



OFFICIAL REPORT
AITHISG OIFIGEIL

Finance and Public Administration Committee

Tuesday 7 September 2021

Session 6



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FINANCE AND PUBLIC ADMINISTRATION COMMITTEE

3rd Meeting 2021, Session 6

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*Daniel Johnson (Edinburgh Southern) (Lab)

COMMITTEE MEMBERS

*Douglas Lumsden (North East Scotland) (Con)

*John Mason (Glasgow Shettleston) (SNP)

*Liz Smith (Mid Scotland and Fife) (Con)

*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

John Dickie (Child Poverty Action Group in Scotland)

Laura Mahon (Alcohol Focus Scotland)

Kevin Robertson (Scottish Property Federation)

Adam Stachura (Age Scotland)

Polly Tolley (Citizens Advice Scotland)

Joanne Walker (Chartered Institute of Taxation)

CLERK TO THE COMMITTEE

Joanne McNaughton

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Tuesday 7 September 2021

[The Convener opened the meeting at 09:30]

Pre-budget Scrutiny 2022-23: Public Finances and the Impact of Covid-19

The Convener (Kenneth Gibson): Good morning, and welcome to the third meeting in 2021 of the Finance and Public Administration Committee. The first item on our agenda is to take evidence as part of our pre-budget scrutiny of Scotland's public finances in 2022-23 and the impact of Covid-19. We will hear from two separate sets of witnesses.

The first panel consists of Polly Tolley, director of impact, Citizens Advice Scotland; Laura Mahon, deputy chief executive, Alcohol Focus Scotland; Adam Stachura, head of policy and communications, Age Scotland; and John Dickie, director, Child Poverty Action Group in Scotland. I am delighted that John Dickie is able to be in the room with us today.

The majority of our witnesses for this session are joining us remotely so, if members wish to ask a specific witness a question, they should make that clear, please, and allow for a brief pause so that the broadcasting team can activate their microphones. I aim to give each witness a chance to respond to questions, but if any of you wish to reply to a specific point, please indicate that to me and the clerks by raising your hand and typing R in the chat function in the BlueJeans software package. Not everyone has to answer every question, of course, and some questions might be directed only to specific witnesses.

I intend to allow 75 minutes for the evidence session. Members have received copies of the written submissions that our witnesses have provided, along with a summary of evidence from the financial scrutiny unit in the Scottish Parliament information centre.

I welcome our witnesses to the meeting. As John Dickie is here, he will get the first question. When you have heard the question, you might not think that that is a good thing. The quality of the submissions has been first class and there is lots of detail in them, but there are one or two additional things that I would like to have seen in them, which I will touch on now.

In answer to question 1, the Child Poverty Action Group in Scotland said in its excellent submission:

“children who grow up in poverty are more likely to experience chronic ill health, poor mental health, or behavioural and emotional problems, and do less well at school than their more affluent peers.”

The need for preventative spend is talked about.

Over many years, this committee has looked at prevention, and many excellent ideas have come forward; indeed, in your paper, you mentioned a number of them. SPICe has also made a submission for this evidence session, which quotes Professor Graeme Roy, who is dean of external engagement at the University of Glasgow. He stated:

“It is clear that budgets are going to be tight, not just in 2022-23 but for the rest of the Parliament, with demand likely to outstrip the funding available.”

The SPICe submission goes on to say that

“tough spending and taxation choices await as the extremely high levels of debt undertaken by the UK Government are addressed.”

How will we deliver the priorities that the Child Poverty Action Group in Scotland wants to see? How will we deliver that prevention? For example, the difficulty that we had previously was not to do with thinking about how we could spend money on prevention; it was to do with how and where we could disinvest in other areas that are perhaps not delivering on the targets that you would like to see. We will also ask other witnesses similar questions soon.

John Dickie (Child Poverty Action Group in Scotland): We are very aware that times are challenging and budgets are under pressure. To pick up on Professor Roy's evidence, he went on to say that the fact that budgets will be tight makes it even more important that budget decisions and the budget process focus on and prioritise the key outcomes that the Parliament and Government want to achieve.

The First Minister has said that ending child poverty is “a national mission” and, in the previous parliamentary session, the Parliament set child poverty targets that require ministers to ensure that fewer than 18 per cent of children are living in poverty by 2023-24. That is just two budget processes away in this parliamentary session. That gives us a framework within which to focus.

How will we prioritise resources? We welcome the very clear outcomes that Parliament and the Government have set for themselves. It is about how we will ensure that those targets are met and that that mission is achieved, or that we make significant progress towards achieving it.

Child poverty causes extraordinary damage to individual children and families. Health and education outcomes are put at risk as a result of growing up in poverty, and that brings huge costs to us all.

A few years ago, we commissioned work to be carried out across the United Kingdom. It estimated that the cost of child poverty was £29 billion a year. The costs of not investing now to reduce those levels of poverty are significant. That is the framework within which we need to think about how we focus resources on tackling poverty.

The other key point that we would make is that there is no route to achieving the interim child poverty targets—specifically, the target to reduce child poverty to fewer than 18 per cent of children by 2023-24—that does not involve significantly increasing the value of the Scottish child payment. That is why we are saying that doubling the Scottish child payment at the very least needs to be the number 1 priority for the budget if we are going to make real progress towards delivering and achieving that interim child poverty target.

There are difficult decisions to be made, but the Parliament and the Government have clearly stated their priorities. We need the budget and budget decisions to be focused on ensuring that resources are put into achieving the outcomes that have been set. In the short to medium term, there is no question but that investing more in Scotland's social security and in the Scottish child payment in particular is the key mechanism for delivering the target and the outcomes.

The Convener: Assuming that we all accept that—I think that you made a very good argument for that in your paper—how do we do it if we have a very tight financial situation? Everyone will suggest, and has suggested in all their submissions, that additional money should be spent in their particular area. Where can we disinvest? Where is money being spent in the Scottish budget? CPAG has said that money could perhaps be moved into that area. I understand that doubling the child payment would cost about £163 million, which would have to come directly from Scottish resources. It will not come from Barnett consequential or anything of that nature.

