We have a significant exercise that is ostensibly about setting priorities in the region, although it has become more like continuous engagement with communities on budget setting in Fife. That exercise involves a range of media, from roadshows, which give communities an opportunity to understand and have an input into the choices that must be made, to online media.

We have increasingly been utilising social media to engage with the community in a different way. That includes live engagement through Facebook and webinars, where communities of interest and local communities can interact. The feedback that we get can help to inform the definition and delivery of policy.

Like Sally Loudon's council, we have a significant commitment to community capacity building. The area management teams in our seven areas seek to provide opportunities to build capacity and improve engagement, particularly in areas of greater inequality, where there is less potential for engagement to start with.

There is a significant and increasing focus on a place-based approach, which recognises the continuing strength of local elected members' surgeries as a direct means of engaging with local people, while considering more broadly the establishment of regular engagement on local

community issues. We have developed work with Police Scotland on enhanced community engagement meetings, which started from an interest in and a focus on community safety but which have broadened into regular opportunities for very local communities to come together to ask a wide range of public sector partners a range of questions and gain information on different approaches to local delivery.

We have piloted further approaches. We have made one or two attempts at community budgeting, whereby we engage directly with communities on elements of local authority funding that are then deployed according to the priorities that the communities have developed and defined. We have examples of supporting the development of community trusts and the transfer of assets into local ownership as a means of more direct engagement. The devolution of budgets to the area level has provided another opportunity for more direct engagement with communities on the priorities that they would set.

In recent years, our election turnout percentage has generally been in the high 40s. Like Sally Loudon's council, we have a range of communication strategies to raise awareness of forthcoming elections and provide information through a range of media. On engaging young people, we have taken a wider approach that involves developing political literacy through the education system to raise awareness of elections and increase the interest in getting involved in them. That is a longer-term strategy that is yet to have much effect on growing turnout.

**The Convener:** You have talked about area committees and engagement on budgeting in local areas. How much community involvement is there in the area committees' day-to-day work?

**Steven Grimmond:** The area committees are public committees that have a responsibility to scrutinise the delivery of local services and direct how those services are delivered. The approach to the area committees is to provide a broad platform for local engagement and information about service delivery. As for the wider public's direct involvement in the committees, the meetings are open to the public, but turnout is probably limited.

**Hugh Dunn:** I recognise a lot of what Sally Loudon and Steve Grimmond said about community capacity, a place-based approach and community planning. From a finance angle, I will give examples of what we have done in Edinburgh to consult more and get more community involvement in the budget.

In the past couple of years, we have put the budget out for consultation. Last year, it was out for consultation at the end of September. We had a three-month consultation period that ran until

Christmas. We then looked at the queries and responses that we received, which were taken into consideration when the budget motion went to the relevant committee. That motion is usually available a week before the committee meeting.

We show people that the proposals that are consulted on are not the final budget; each year, queries and responses have come in from constituents—the public—and the administration has changed the budget as a result. That is one way in which we have increased involvement. We have three months' consultation and a month to consider the queries, and the budget motion is provided a week in advance. In that way, we are trying to involve the public more.

We are considering how to increase public involvement in the budget. Other councils, such as Liverpool City Council, go into schools and play a game that involves presenting pupils with a budget and asking them what they would do with the services and which ones they would reduce. We might do that, too. We have also looked at whether we should take the budget to older people in order to engage with them. We have a plan of action on how to involve people in different parts of the budget.

We have come a long way by managing to get the budget out to consultation three months early. The issue is how we engage with people and then show how, as a result of their involvement in the budget process, they changed the decisions that might otherwise have been made at the council meeting in February.

Our election turnout is similar to the 40 per cent levels that Steve Grimmond and Sally Loudon mentioned, so all our councils have about the same levels of participation in local elections.

10:15

**The Convener:** You mentioned community planning. Are members of the public involved much in that? Do they sit on the board? At what level do they input? Mr Dunn, would you like to go first?

**Hugh Dunn:** Perhaps I could let the other witnesses go first, so that I can think about that.

**Sally Loudon:** I am happy to answer that. I will also expand on my original answer, if that is okay.

**The Convener:** Sure.

**Sally Loudon:** I will pick up on some of the points that Steve Grimmond and Hugh Dunn made. We have local area committees, too—we are administratively split into four areas. We also have local area community planning groups, which consist of the local authority, all our community planning partners and the community councils. In

some areas, the community councils bring themselves together and then put only a few reps on to the local area community planning group. Therefore, the community is represented through the community councils, but the local area community planning groups are open to the wider public.

We do budget consultation on a community planning basis, so that one public sector budget is discussed with communities. Our roadshows involve not only the local authority but the community planning partners.

On direct public involvement in community planning groups and at local area committees, we find that communities usually come out if an issue is particularly controversial—those issues usually relate to planning matters. We hold planning hearings in the local area, and such meetings bring out our communities to express their views.

Steve Grimmond mentioned a place-based approach. We recognise that economic regeneration is a significant issue. We have an economic development action plan but, because of the place-based approach, we have also developed local economic development plans.