That has always been the difficulty. Where do we disinvest in order to invest more effectively in the areas that you and others are suggesting today? Should we increase taxation? If so, who would pay the additional tax, and how much would it be? We are trying to present a report to ministers with strong arguments, rather than just an argument that says, "This is really important. More money should be spent." Everyone is going to say that.

John Dickie: I do not think that it is our job to find specific additional budgets and pull money away from them. We need to look across budget headings and portfolios to see where investment can come from. As you highlighted in your question, the costs of child poverty are borne by health spending, education spending and so on. It is not just about social justice spend; the spend should be viewed as education spend and health spend—as spend that looks across portfolios as we consider what contribution could be made to pulling the policy levers that will make the biggest impact in reducing and preventing child poverty.

The Convener: The scale of some things that you have suggested is very significant. For example, you have spoken about increasing childcare to 50 hours as soon as possible for children aged from six months to five years. There are two issues relating to that, one of which is the cost of it. The second is the availability of people to deliver that on the ground: the staff who would work in nurseries. To be direct about it, there would also be a need to expand childcare provision through having bigger nurseries.

Over what time period does CPAG see that being delivered? I know that you have said "at the earliest opportunity," but over what time period do you see it being delivered? We have just had a big boost to early learning provision as of last month. I think that just about every local authority in Scotland was delivering on the 38 hours. What kind of timescale are we thinking about? How would you like to see that happening?

John Dickie: That should be the direction of travel in the medium to long term, as we build on the very welcome policy of providing 1,140 hours of childcare. We should ensure that that policy is delivered in a flexible way that enables parents to take up available work opportunities and the hours that fit with their needs, and which reaches families that are struggling on the lowest incomes. We need to ensure that we deliver the existing offer in an accessible way and that we include the families and children who most need it. Building on that is a job for this parliamentary session.

We need to think about the resources that the Parliament and the Government have at their disposal to meet the 2030 target. We need to look to the longer term and consider not just spending but tax powers. One of our clear calls is that the tax powers that the Parliament has at its disposal should be reviewed immediately to see how they can be used to contribute to meeting the statutory legal target of reducing child poverty to less than 10 per cent by 2030.

In the short term, the most immediate priority should be, at the very least, the doubling of the Scottish child payment. Such resources can be found within the Government's existing budget

envelope by looking across portfolios at how investment can contribute to reducing the costs of poor health and education outcomes and so on.

There is a question mark about the longer term. We need to look at the levers that the Parliament and the Government have at their disposal, on the taxation and revenue side as well as on the spending side, to ensure that we achieve the longer-term goal on reducing child poverty. As the convener said, that will require significant investment in childcare, housing and so on.

The Convener: I am sure that other members will want to explore that issue further.

I will move on to Laura Mahon. Alcohol Focus Scotland also provided an excellent submission, which makes one or two suggestions that could be implemented without spending money. An obvious one in relation to prevention is increasing the unit price of alcohol. The submission talks about

“a public health supplement to non-domestic (business) rates, applied to retailers licensed to sell alcohol and linked to volume of sales”

and the

“creation of a new local public health tax that applies a levy to the sale of alcohol in the off trade”.

How do you see such policies being delivered, if they were to be implemented? How much money would they raise? Have you thought through exactly what you mean by “volume of sales”? Would it be 5p for every bottle of spirit or something per meterage? Will you explain how such policies would work, if the Scottish Government decided to take them forward?

Laura Mahon (Alcohol Focus Scotland): In our submission, we present two potential options. The first is a new public health supplement. The Scottish Government implemented such a supplement previously. In 2012, a public health supplement was introduced and applied to retailers of alcohol and tobacco products with a rateable value of more than £300,000, such as big supermarkets. That supplement was on top of the normal business rate and ran for three years. In those three years, the supplement raised £95 million.

The public health supplement was intended to raise money through the polluter-pays principle, whereby a supplement is charged to businesses that profit from the sale of health-harming products. The money was to be used to fund preventative public health measures. The supplement was removed after three years, probably because there was not a clear link between the money that was raised and where it was spent.

09:45

We think that the new public health supplement is a pretty good model; we have seen an example of its being implemented in the past and the level of revenue that it could raise. What we are arguing for in our submission and more broadly outside this evidence-taking session is an uprating of minimum unit pricing, which at the moment is set at 50p per unit. However, as everyone knows, the implementation of that policy was delayed by about six years, and by the time that it was implemented, the potential of that minimum unit price had been eroded quite significantly by inflation. We are therefore asking the Government to uprate it to 65p per unit to maximise the benefits of the policy, which, prior to the pandemic, had started to have a positive effect on consumption and harm levels.

A minimum unit price of 65p per unit would not only have a much greater beneficial effect on alcohol harm; it would increase the profits of the retailers selling the alcohol. It was estimated that 50p per unit would give the off-trade a 9.6 per cent increase in its retail profit from alcohol; at 65p per unit, therefore, we would expect greater profits. At the moment, that profit is being held by the retailers themselves. The introduction of a public health supplement or alcohol harm tax would enable the Government to pull back some of that money through the polluter-pays principle and raise much-needed revenue for preventative and treatment services. That is another suggestion in our submission.

The public health supplement would be a supplement on business rates, and it would be up to the Parliament to decide to whom it would apply. The previous supplement applied only to the big retailers, but we do not think that there is an argument for limiting it to them. After all, anyone who sells or promotes the sale of alcohol profits significantly from it.

The alcohol harm tax that we have also proposed is slightly different in that it is locally based and relates to the volume of alcohol sold per retailer. We see that slightly different model, which would more directly link the revenue raised to the sale of alcohol itself, as quite positive, as it would potentially undo some of the incentive for retailers to continue to promote and sell alcohol. We are keen to see the disincentivising of alcohol being used as a loss leader in a retail model.

In short, those are two slightly different models of revenue raising, but both have significant benefits. I do not think that we necessarily have a preference. In our view, the alcohol harm tax would have the additional benefit of giving us access to much-needed data and information on alcohol sales that we cannot get at the moment. We have to rely on bits and pieces of data and

information about sales to try to get a complete picture, but it is always incomplete and lacking in detail. The additional benefit of an alcohol harm tax is that it should release the alcohol sales data that will enable us to get a much clearer picture of levels of consumption and how they vary in different areas so that responses can be targeted appropriately.