I have an example of where community consultation has worked well. We have just put in place an integrated children's services plan, which is a multi-agency plan. Our consultation included nursery children. Nursery teachers sat down nursery kids and asked them, in an appropriate way, what their issues were and what they wanted to see in the plan. Every school child was given information on the plan, which also went to parents and all our partners. A wealth of information came back that is now included in the plan.

I hope that that gives you a bit more information.

**The Convener:** Are any members of the public on the community planning partnership board?

**Sally Loudon:** No individual member of the public sits directly on the community planning board, although the community councils and the third sector are represented.

**Steven Grimmond:** There is a way to go on direct public involvement in community planning. No local community representative sits on the Fife community planning partnership board; rather, representatives of the public and third sector agencies sit on the board.

The way in which to properly engage communities in planning is to establish a focus on local community planning at that level. The work that we are developing through the decentralised seven-area construct that I mentioned recognises that. Each of those areas is in the process of developing a local community plan. At that level,

there is a genuine prospect of more real engagement with local communities on the development of the plan. I suppose that, in shorthand, the plan should be an articulation of the priorities in a place or local community. Under the framework that we are developing, those local community plans will articulate the local priorities and then, in a bottom-up way, inform and seek to influence the community planning partnership at Fife-wide level and to influence the way in which the public sector agencies that sit on the partnership direct their resources and priorities. That is the model that we are developing, but it is in its infancy.

**Hugh Dunn:** As with the situation that Sally Loudon described in Argyll and Bute, in my area, there are representatives on the board, but they are representatives of community councils and are not there as individuals.

**John Wilson (Central Scotland) (SNP):** I want to explore some of the answers that have been given so far. In my first question, I will concentrate on participation in local government elections. I am glad to hear that the percentage turnout for elections in Fife Council and Argyll and Bute Council was in the upper 40s and that in Edinburgh turnout was roughly 40 per cent. The national average in the 2012 local government elections was 39 per cent. What is being done to target the areas in your authorities where the turnout is lowest? In particular, I ask Mr Dunn to give examples of the turnout in places such as Craigmillar, Pilton and Wester Hailes. Likewise, are there examples from some of the former mining communities in Fife where the turnout might be low? Similarly, in Argyll and Bute, are there pockets where people do not tend to participate in the electoral system?

Interestingly, the Local Government Boundary Commission for Scotland has produced a consultation that proposes that the number of elected members should be increased in some areas, on the basis of the Scottish index of multiple deprivation. What impact would that have? What work is being done to engage with those difficult to engage with electorates?

**Steven Grimmond:** Undoubtedly in Fife, there is a correlation—although perhaps not a direct one—between the areas of most significant multiple deprivation and low turnout in recent elections. Our approach to that is embedded in our broader approach to community engagement and community capacity building. In providing support to enable and encourage local communities to articulate their views and engage with council processes, the authority seeks to target areas of greatest need.

However, that is a more general approach to community capacity building and community

engagement rather than an approach that is linked directly to voter turnout at elections. At present, we take that broader-based approach.

**Sally Loudon:** We have a similar approach to community capacity building. On participation in elections, we do some focused work through schools to try to engage young people in elections. In the previous local government elections, our lowest turnout area was Dunoon, at just over 41 per cent, and our highest turnout area was Kintyre and the isles, at 50.6 per cent. There is a range, but all the areas are above the national average.

Recently, the chair of the Local Government Boundary Commission came to speak to some of our members, and we have just put in a submission to the commission's consultation. Under the proposals, Argyll and Bute would have its number of elected members reduced by three.

The council's case is around two issues in particular. The first is the geographic spread that some of our ward members have to cover and the number of groups that expect our members to attend their meetings. For example, one ward has 13 community councils and covers a vast geographic area.

The other issue that has been raised with the commission is that our communities' expectations with regard to engagement with local elected members is different from expectations in some other areas. Our elected members have their home addresses on the council website and people regularly contact them at home, or turn up at their home. That is the level of engagement with our elected members that the electorate expects, and it has an impact on members' capacity.

**Hugh Dunn:** In recent years, we have looked at the substantial increase in the number of postal votes. However, I would like to take your question away for consideration, because my work is not directly linked to that area. I am happy to take the question away and to provide a response within the next week. I will go to the person who deals with the issue day to day and get more detail on it.

**The Convener:** That would be grand. Thank you.

**Steven Grimmond:** I am conscious that I did not specifically answer the question about the Local Government Boundary Commission for Scotland and the issue of a weighting for deprivation in relation to the number of elected members. We have begun to look at that in Fife and, as Sally Loudon indicated, we do not necessarily take the view that there is a direct correlation between an elected member's workload and deprivation. A number of factors influence an elected member's workload. Curiously, although the Local Government Boundary Commission has referred to a weighting



for deprivation in defining the number of elected members at the authority-wide level, that will not be replicated in the second stage of the exercise, when individual wards will be determined. There is an element of inconsistency in the rationale, which means that in Fife any standardisation of the number of electors for each elected member would not reflect inequalities.