The Convener: There would obviously be an issue in respect of large and smaller retailers, but I note that you are also seeking hypothecation of that money. That is not really what we do with taxation; taxes usually go into a big pot, and then ministers decide how to spend them. There are consequentials that might go straight to the national health service, for example, because that is a political decision that tends to be made. Is it “hypothecation” that you are looking for?

Laura Mahon: Not necessarily. We are arguing for the tax to be raised locally and for decisions to be taken locally about where the money is invested and spent. There are issues with hypothecation in relation to this type of tax in particular. For example, we would not want to create a situation in which investment in treatment and support services for people with alcohol problems was completely reliant on the tax that was raised through retail. That would mean creating a vicious circle in which treatment services were reliant on the sale of alcohol, and we would not want to promote that.

We are asking for the tax to be raised locally, with local decisions taken about how it is spent. There needs to be complete transparency with regard to where the money goes. That was the issue with the previous public health supplement. It raised significant funds, but it was not clear that those funds were being spent on the preventative public health measures for which the supplement was intended to be used.

The Convener: I turn to Adam Stachura. Age Scotland’s submission refers to the need for

“long-term investment in preventing ill health and tackling poverty.”

Again, that is focusing on prevention. It goes on to say:

“The Scottish Government should provide more funding to energy efficiency schemes”.

Given that we are deliberating over the budget, how much more do you believe that the Scottish Government should invest in such schemes?

Adam Stachura (Age Scotland): I—

The Convener: Hold on—I will ask all my questions in one, because I want to let members in. I am trying to give everybody one hit.

Secondly, your submission says:

“Fundamentally one of the core issues that must be addressed here, is appropriately resourcing funding to local authority services”.

The issue there is that, unless you mention specifics, the Scottish Government will just say, “Well, we think it is adequately resourced.” We may or may not disagree with that.

I turn to disinvestment. Age Scotland came to a previous iteration of this committee, of which I was also convener, when Callum Chomsky—or Callum Chomczuk, I should say—was in your role. He said that Age Scotland would support an increase in the age at which people get concessionary travel from 60 to 65, although John Swinney did not agree with that at the time. Does Age Scotland still support that view?

Adam Stachura: I will take your final question first. The answer is no—that was a good number of years ago, and our position has changed.

From all the consultation that we have done with older people, even our extensive consultation on the national transport strategy 2 in co-ordination with the Scottish Government, we have found that keeping concessionary travel at 60 is what people want. It has a big benefit, not only for the economy in respect of older workers or people who are travelling to voluntary opportunities or caring responsibilities, but in addressing the needs of those in poverty; there are huge numbers of older people in Scotland who are living in poverty. Age Scotland as an organisation takes no view that the free bus pass age should increase; our view is very much that it should remain at 60.

Convener, you make a very good point—

The Convener: Sorry, can I just interrupt you there? Age Scotland did not make that suggestion in a vacuum—the point was that the money could be reinvested in aids and adaptations for older people. The money would still remain with older people, but it would be spent on something different as part of the preventative spend.

Age Scotland was saying that, if we did not spend money on concessionary travel for those aged between 60 and 65, we could invest it on improvements for them. The organisation got a bit of a win, in fact, because, although Mr Swinney did not remove the concessionary fare, he increased investment in that area by 25 per cent in that particular financial year. Suggesting something to disinvest in and something better to invest in gave him food for thought.

That was the background, just in case you think that your predecessor was suggesting that older people should be disadvantaged in some way. I apologise—I should have said that initially.

Adam Stachura: I am not sure that, after all the consultation that has been done with older people

on this issue, gambling on that budget move would pay off or be welcome. I understand your point entirely and I think that you have a very good line of questioning on the specifics of the budget. Like John Dickie, I think that it is difficult for charities to look at the budget line by line and see where investment should go. It is difficult to track that and make those decisions in tight financial climates, because we might not see the benefit of such decisions in an obvious or measurable way for a long time.

On energy efficiency levels—this is very much linked to local authorities—we do not have an exact figure in mind. However, what we know—we have discussed this ourselves, convener—is that, as can be seen with regard to interlinked fire and smoke alarms, sometimes the requirement for Government policies to be enacted, enforced and supported by local authorities is not necessarily matched by what might be required in reality. Although we agree entirely with the home safety measures, we think that the decisions that are made might have knock-on impacts for people on very low incomes.

We are in a bit of a tricky situation in that we do not have an exact figure to give you and cannot say how much we should disinvest. However, in the broader sense, the issue is how the money is spent in different areas. For example, in health and social care, where integration joint boards and health and social care partners are meant to work together on preventative measures, having more spend in a community from a central pot to help people avoid going to hospital in the first place, as that is expensive and not what anybody wants, is more of an operational matter that relates to decisions that are made within that budget about how the money will be spent and where it will go. However, it is difficult to say that we should stop spending money on one thing and start spending it on something else. That is not always how things work.

I note that we are in a difficult financial situation but the preventative spend agenda is about what happens in the longer term. There will always be reasons not to invest in preventative measures, particularly given the difficult financial circumstances that we are in.

The Convener: Yes, I think that the Scottish Federation of Housing Associations said that retrofitting homes for energy efficiency would cost about £6 billion. It is one of the long-term issues that we will have to deal with.

I am keen to let members ask their questions, and I am aware that, with a panel of four witnesses, it is often hard to make sure that everybody gets an equal chance to respond, so my final question is for Polly Tolley.

In your submission, you talk about non-repayable grants and council tax rebates being popular. I suppose that giving people additional funds is always popular. You also talk about the need for advice provision to be protected and, if possible, enhanced as a preventative measure. Again, prevention seems to be a fundamental part of what we are hearing.

You have set out your position in your paper but, for the record, will you give a bit more detail about how much additional advice provision you would like there to be? You have talked about a £16 return for every £1 that is invested in core services.

You touched on the removal of the £20 a week increase in universal credit that was brought in during the pandemic. Will you say a little bit more about the impact that that will have?

Polly Tolley (Citizens Advice Scotland): Certainly. On preventative spend, last year, during the pandemic, the citizens advice network unlocked nearly £147 million in financial gain for 171,000 people. That is money that, through saving on debt or through gaining access to social security benefits, goes back into people's pockets to be spent in communities across Scotland.

Beyond that, we commissioned analysis that shows that the advice that was provided by our network was worth £245 million to Scotland the previous year. That involves things such as creating savings for public services such as the national health service by, effectively, solving problems for people before they escalate to the point at which they need support from social services or more intensive support.

We are firmly of the view that investing in advice services is efficient and effective at this point in time. As others have said, the benefits of such investment are hard to measure but we believe that it makes sense.

With regard to your point about universal credit, we are worried about what will happen in autumn, when the £20 reduction comes in and furloughs wind down, and when we are also seeing an increase in energy prices for consumers. Those elements could be a perfect storm when it comes to people's ability to manage their household budgets. Even as far back as May, one in seven people who were polled by YouGov on our behalf indicated that they were struggling on their present income.

For us, the issue of low incomes must be a priority. Like other witnesses, I cannot tell you where that money should come from but I think that we would absolutely ask for outcomes to be considered when decisions are made about where money should be spent.

10:00

The Convener: I have one final question. If additional resources are to be invested in advice services, what is the optimum additional sum that you would seek to provide the maximum benefit? Obviously funds are not unlimited and you will get diminishing returns, so what is a realistic increase in advice services that would bring the most return with regard to the assistance that you provide?

Polly Tolley: We have not calculated that figure, so I am not able to answer that question. For us, it is about ensuring that there is sufficiency in the system. Measures such as increasing—*[Inaudible.]*—debt advice from the Scottish Government—*[Inaudible.]*. It is a closed system; it is at capacity and we are concerned about the potential for not being able to support increased demand. The number of people who use our services has grown significantly—2.5 million used our digital advice site this past year, which shows an increase in need—but we have not put a figure on that increase at this point.

John Mason (Glasgow Shettleston) (SNP): Will John Dickie clarify his understanding of the cost of doubling the child payment? The convener mentioned £163 million, but I heard that doubling the payment to £20 and covering everybody under 16 would amount to £220 million. Do you have a specific figure?

John Dickie: We have been using the SPICe estimate of £220 million to cover the cost of doubling the child payment and that of the full roll-out to all children under 16, which is planned by the end of the next calendar year.

John Mason: That is helpful.

Your submission says that the

“Scottish Government should undertake and publish a full assessment of Scottish tax powers and their potential to prevent and reduce child poverty.”

Will you expand on what you mean?

John Dickie: It is in response to the question of how we pay for that. The bottom line is that Scotland is still a wealthy country, with plenty of income, yet one in four of our children grows up in poverty and we struggle to find the resources to provide adequate social security, childcare and affordable housing. What can we do within the powers that we have? Up until now, there has been some use of the devolved powers to increase revenues in a more progressive way, which we welcome. There is scope, however, for looking at the issue with a specific child poverty lens, because we have a clear national mission with statutory targets and legal obligations to meet with regard to reducing child poverty. What role will local and national tax powers need to play between now and 2030 in ensuring that we

harness Scotland’s income and wealth to have in place the social security and service infrastructure that will prevent children from being in poverty in the first place?

Getting that discussion going is part of our contribution. At UK level, we have published a book—“Let’s talk about tax”—that addresses tax issues from a child poverty lens. I can share it with committee members. We have hosted a seminar that brought together social policy and tax experts and officials to start considering tax matters from a child poverty lens. That is where we are at now.

The Parliament and local authorities have tax levers at their disposal that can be used to increase the available resources in a way that improves the progressiveness of the tax system. Those levers would ensure that we could afford to provide the services and social security that are needed in a way that does not necessarily increase the tax burden on those who are already on the lowest incomes.

John Mason: Adam Stachura’s submission focuses—and rightly so—on pensioners and older people, who might be poorer, but clearly there are also some pensioners and older people who are very wealthy. For example, they might have made a big profit on their houses and have paid no tax on that. If national insurance is increased, that will probably mean that pensioners will not contribute. Is there room to free up resources for people at the poorer end by getting better off or wealthy people to pay a bit more?

Adam Stachura: That is an interesting point, and it is very current with regard to what the UK Government is doing in boosting social care—in England through NI and what that might mean for Scotland.

We are probably talking about the broader issue of having a fairer taxation system. I do not think that old people who are particularly well off are looking to hoard anything, and we must remember that there are a lot of people who have assets but are cash poor. As for levels of wealth across the country and the question of who is able to support others, we must try not to get into that intergenerational divide. I know that that sounds a bit woolly, but the fact is that there are 150,000 pensioners living in poverty in Scotland. I would also point out that there are a number of things that are not taxed and that there are many people of many ages who have wealth and assets. Although older people might not pay tax on the increasing value of their homes, that will happen in due course one way or another when they sell the house themselves, when the sale is subject to inheritance tax or whenever.

I know that much of the responsibility for pensions and their payment is reserved to the UK

Government, but, as we suggest in our submission, the Scottish Government needs to look at what mechanisms it can use to reduce pensioner poverty. For instance, a third of pensioner households in Scotland live in fuel poverty, which is something that we in Scotland have considerable powers to address. However, going back to the convener's point about being able to look at the budget line by line to find those areas where money should not be spent in order to address this issue, I think that that would be incredibly difficult, and I am not sure that I am able to furnish you with the best answer right now.

John Mason: If no one else wants to respond to my question whether there is any scope with regard to tax, I will move on.

In its submission, the Convention of Scottish Local Authorities made the interesting comment that the national care service was "a distraction". Obviously we are focusing on the financial side today—the care side of things can be discussed elsewhere—but, from that point of view, is the national care service a distraction, or is it something worth investing money in?

I see Adam Stachura nodding. Do you want to say something, Adam?