**John Wilson:** I welcome the witnesses' comments, particularly on the Local Government Boundary Commission for Scotland review that is taking place. When we talk about the accountability and autonomy of our public bodies, it is important that we make a direct link to electoral accountability—we need to look at that.

The witnesses indicated that some consultation takes place on the budget-setting process. When is the budget put out to consultation with communities or community planning partnerships—or whatever process is used—before the budget is finally set, which usually happens in February each year?

**The Convener:** Mr Dunn, you said that you started the process with communities in September. Is that right?

**Hugh Dunn:** That is correct. Our budget proposals usually go to the finance and resources committee towards the end of September, which signals the start of the budget consultation process. Various leaflets are produced, information goes on to the internet and emails are sent to groups for which we have contact addresses asking for questions, queries and responses. We then go round the wards in the city and have public meetings at night at which the public can ask questions. There are usually presentations on the budget that set out the general thrust of the council's financial position and the proposals. The public are told that they are welcome to come back with responses to the proposals by Christmas and that we will respond to them. The budget will then be drafted by the administration towards the end of January so that it can be debated and approved by the council, usually in the second week of February.

**The Convener:** Do both council officers and elected members attend the public meetings, or just council officers?

**Hugh Dunn:** Usually, the meetings are attended by council officers and the local members, plus, probably, the finance convener or vice-convener. I think that I need to say that attendance can be mixed, and that is why we need to look at other means and modes of communicating with stakeholders.

Maybe I should have said earlier that we also webcast council meetings to increase consultation with the public, and meetings of our scrutiny

committee are also webcast to get more community involvement.

That is our budget process. However, as I said, we are also looking at other means of taking information about the budget to other members of the public—to schools and older people, for example.

10:30

**Steven Grimmond:** The process in Fife commences at the back end of the summer with a full, broad-based consultation using a variety of channels. At that stage, we seek to engage with communities both directly through public meetings and online engagement and through feedback opportunities so that people can vote on different options and priorities. The intention at that stage is to share as much information as possible about the range of choices that the local authority has to make in reaching a final budget. We do that both thematically—seeking local views on, say, education or local service delivery—and on the basis of looking at the range of services that are provided and some of the choices that need to be made.

We try to gather information in to the authority from, roughly, August to October, so there is a first wave of consultation and engagement. The administration in Fife then brings together that information and publishes a draft budget in November for a second round of public consultation. Again, there is both face-to-face and online consultation and the council gathers a range of feedback on the draft budget proposition, which is then refined on the basis of the feedback, with a final budget presented in February.

**Sally Loudon:** Over the years, our budget consultation process has started at different times. It typically starts between October and the end of November, and we do all the things that Steve Grimmond and Hugh Dunn outlined. In addition, we do web chats with the leader of the council. The first one that we did was really successful, but there were not as many participants in this year's budget consultation exercise, so we are having a look at that.

We also put a budget simulator online so that individuals can move around how much they think should be spent on different council services. The feedback that we have had from people indicates that, if nothing else, that shows people how difficult the exercise of setting a budget is. After the budget has been set, we put out a communication on what people told us and what we did about it, so there is that feedback loop following the consultation.

You asked who attends the meetings. As I said, community planning partners attend as well as

council officers, and the leader or depute leader of the council usually attends as well.

**John Wilson:** One of the main issues that we have been presented with, mainly by local authorities, is the spending discretion that local authorities have and their lack of powers to raise their own finance. In particular, some complaints have been made about the freezing of the council tax and the settlements that have been made over the past seven years.

Is the issue of where the money that your local authorities spend comes from reflected in your discussions and debates with the public, or do people just look at the overall budget? Do people say that the local authority should raise more of its own finances or just that it should spend the money that it gets from the various sources of funding in a different way?

**Hugh Dunn:** I think that, at our meetings, people generally look at the quantum—the total amount of cash. In the recent round of discussions, there were some questions about the cumulative effect of the council tax freeze and how much extra money could have been generated otherwise. The public generally do not look at how much comes from Government grant, how much comes from what used to be non-domestic rates and how much comes from council tax. They just look at the quantum, so generally we show the total resources that the council has. However, in the last round of discussions, some questions were asked about the cumulative effect of the council tax freeze over the period and the total level of resource that might have been provided otherwise.

**John Wilson:** As a matter of curiosity, Mr Dunn, who expressed those views?

**Hugh Dunn:** It was just the odd comment that came in through the consultation. The odd question was asked about the cumulative effect of the council tax freeze but, as I said, people tend to look at the quantum of resource. In Edinburgh, people look at the quantum of almost £900 million, and we outline that that is the available resource. We do not tend to split the resources into what comes from Government grant, council tax and what used to be non-domestic rates and is now part of the revenue support grant. The odd question was asked about that, but generally people are look at the quantum of resource that is available now and is likely to be available going forward.