Adam Stachura: The national care service is not a distraction. Indeed, after consultation with older people, we believe that it is needed. Social care delivery across Scotland can be patchy, and the financial arrangements can be difficult, but a lot of that is about having more central accountability. The past 18 months, in particular, have highlighted more and more how hard it is to work out who is responsible for certain aspects of social care. The picture is very mixed and broad. It is not necessarily about having a centralised system; we need equity of access across the country, a mix of different services and a different range of suppliers, but we also need to discuss how we pay for social care and how we have central accountability for it. It is absolutely not a distraction.

John Dickie: The national care service is not a particular focus of expertise for us, but from a child poverty perspective, I point out that employment and the rewards from that employment—in other words, parents getting decent wages and having decent and secure work—are absolutely key to achieving our child poverty targets.

Women's poverty is very much interlinked with child poverty. Many women work in care services, so part of the discussion around the national care service is about making sure that we look at employment rewards—such as employment security and levels of pay—to ensure that we use that lever to create work that genuinely provides a route out of poverty for parents.

John Mason: Thank you. Again, I have a question that is primarily for Polly Tolley, unless either of the other two witnesses want to come in. Another of COSLA's suggestions was that ring fencing should be removed and that we should give local authorities more flexibility in how they spend money. I know that that is an issue for citizens advice bureaux, because some of them get funding from local authorities and some do not. From a citizens advice point of view as well as from a wider point of view, do you have a view on whether we should make more decisions centrally in Parliament or leave more decisions to local government?

Polly Tolley: Yes, we have a view on that. A lot of local authority funding tends to be ring fenced, and CAB funding is not part of that, so there is clearly an issue when local authorities have less money to spend on what they term discretionary services, such as the CABx. They quite unscientifically pass cuts down to citizens advice bureaux, so we are in favour of making those decisions freer for local authorities.

John Mason: Thank you. Since the other witnesses do not want to comment on that point, my questions are finished for now.

Liz Smith (Mid Scotland and Fife) (Con): I turn our attention to what all the witnesses, rightly, said in their submissions, which is that the pandemic has had a disproportionate effect and placed a disproportionate burden on many people who are on a low income. John Dickie, you gave an answer to John Mason, in which you mentioned employment opportunities. One of the things that holds many people back is a lack of access to digital skills and, therefore, to good work. What should the priority be in how we reduce inequality by enabling people to access those digital skills that will be crucial to the economy?

John Dickie: It is in the area around digital inclusion, children and schools that we have most evidence and have done most thinking. One of the things that became absolutely apparent over the pandemic was how critical having a device and internet connectivity was in order to engage fully with school. Although that was also the case before the pandemic, it was sometimes seen as a bit of a luxury, whereas we knew from our work in schools that children were being excluded and left behind because they did not have internet connectivity or access to a device at home. That was already reinforcing educational inequalities in classrooms, but it has now become really clear. That is why we welcome the commitment that the Government has made to ensure that every child has a device and internet connectivity. That needs to be a key focus and we need to see in the budget process how that is being funded over the coming years.

There is also something here about the relationship between national and local Government, which was touched on earlier. We need to ensure that the funding settlement is adequate for the delivery of that connectivity and those devices to all children in schools, because education is a local authority responsibility. We also need to ensure that mechanisms of accountability are there so that we know that the delivery is happening and children are not missing out.

Liz Smith: It is one thing having a device but it is another thing having the skills to use it and complete job applications and all the things that are important in accessing the job market. What do we need to do to ensure that people who have devices are better educated on how to use them in order to access the world of work?

John Dickie: There is an opportunity there to link school and home life. Often, the skills that children learn at school also transfer into what they are learning at home, so there is something there to build on.

Liz Smith: Do you have particular recommendations on home schooling and making that link?

10:15

John Dickie: The issue is more about communication around costs and barriers to education. We have recommendations on good practice in communication between school and home on barriers to learning, and we can share those with committee members. We have done less work on digital skills development, particularly for adults.

Liz Smith: That is helpful.

It is not just young people; some older people are not very digitally able and do not have access to many of the digital formats that we do. What has to happen to ensure that there is less inequality within the older age group, many of whom would make a huge contribution if they had the facilities to do so but are finding it difficult to have a meaningful job?

Adam Stachura: We have some information in our submission on the challenges, particularly for older workers. Eighteen months ago, it was a shock to the system when people had to go home and do their job with a device that they might not necessarily have used very much, depending on the sector that they worked in. People were thrust into that space without the training and support to adopt an almost fully digital life.

In the workplace, there must be better continual training for people on the regular use of technology and different types of software. A lot of

that training has to be face to face. If people are already facing digital challenges, ensuring that training is online will not necessarily address those challenges. Obviously, the environment for the past year or so has made that a lot more difficult. We should ensure that there is more of a coaching style, because a classroom teaching style whereby people are told, "You must learn this" and "This is what you've now got to do—get on with it" will not work. We have to remember that that will not be suitable for some people, by virtue of their disability or because of many other characteristics that make that very difficult.

Poverty is also a big factor in digital exclusion. It is not just about the device itself or being handed one to use, because that device will become obsolete after a few years. The cost of connecting to the internet is also significant. For many people, there will be brand-new data costs, which will be quite difficult to work out. Nesta has done some very interesting research on data poverty in Scotland across all ages, which shows the gaps that we have.

Every day, Age Scotland receives calls to our helpline from older people who cannot get in touch with local authority services in order to get a blue badge. They are told that they have to do that online. About 350,000 pensioners in Scotland live on their own, so they do not have someone else in their house who can help them to do that. They have to jump through many fiery hoops to try to access the services that they need.

Although digital expansion is important, we cannot forget about people who are unable to embrace that. Half a million over-60s in Scotland do not have access to the internet, and about 600,000 do not have a smartphone, so all the things that we have come to take for granted are hugely difficult for them. Longer-term training, coaching and support are required throughout people's whole lives. The challenge here and now is that there are huge numbers of over-60s who cannot use digital methods but have not had the opportunity, on any great scale, to adopt them. Their lives have been impacted during the pandemic by not being able to access the services that they desperately need, because things have been, in essence, switched off.

Liz Smith: That is a very helpful answer.