**Steven Grimmond:** Given the limited flexibility to raise additional income—the situation is compounded by the effect of the council tax freeze, as there has not been a debate locally on the merits and demerits of taxation through that route—the consultation that we have undertaken

on our budget setting has tended to focus on a fixed envelope of resource and on the choices to be made within that envelope. I would not suggest that the public has raised the issue to a significant extent, although it is certainly true that, in some of our face-to-face consultations and in responses around making choices about investment, people have said that they would prefer to apply more resource to the priorities rather than have to make increasingly difficult choices between them. That suggests that there is a desire for a fuller debate that looks at not only the resources that are raised locally but how they are applied. The budget process does not allow for such a debate, because the resources that are raised locally are limited.

**Mark McDonald (Aberdeen Donside) (SNP):** There is much talk about the limitations on councils to raise finances. The issue seems to be viewed entirely through the prism of locally based taxation, but local authorities apply a range of charges, be they universal charges for parking services or charges for services such as social care packages. Local authorities currently generate income through means that go beyond local taxation.

**Hugh Dunn:** That is true. In Edinburgh, we are producing a comprehensive charging policy for our services. The policy sets out the general principles—we did not really have such a policy previously—and will go to the sub-committee this month. You are correct that we charge fees for certain services.

**Steven Grimmond:** Mark McDonald's comment is true. In Fife, 13 per cent of the resource is generated through income and fees, so although it is still a relatively small proportion of the resource that is available locally, it is certainly part of the consultation exercise, because we can still pull some levers.

**The Convener:** Anne McTaggart has a wee supplementary.

**Anne McTaggart (Glasgow) (Lab):** Can you think of any other tax or way of supplementing your income? Some of the charges and so on that you have power over have been mentioned, but are there any others? I am thinking about tourism, for example.

**The Convener:** Mr Dunn, there was a proposal from Edinburgh a while back.

**Hugh Dunn:** I was just going to mention that there was a proposal for a bedroom tax for hotels.

**The Convener:** The phrase "bedroom tax" throws up other connotations.

**Anne McTaggart:** That is why I called it tourism.

**Hugh Dunn:** The proposal was for a tourism tax—a levy on hotel rooms in the city. There was a debate about the fact that we spend a lot of money on things such as hogmanay and whether the city should, through a tax on hotel rooms—if I can call it that—get some benefit back from the payments that it makes.

**Anne McTaggart:** Has Argyll and Bute Council thought about that? Have you thought about any other means of taxation that would be of benefit?

**Sally Loudon:** As we said in our submission, we would need to look at the costs and benefits of any proposed increase in taxation powers. A tax on hotel rooms could act as a disincentive in some of our tourism areas. It might be fine in a very buoyant tourism area, but in some of our areas, tourism can be quite fragile, so we would need to ensure that, if such a tax were applied across the board, it did not act as a disincentive. Alternatively, we might choose to apply it in certain areas and not in other areas.

**The Convener:** Before I bring in Stuart McMillan, I have a few questions on the same topic. Elsewhere, local authorities have the ability to establish their own companies. Should our local authorities have some flexibility in that regard? For example, it is only in recent times that local authorities have had the ability to move into electricity generation. Would it help you guys if you could establish your own companies and plough money back into public services?

**Hugh Dunn:** The City of Edinburgh Council has a range of council companies and arm's-length external organisations such as the EDI Group, which does property development, and the Edinburgh International Conference Centre. The key thing when it comes to setting up a company is to have a robust business case that outlines the reasons for setting it up and the objectives that are sought. It is also necessary to put in proper governance arrangements that show that the council has control over what is happening.

Having such flexibility is a possibility that we are willing to look at. Councils across Scotland have set up various arm's-length arrangements over recent years. On some occasions, the motivation might have been financial savings in non-domestic rates, but that should not be the only reason for setting up a company. There should be a robust business case that sets out why the council is setting up the company and what its objectives are.

**The Convener:** Do any of your companies make any profit? I am well aware that exhibition centres do not make profit.

**Hugh Dunn:** Some of the companies have made profits. The property downturn affected our property companies, but they are coming through

that and there are signs of recovery. We own 91 per cent of Lothian Buses, which is a very profitable company. In the last financial year, the council got a £3 million dividend from that.

**The Convener:** You are lucky guys in that regard, but we will not move on to buses.

**Steven Grimmond:** Similarly, I think that we have a reasonable degree of flexibility in our ability to set up arm's-length companies and joint venture vehicles that we can develop and from which we can generate income. Our most recent arm's-length vehicle is in the area of waste management and energy generation. Over time, we anticipate that that will generate income that will come back to the authority for reinvestment.

**The Convener:** It would be interesting to get more detail on that endeavour, because some members found out about a similar venture when we were in Malmö in Sweden.

**Sally Loudon:** I will give an example of an area in which flexibility would be useful. At present, if the council wants to invest in a company through shares and loans, we cannot do that through borrowing, because it is not treated as a capital asset. If that avenue were opened up to local authorities, that would be extremely helpful, particularly in relation to investing in regeneration and economic recovery.

**Stuart McMillan (West Scotland) (SNP):** Good morning, panel.

I have a few questions on what has been said so far. The first one sprang to mind on the back of the convener's question about arm's-length companies. Comments have been made about the turnout at elections, which, in percentage terms, was said to be in the high 40s, and the public scepticism that there is about what politicians do and what public authorities do.