Polly Tolley: I very much agree with a lot of what Adam Stachura said about the issue being about not just skills but costs and people's ability to access digital public services. I agree that it is absolutely necessary to provide alternatives to those who need them, otherwise we risk exacerbating inequalities further.

There is also a point about the availability of and access to high-quality broadband and connectivity.

Many of us take that for granted, but it is not available for everyone. The infrastructure elements as well as the cost of services are significant barriers, particularly for CAB clients. We are very supportive of measures such as the social tariffs that some providers offer. That helps to bridge the gap between the cost of the service and what people can afford.

Michelle Thomson (Falkirk East) (SNP): I want to start by asking you a closed question, to which you can answer yes or no, before I go into the main thrust of my questions. Do you routinely disaggregate the data in your surveys, including those that you carry out and those that you have commissioned, by sex/gender?

I can see a yes from Laura Mahon and a nod from Polly Tolley.

The Convener: It would help if people could actually speak, for the purposes of the *Official Report*.

John Dickie: I would need to go and check whether we could say that for all our surveys. I do not think that we do it for every survey or bit of research that we undertake.

Michelle Thomson: That just leaves Adam Stachura—he seems to be saying yes.

I have realised that it is not always best to ask closed questions, so I will move on to an open one. When I was preparing for this session and rereading the questions that you were asked to answer in making a written submission, the question that jumped out at me was:

“How should the Scottish Government’s Budget address the different impacts of the pandemic across age, income and education groups and across places?”

I was surprised that the question did not include sex or gender, although some of the submissions that we received, such as those from the Scottish Trades Union Congress, the Health and Social Care Alliance Scotland and the Women’s Budget Group pointed that out and included evidence on the issue.

I thank you very much for all the data that you have supplied to us, but would you like to make any additional reflections on the particular impact of the pandemic on women and/or girls? I suspect that Polly Tolley will want to do that. Also, do you know of any costed policy initiatives that could have benefits for women or girls?

I can see some note taking happening. I think that John Dickie wants to go first.

John Dickie: Child poverty is intrinsically intertwined with women’s poverty. Too many of our children are growing up in poverty because their mums are living in poverty. That is because women are disadvantaged in the labour market

and they have also been disproportionately impacted by the economic consequences of the pandemic, which has added additional financial pressure on families, with consequences for children.

There is no solution for or route to ending child poverty that does not include ending the employment gap that exists for women in terms of wages and earning power in employment. We also know that particular types of families are at particular risk. Children in families that are headed by a lone parent are at disproportionate risk. We need to ensure that the policies that are needed to improve opportunities in the labour market—I go back to childcare as a key area where investment is needed—reach those who need them the most and particularly lone parents who, obviously, are disproportionately women.

Michelle Thomson: I hope to hear from our other three witnesses on that.

Laura Mahon: To build on what John Dickie said, in relation to people living with alcohol issues, we know that, during the pandemic, women’s drinking has increased more than men’s drinking. There is a polarised picture in terms of drinking behaviours: there has been a slight decrease in alcohol consumption overall, but roughly a third of people—27 per cent—are reporting that they have increased their drinking. We know from various surveys that have been carried out across the UK that those people have tended to be people who were already drinking at the higher end of the scale, and they are at much more risk of doing harm to themselves through that increased consumption.

Linked to previous discussions about digitalisation, during the initial wave of lockdown, many of the vital support services for people who were needing help with alcohol issues just closed. It took a while for services to get back up and running and, when they did, it tended to be on a digital basis—facilitating conversations with people using mediums such as the one that we are using now. That has an inequalities dimension to it because—and as has been discussed previously—that relies on people being digitally literate and having access to the devices that we need in order to access that support. In general, women’s access to alcohol treatment and support is lower anyway for multiple reasons, including childcare responsibilities and women’s ability to attend appointments when they receive them.

We are worried. We are worried in general about the need to invest in better access to treatment and support for people who are struggling. We are anticipating an increase in demand for support following the pandemic because of what we know about how behaviours have changed. I think there will be a gendered

dimension to that, for all the reasons that John Dickie referred to, where women have childcare responsibilities and are trying to hold down a job. We know that women are reporting having increased their drinking more than men. It is a worrying picture.

Turning to the policy response, in our submission we are saying that there needs to be a real look at treatment and support for alcohol problems and, within that, there has to be consideration of putting in place appropriate family-supportive and whole-family support services that women have the same opportunity to access as men.

John Dickie: To add to what I said earlier about the significance for budget decisions and how we use the resources of the Scottish Government, we know that women work disproportionately in certain sectors of the economy: caring, retail and hospitality. There is then a point about how we use the business support spend—the money that we use to support businesses, particularly as we recover from the pandemic—and about where that money goes. There is a potential lever there for driving up improvements to the quality of work, and one way of looking at that would be to consider where has been particularly badly affected, and where women are most likely to be working. If we do that, we can have a flow-through in improving women's earnings and mums' earnings, while reducing child poverty.

Michelle Thomson: I am conscious of the time, but could I please have the last few comments from the other two panellists, if they wish to contribute to this thread?

Polly Tolley: Some 57 per cent of CAB clients are women—we see more women coming and seeking advice from us. We also know that women tend more to be complex debt clients. More women are coming to see us about some quite sticky debt issues. That is of concern to us, particularly regarding the impact of issues such as the removal of the £20 uplift from universal credit, the end of furlough and the increased price of energy. We will be watching all of those things very carefully over the coming months.

Michelle Thomson: I think there is just one more response. Adam, did you want to contribute before we finish off this thread?

Adam Stachura: Just in the briefest sense. Looking at the pandemic and the response to it, women have been disproportionately impacted by having to pick up extra caring responsibility—perhaps leaving the workplace to look after children or older relatives, who might have had social care packages removed. That will have a knock-on impact on future earnings and their own pension wealth.

10:30

I do not have the figures at my fingertips, but I believe that a greater proportion of women are in unpaid caring roles, particularly for older people. In fact, I think that Oxfam estimated the value of unpaid care in Scotland at £36 billion. In that caring sense, the impact on women throughout the pandemic has been vast.

Douglas Lumsden (North East Scotland) (Con): I thank the witnesses for their submissions. In his submission, John Dickie says:

“Evidence from our Cost of the School Day project shows that charging for curriculum materials, lack of digital devices and connectivity, the cost of school trips, uniform policies, transport and school meal costs ... exclude young people from learning”.

To be honest, I thought that local government and the Scottish Government were doing quite well in that area. Should they be doing more, or is this a case of differences in different parts of the country?

John Dickie: There are definitely differences in different parts of the country, which brings me back to my earlier point about having an adequate funding settlement to ensure that, wherever someone lives in Scotland, their school education is actually free and they are not having to pay additional costs that they cannot afford to go on the P7 school trip, say, or to have a digital device. The framework must be in place to monitor whether what has been committed to and agreed by local and national Government is being delivered in every school and for every young person across the country.

I cannot remember exactly when we wrote that evidence, but, over the pandemic, real improvements were made and there was a real effort to tackle some of these costs and improve the support that is available to families. As I have mentioned, the Scottish Government has made some real and important commitments, such as increasing the school clothing grant—which it has already done—ensuring that every child has a device and internet connectivity, removing curriculum costs, and so on. As we are not there yet, we must ensure, in this and in future budget rounds, that the resources are there so that that happens, there is a framework for the purposes of monitoring and accountability and children are benefiting on the ground.

Douglas Lumsden: With regard to Laura Mahon's recommendation that the level of minimum unit pricing be increased, is there a risk that such a move might increase poverty among some of the most vulnerable in our society?

Laura Mahon: We have seen no evidence for that since the policy was implemented, in 2018, although it was certainly one of the key arguments

in the debate on whether it should be introduced. Although people in more deprived communities experience considerably greater harm from alcohol consumption, a much lower proportion of people in those communities actually drink it. However, those who do drink it do so at much higher—hazardous and harmful—levels.

So far, the introduction of minimum unit pricing has not had a negative impact on the income of those who live in our more deprived communities, so we do not expect an increase in the minimum unit price to be a risk. Prior to the pandemic, we were beginning to see some positive indications that the policy was starting to have its intended effect of reducing levels of consumption, and in 2019, there was a 10 per cent decrease in alcohol-related deaths, which was huge compared with previous years. Worryingly, though, that situation has completely turned around during the pandemic, with a 17 per cent increase in alcohol deaths in 2020 taking us back to levels that we have not seen for over a decade. That has been the picture across the whole of the UK, so Scotland is not an outlier in that respect, but that harm will have been experienced more severely in those deprived communities. Minimum unit pricing has always been about trying to protect those people who are at most risk of harm.

As the committee will know, an on-going evaluation programme led by Public Health Scotland is actively looking at those questions as the policy goes through the implementation process. It is looking at potential unintended consequences of the policy, but, so far, we are not seeing anything of serious concern in terms of an impact on lower-income groups.

Douglas Lumsden: How does Scotland compare with the rest of the UK on alcohol-related deaths?

Laura Mahon: The 2020 figures for England and Wales came out before the Scottish figures. They showed an increase of 20 per cent in alcohol-related deaths, so we anticipated something similar in Scotland. However, we have had an increase of 17 per cent, which is unusual in historical terms because Scotland has always had, certainly over the past 10 or 15 years, a much higher level of alcohol-related deaths than our neighbours in England and Wales. We are asking questions about whether our increase has been somewhat contained by policies such as minimum unit pricing. At the moment, we cannot tell, but it is quite surprising to us that England and Wales saw a bigger hike in alcohol-related deaths than Scotland did, because that is different from what we would have seen in normal times.

Douglas Lumsden: We are all hoping that the numbers are just a spike because people are stuck indoors, perhaps with fewer things to do. I

guess that, in the coming years, we will see whether they come down to the levels that they were at before, and then fall—I hope—even lower still.

Laura Mahon: As I said, we know that roughly 27 per cent of people report having increased their alcohol consumption, and we know from UK data that a lot of those people were already drinking at hazardous or harmful levels. We think that we are seeing the effect of acute on chronic—the people who are dying already had an underlying chronic alcohol-related condition and then increased their consumption during the pandemic. If someone already has a chronic underlying health condition that is caused by their drinking, an increase in consumption in the short term can be enough to tip them over into seriously harmful consequences.

We are really worried that the pandemic has accelerated us towards a set of circumstances around drinking behaviour that we were already concerned about. Prior to the pandemic, we knew that around three quarters of the alcohol sold was being consumed at home. During the periods of lockdown, that increased to 100 per cent at times. People report having increased the frequency of their drinking, and part of our drinking community have increased their consumption.

Our worry is that those behaviours that have been created during the pandemic may be carried forward even as things start to open up again. Increases in online sales of alcohol and home delivery services are contributing to that. If we want to see a reduction, further action needs to be taken to look at how we regulate online sales and home delivery services and put in place other protective policies that encourage people to reduce their consumption again.

Douglas Lumsden: My next question is for Adam Stachura. You mention older workers in your submission. There is a risk that many of these older workers might not come back to work once furlough ends. Do you think that the Government can do more to ensure that those workers are welcomed back into employment and given meaningful jobs for as long as they want them?

Adam Stachura: Absolutely—there is a big concern that the end of furlough will mean that a higher number of older workers are made redundant. The challenge around that will be that people may potentially tap into their pension savings early as a bridge until they find another job. We regularly hear about older people applying up to 100 times for jobs and not having any success in getting over the threshold, which leaves people in poverty or on a lower income for far more of their life. There are big concerns there.

With regard to what the Scottish Government can do, there is a need to look at support for older workers, whether we think of them as a group who are likely to be disadvantaged in the workplace or the group who have been second most impacted by the changes in the labour market as a result of Covid. The Scottish Government, with very limited—if any—costs, can embrace and support notions and work around age-inclusive workplaces. Age Scotland works with hundreds of companies and thousands of employees on that. The Government can ensure that there are better working arrangements, whether those are about flexible working, support for people who are carers, better intergenerational teams or more support in the workplace. We can better upskill older workers with all the tools that they need for the future.