There are an increasing number of arm's-length companies throughout the country. When a member of the public goes to speak to a councillor about an issue and the councillor tells them, "That's no longer under the control of the local authority. It's an arm's-length company," does that take away from democracy? The public might feel as a consequence that their elected members are unable to make a difference for their constituents.

10:45

**The Convener:** Who is going to take that first? Ms Loudon?

**Sally Loudon:** The question should be referred to the two areas that have arm's-length organisations.

**The Convener:** You keep us right, Ms Loudon.

**Steven Grimmond:** There is an issue in there. In Fife, predominantly we have set up arm's-length trusts, which are significantly supported by the local authority. They are not profit generating; generally, they are income sapping. We have wrestled with the issue of having the benefits of almost single-focus trusts, which can focus on an area of activity, whether it is sport or culture, and ensuring that there is a degree of continued democratic oversight.

I think that we have achieved that, not just through the way in which the trusts are managed, through boards, but through the financial support from the local authority. We have not got into a situation in which the local authority has ceased to have any control or influence over those trust areas; there is still a link back to democratic accountability for those areas of service.

Similarly, the arm's-length company that we have set up still has a link back to the local authority, so if questions were asked about those areas of activity, we would assert that the local authority still takes responsibility and is able to answer.

**Hugh Dunn:** I agree. As I said in my previous answer, it is also about ensuring that the governance arrangements are strong. If you are giving funding, your service level agreement, or whatever agreement you have with the organisation, should show what you expect for the money that you are putting in and what key outcomes you expect from the outside organisation.

There will also still be the link with elected members. When you are on the board of a company, you have to act in the best interests of that company, so there can be a conflict at times. However, it goes back to governance and setting out clearly in the service level agreement or contract what you expect to get for the money that you are putting in.

**Stuart McMillan:** That is very helpful. I appreciate that there will be different methods and models around the country, so I accept that people cannot answer for any other local authority area. Your answers have been helpful so far.

Mr Dunn, you mentioned that the budget process in Edinburgh started in September. When did you introduce that particular process?

**Hugh Dunn:** The budget process has evolved. Last year, we went out in September—

**Stuart McMillan:** Was that the first year?

**Hugh Dunn:** That was the first year that we managed to get the budget out in September. The previous year, we got it out in mid-November, which although it was an improvement on what we had done before, was not ideal because a lot of

the community groups do not hold meetings in December, with Christmas coming up and so on. It was good that we got it out with six weeks' consultation before Christmas, but a lot of people were coming back and telling us that there are other things happening, with children and so on, at that time of year.

That is why, this year, we got the budget out in September. That was very successful and we plan to repeat that this year. Officers' budget consultation is starting now, in order to get options and proposals to members of the administration before the summer. The idea is that they will look at those and we will develop the proposals and put them out in September.

**Stuart McMillan:** So it is a recent initiative.

**Hugh Dunn:** Very.

**Stuart McMillan:** Mr Grimmond, you mentioned that in Fife the second phase of the public consultation takes place online. Not everyone has access to the internet or wants to do things online. How did you have discussions with people who are not online?

**Steven Grimmond:** Sorry. I must have misrepresented the situation. I intended to say that the second phase—the draft administration budget—is consulted on both face to face, through a number of public meetings, and through online information. There are multiple channels.

**Stuart McMillan:** That clarifies the matter. Thank you.

My final question is about the quantum of resources. I heard what was said earlier, including about the limited flexibility of local authorities to raise taxation. A few months ago, I attended an event at which someone who worked for a local authority asked me to ask the Government to give the council more money. We then had a discussion and I posed the following question to that individual: "You are an employee of the authority. Do you still see any waste taking place in the department in which you work?" The individual's response was, "Oh, yes. It's going on all the time." On the one hand, they were asking me to ask the Government to give the council more money while, on the other hand, they were still seeing waste.

I find the whole debate about resources polarised. We are in economic times in which all public authorities need to be more efficient and ensure that there is less waste. There is less money around—certainly, the Scottish Government has less to allocate to public bodies. Is that a fair point? Do you accept that waste still takes place in your authorities, which needs to be reduced and, hopefully, eradicated?

**The Convener:** I ask for very brief answers, please.

**Hugh Dunn:** Looking at the budget going forward, I think that one of the big issues is the demographic issue. That puts on-going pressure on councils each year.

As a council, we want to drive as much efficiency as we can. There are probably always more efficiencies that we can drive, and we are keen to do that. We do not want to reduce or stop services, so the drive in the council is for as much efficiency as we can achieve by doing things in new ways—taking out duplication and staffing layers, et cetera. We are trying to do that as much as possible. There are always more efficiencies that we can deliver, and that is what we are trying to drive.

**Steven Grimmond:** There is no doubt that demand is rising and resources are declining. In Fife, we calculate that, over a four-year period, there would be a £92 million gap between the rising demand and the diminishing resources if we were to continue to do things exactly as we do them now. There is a recognition that it is reasonable for us to expect to deliver continuous improvement and on-going efficiency, so an element of the gap should be addressed through an efficiency target within the authority—that can deliver part of the answer. However, it is unlikely that it will be able to fill the whole of the gap, which will need to be addressed partly through the quantum of resources that is available or a transformation of the way in which services are delivered.

**Sally Loudon:** I echo Mr Grimmond's comments and add a couple of points for context. Between 2010 and 2013, we faced significant reductions in our budget. Over that period, we took either 10 or 15 per cent out of each of the services' overall budgets. The vast majority of that was done by making efficiency savings, and performance levels have remained the same or have improved.

We have an on-going budget issue of around £40 million over the next five years. Some of that can be addressed by continuing to be more efficient and to improve how we deliver services, but not all of it will be addressed in that way. There comes a point at which fewer efficiency savings can be achieved given that there is still a decreasing population in Argyll and Bute, which means that our grant-aided expenditure funding is reduced and there is the potential for a downward spiral.

**Mark McDonald:** As the panel might be aware, a number of committee members went on a fact-finding visit to a number of European authorities. One of the interesting things that we considered

was the number of local authorities—or municipalities, as they are referred to—compared with what exists here in Scotland.

We have before us representatives of a city authority here in Edinburgh; of Fife, a predominantly rural authority with a number of towns spread over quite a large area; and of Argyll and Bute, a rural authority with island communities. Are Scotland's local authorities the right size?

**Sally Loudon:** The evidence is in the document from the commission on strengthening local democracy in Scotland, which shows the number of local authorities across European countries and how Scotland stands out as having fewer local authorities per head of population. There is one country where there would be seven or eight different local authorities in an area the size of Argyll and Bute. The evidence that that is a good thing is that local election turnout is greater in those other countries than in Scotland.

I am not fudging the question, but there is a huge amount of evidence in the commission's interim report that would give you your answers, rather than my giving a professional view.

**Mark McDonald:** Perhaps I could rephrase the question slightly, then. Are there challenges faced by councils because of the scale of the local authority areas that they serve?

**Sally Loudon:** The geographic spread of Argyll and Bute is a huge challenge. As I said earlier, the overall strategic organisation is split into four administrative areas, but we have 23 inhabited islands and three peninsulas. Each of those areas is very different in nature and the solutions for service delivery and economic regeneration are different in each of them. One could conclude that having more local local authorities would help in that regard, but there would still need to be a mechanism for dealing with some of the more strategic issues that an area such as Argyll and Bute faces.

**Steven Grimmond:** Convener, the international comparisons that are being identified through your committee and through work from elsewhere are illuminating in enabling a debate to take place. There are a variety of solutions. Without answering the question whether there should be more or fewer local authorities, I can say that we recognised that, to be responsive to communities in Fife, we needed to set up a mechanism—the seven-area committee mechanism that we have set up—to enable more localised engagement, which cannot be done when an authority is attempting to engage with more than 300,000 citizens.

Different solutions can be implemented within the current envelope and other solutions could be

advanced, although I would not wish to speculate on them.

**Hugh Dunn:** I do not think that I can really add much. There is a lot of research that members can look at to make decisions about the services that they want councils to provide and about the appropriate size of local authority to deliver them.

Edinburgh is quite a compact city. I previously worked for Lothian Region, which also comprised Midlothian, East Lothian and West Lothian. There is a lot of research, and it is for people to look at it and come back.

**The Convener:** I ask you to be very brief, Mr McDonald. I am aware that we are coming up for an hour of evidence, and I do not want to keep these folks here all morning. A number of other folk wish to contribute.

**Mark McDonald:** I appreciate that, convener. I will skip the question about powers, because we have dealt with it somewhat.

On public involvement, witnesses have spoken about how they attempt to engage with the public on issues such as the budget. To what extent do people who are not what might be described as "the usual suspects" get involved? Is there a means by which the public can see that their involvement has had an impact? Obviously it is fine to involve the public, but if they do not see that their involvement has any impact on the proposals that have emerged, they can quickly become disillusioned and disenchanted.

11:00

**Sally Loudon:** We have a couple of examples of what we do with groups that are harder to reach. Undoubtedly an issue with a lot of consultation is that a lot of the usual suspects come forward. We try to put in mechanisms to reach other people, and the example that I gave of the integrated children's services plan, which covered very young children and nurseries all the way up to parents and other service users, is an attempt to get beyond the usual suspects.

If you set up a community event or a roadshow, it is the usual suspects that come along. The other mechanisms that we put in place, such as webchats, surveys and social media, are all part of our attempt to get as large a range of responses to a consultation as possible, as well as to keep up the engagement that we have with service users on normal service delivery.

**Steven Grimmond:** I have two things to add to that. It is about using multiple channels. The risk with the more traditional channels, such as public meetings, is that they tend to be populated by the usual suspects, although that is not always the case. As we diversify the ways in which we try to

reach people, whether by going online or increasing the use of social media and so on, we find that the communities that are more likely to use those routes are broader.

It also depends on the issue. In some of the consultations that we have undertaken, most recently around the school estate in Fife, there is a strong sense that we have reached pretty deeply into communities and are getting general and more specific views back.

**Hugh Dunn:** As part of the budget consultation exercise, we have always been keen to go back at the end to show people the proposals and changes that have been made. Last year, we put a proposal to cut the number of additional police officers for 2014-15 out for consultation. That got changed. Proposals on additional support needs were also changed. Members might have heard of the Edinburgh guarantee. It had one-year funding the year before, but we have mainstreamed the funding because of information that we got back from respondents. That shows that things can be changed through engagement and we are keen to show people that, if they engage in future, they might be able to change some proposals.

On the point about usual suspects, depending on what the proposals and options are, we sometimes get new groups in. As I said before, we are keen to diversify and to get out to a wider community, whether it be younger people, older people, or groups that we do not get to. That is work in progress and we are keen to look at that and to consider how other councils have got more involvement in the budget process.

**Alex Rowley (Cowdenbeath) (Lab):** I want to go back to the first question that came up about voting. Do the local authorities have information from the census and the population of the area about the numbers of people who are not registered to vote? Is there any information about a correlation between people who do not vote, and who are not registered to vote, and areas of high deprivation? John Wilson touched on that point, and I bring it up as someone who has been campaigning on doorsteps and going up and down streets in areas that would be described as areas of higher deprivation, and finding that house after house after house was not on the electoral register. Is work being done on that?

**The Convener:** Ms Loudon can go first. This is a complex question.

**Sally Loudon:** It is.

**The Convener:** The witnesses might well want to submit further evidence on what the valuation boards are doing, if their area is covered by a valuation board.

**Sally Loudon:** I would appreciate it if we could submit some information to the committee on that, because the issue is fairly complex.

**Steven Grimmond:** Likewise, if that is acceptable.

**Hugh Dunn:** The assessor has worked on the issue, but I am happy to take the point back.

**The Convener:** I had a funny feeling that that would be the case but it would be extremely useful if the committee could get the information that Mr Rowley has requested.

**Alex Rowley:** I think so, convener. Perhaps, once we have that information, the committee could decide whether more work needs to be done in that area if we are serious about considering the correlation between deprivation and not being registered to vote.

We have talked about demographics and some of the big issues that face local government. There is no doubt that there are major challenges. One question that is being considered is whether local authorities should have more autonomy in their own right.

I was not one of those who went on the fact-finding visit to Europe. Most local authorities in Europe have much more autonomy than we do—they have more powers and they are more able to raise finances themselves. Would Scottish local government consider a move towards more autonomy as a natural progression? We are very caught up just now in the referendum and the debate on Scotland's future. Where does local government sit within that and how does local government articulate those views?

**Hugh Dunn:** There is a debate to be had about the role of local government and the services that it should provide. I think that the areas that you mentioned are covered quite widely in the council submissions—including the one from Glasgow City Council—that the committee received.

**The Convener:** I will play devil's advocate. Mr Rowley has pointed out the European situation. In Denmark, for example, local authorities deal with health at county level; the municipalities deal with social security issues. Would it create a more joined-up approach if you had those powers? Mr Dunn? You are looking to your colleagues from the Society of Local Authority Chief Executives and Senior Managers.

**Hugh Dunn:** Yes. Health and social work services will be integrated from April next year. That is already starting to happen. I hope that we can deliver synergies from that, which will enable us to free up resources for front-line services.

**Steven Grimmond:** If we step back and look at the international evidence, there is—without a

doubt—an argument for a stronger link when we consider the fiscal autonomy between the resources that are raised locally and the resources that are deployed locally. That would seem to be a strong line.

There is a second line around localism. We talked about the engagement of local communities in decisions that affect them. The notion that those services should be governed and managed locally, with local government being a positive vehicle for that, seems to be a strong theme.

That sits against a backdrop of a shift over time. Again, some of the evidence that the committee has gathered—as well as the evidence that has been gathered through the Convention of Scottish Local Authorities commission—suggests that over a long trajectory there has been a degree of drift towards centralism, with certain roles being removed from local government. To turn the tide on that with a move towards localism could lead to a range of things being more intelligently delivered at a more local level by local authorities.

**The Convener:** Ms Loudon?

**Sally Loudon:** I think that Mr Grimmond has answered the question.

**Cameron Buchanan (Lothian) (Con):** I notice that in Scotland only 10.7 per cent of local government revenue is from local taxation. The United Kingdom average is 12.7 per cent. In Scandinavia and Holland, health boards—or their equivalent—are controlled by local authorities. Would you wish to have that control in your areas in order to increase your revenue streams?

**Sally Loudon:** Again, I am not ducking the question but I think that there is a lot of evidence in the commission's interim report that will help the committee in its deliberations.

**The Convener:** What evidence from the interim report do you think will help the committee?

**Sally Loudon:** The evidence in relation to place, local fiscal powers and local accountability.

I know that you are going to visit the three island councils. Argyll and Bute Council considered whether a single public authority would bring advantages, but the environment was not correct at that time to continue the debate. We will certainly watch the debate with interest because there are many aspects of Argyll and Bute Council that are very similar to the three island authorities.

**The Convener:** That is one of the reasons why you are here today and why you were asked about your islands.

**Steven Grimmond:** Health and social care integration moves us into interesting territory, because the creation of integrated boards can be viewed either as bringing elements of health and

social care for the first time into an arena that involves more democratic accountability through local government or as a drift away from direct accountability into a different vehicle that is slightly at arm's length from health bodies and local government. The process of developing health and social care integration raises wider questions about the governance of wider public services—not just health and local government services.

**The Convener:** Anne McTaggart has a wee supplementary.

**Anne McTaggart:** I give a wee reminder of an issue that arose when we did the fact-finding visits. I am somewhat concerned that we are not really worried about participation rates and turnout at elections. The places that we visited have a turnout of 70 per cent, whereas our rate is maybe 40 per cent or maybe not that at times. The rate in Europe is nearly double ours. I am not saying that that is all the witnesses' fault, but we should all be concerned about that.

**Cameron Buchanan:** Steven Grimmond did not answer my question. Does he think that the health board should be under Fife Council's control?

**Steven Grimmond:** I answered the question as far as I am prepared to answer it.

**Cameron Buchanan:** All right—thank you.

**The Convener:** That was a chief executive's diplomatic answer.

**John Wilson:** I will take the accountability issue a step further. Your colleagues from East Lothian Council say in their submission that local accountability can be achieved only when councils have greater control of finance raising. Is that true?

**The Convener:** Who wants to go first? I call Mr Dunn, the finance man.

**Hugh Dunn:** I understand what is being said; the debate is about what is collected locally and about showing a link between services and the council tax or whatever is collected locally. I see the point that the council makes.

**Steven Grimmond:** There is a direct relationship between the income that is raised locally and the funding that is deployed locally. Moving towards that would seem to be a good thing.

**Sally Loudon:** In community consultations that we undertake, someone usually raises the issue of the amount of money that is raised locally. There is a misconception that the council tax is the full amount of funding that is available to a local authority and people are surprised when we explain to them the percentage of our overall funding that the council tax forms.

**The Convener:** I will remain on the subject for a wee second. In Denmark, we had interesting discussions about the overall total that is raised locally, which is a standard amount. Local authorities there must negotiate among themselves about whether they want to raise or lower their local income tax. Those debates seem to work and agreement is reached. How easy would taking such an approach be in Scotland, given the difficulties that COSLA has recently had in dealing with changes to the distribution formula on the basis of the census?

**Sally Loudon:** Some such questions are political. That is why we are all being—

**The Convener:** As chief executives, how easy do you think that it would be to have such discussions and reach agreement at SOLACE, rather than COSLA?

**Sally Loudon:** We could have the debate at SOLACE and SOLACE could give a professional view, but the politicians would need to make the decisions at COSLA. Until now, the debate in COSLA has been about the use of the distribution formula, whereas some of the evidence to the committee is about local government finance, which is a much wider issue than just the distribution formula. I suspect that that is what the committee wants to focus its attention on.

**The Convener:** In Denmark, there is still a top-line figure and negotiation still goes on. We can talk about the distribution formula or other things. However, we do not seem to do particularly well on negotiation here. Would it be easy for SOLACE to come up with the professional advice to give to politicians on such negotiation?

11:15

**Sally Loudon:** SOLACE could have a view as a professional body, but directors of finance would have a view as a professional body as well. In addition, the COSLA officers would give professional advice to the wider COSLA membership.

**Steven Grimmond:** I think that there are two parts to your question, in that there is always likely to be an element of national distribution and then an element of local flexibility.

**The Convener:** I do not think that this is about national distribution, because that is somewhat different. In Denmark, a top line is set in terms of the amount of money that local authorities can raise themselves. There is then a negotiation between the municipalities, because some might want to raise or lower their level of local taxation, but in order for them to do so another municipality has to agree to lower or raise the level of its



taxation so that the top-line figure remains the same.

**Steven Grimmond:** I find it difficult to answer the question on that.

**The Convener:** Okay. Do you have a view, Mr Dunn?

**Hugh Dunn:** I would want to study the model before I could comment on it.

**The Convener:** Right—fair play to you. It was worth a try.

Argyll and Bute Council has stated that local authorities need to be empowered in order to make local government meaningful to communities. What do you mean by empowerment in that regard? Are you thinking about a constitutional place for local government as in Denmark, Sweden and Germany?

**Sally Loudon:** The council does not have a position in terms of a constitutional commitment, but it is COSLA's view that there should be a constitutional position for local government. The main issue for us in Argyll and Bute is to have at our disposal all the levers that we can get in order to increase the population and improve the economy. Any powers that can be given to local government to allow that to happen would be welcomed by the local authority.

**The Convener:** However, what one hand giveth, the other hand can take away at any point unless you have that constitutional place.

**Sally Loudon:** Absolutely.

**Steven Grimmond:** I have little to add to Sally Loudon's answer, but I think that a stronger constitutional basis for local government would make it stronger going forward.

**Hugh Dunn:** I support what has been said.

**The Convener:** Okay. I thank you very much for your evidence. We move into private session.

11:17

*Meeting continued in private until 12:06.*



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