In the past—a few years ago now—we heard about the skills shortage costing more than £300 million, but there is an untapped resource in older workers that could meet those challenges. They are a group of people who are willing to learn and who are really hard grafters—as are people of lots of different ages—but who are perhaps being undersupported.

Douglas Lumsden: I have another question for Adam Stachura. I am contacted quite a lot about the difficulty that people have in getting a doctor's appointment, and I often hear that, when they get one, it has to be online. Has that been a problem for elderly people, and could the Government do more about it?

Adam Stachura: That goes back to the issue of digital exclusion. Appointments have not always necessarily been digital only—there have been options to use telephones, too. However, given that our most recent figures showed that 0.5 million over-60s in Scotland do not use the internet and that more than that do not have a smartphone, that has been difficult. Research has been done—again, I do not have it at my fingertips—that identified the challenges that older people have with regard to telephone appointments. It has taken people longer to articulate their problem in what is a short space of time, and they have been able to talk about only one medical challenge that they face. People have also had difficulty in getting an appointment in the first place.

We have discussed with the Scottish Government on a number of occasions the need to ensure that there are face-to-face options and that we do not just move to a digital space. That goes back to the challenges that are faced in health. At the beginning of the pandemic, people were staying away from health services. I do not say that as any kind of criticism, because we were told that we should protect the NHS, and so

people thought that they would stay away. They then presented themselves later with more serious conditions, and things have gone undiagnosed. We know that there is a challenge for people in accessing appointments that are not face to face. The long-term impact on health is as yet unknown, but we can assume that it will not be great.

The Convener: We are straying a wee bit from budget scrutiny here, Douglas.

Douglas Lumsden: I would say that that was about what is required in the budget going forward. However, that is me finished.

Daniel Johnson (Edinburgh Southern) (Lab): I want to return to some of the points that were made at the beginning of this session. The discussion regarding preventative spend was of particular importance, especially given the real challenges that we have ahead of us. Of course, we are 10 years on from the Christie commission. Although such measures are difficult to implement from year to year, will the panel reflect on whether we have done enough to embed Christie in the way that we devise policy and structure the budget? I think that the key word is “cross-portfolio”, which has been mentioned. Do we devise and implement policy in a sufficiently cross-portfolio way? Should the budget, rather than being structured around silos, be structured around outcomes? I will go to John Dickie first, as he got the grilling on preventative spend at the beginning of the session—at least, I think that it was a grilling, convener.

John Dickie: The short answer is no. It is worth saying that it is hard to think of a better example of preventative spend than spend that will prevent child poverty and, as a result, prevent many children from growing up disadvantaged and being held back as adults.

That brings me back to the big point that I want to make. We have got caught up in talking about individual pressures on the budget and what we want to spend money on, but we need to come back to what outcomes we want to achieve and whether our budget process matches those outcomes. We have some clear outcomes from the Parliament and the Government on reducing and working towards ending child poverty. We have legal targets and we have a statement that it is a national mission. We need to have a budget process that matches and works in tandem with that, looking across Government portfolios and asking what contributions are needed from each bit of Government towards achieving the goal.

10:45

Daniel Johnson: I will pitch the same question to Laura Mahon, mainly because, when you were talking about tax, Laura, you were considering the

wider external benefits of levies in some ways. Are we examining our tax powers sufficiently in the round and sufficiently in relation to the outcomes that they produce?

Laura Mahon: I would give the same answer as John Dickie gave: the short answer is no. There is probably a gap between the policy outcomes that are set out by the Government. The Scottish Government does a really good job of focusing on preventative outcomes and setting big, bold targets. I work in public health, and we have some big, bold targets in that field. Some really bold steps have been taken by the Scottish Parliament, minimum unit pricing being one of the key steps. It is a world-leading preventative policy, and the Scottish Parliament has led the way with it.

However, when it comes to spending and the more immediate process of setting a budget, it is clear that the focus comes much more through short-termism. There is a kind of disjointedness there. As John Dickie has said, it is about taking a step back and considering prevention as a long-term process to save money. Much of our submission to the committee is about the huge cost to Scottish society of trying to address the alcohol harm that we experience: £3.6 billion is the cost to Scotland of alcohol harm, £500 million of which is in health and social care costs. International evidence tells us that the most cost-effective ways of reducing that cost are through increasing the price, reducing availability and taking action on marketing.

The interesting thing in this discussion is that we are asking where the money could come from. Everybody recognises that budgets are tight. We still have big corporations making huge amounts of profit from products that are costing our society hugely—in money, disability-adjusted life years, deaths, and health issues. There is a real imbalance there, and something needs to be done. Part of the aim of what we are proposing in our submission, on levies and a potential alcohol harm prevention tax, is to recoup some of that profit from the big companies that are profiting from the harms that we are experiencing in our communities so as to offset the costs that we need to pay in order to address those harms.

On policy, 10 years on from the Christie commission, some good aims and outcomes are set out, but the budget process needs to match that.

Daniel Johnson: Moving on, but related to the previous question, there have been a number of suggestions, both at this morning's meeting and in written submissions, that we need to have a look at the fiscal framework. Thinking about Christie, I wonder whether, as well as looking at the fiscal framework, we need to consider how we can use and benefit from it.

The fundamental outcome of the fiscal framework is that, if there are increases in tax revenues, we have that money to spend here, in Scotland. I am at risk of making a gross oversimplification, but one way of thinking about it is that the best way of tackling poverty and inequality is to ensure that more people are in well-paid employment. Are we sufficiently focused on ensuring that policies remove barriers to employment and that such employment is sufficiently well paid? Let us use the living wage as the minimum benchmark.

Does anyone fancy having a go at answering that question? Polly Tolley is smiling most broadly, so we will go to her.

Polly Tolley: We view the national living wage as not being sufficient. The Joseph Rowntree Foundation has done quite a lot of work to determine what the minimum income standard should be. We find that a lot of our clients fall short of receiving that, so it is very difficult for them to lead a dignified life with the income that they receive through benefits or employment. That is a significant challenge, and CAS is thinking a lot about what we can do to improve that situation.

There are two sides to that. There is the income problem and there is the cost-of-living problem. It will be interesting to see how the Scottish Government's work on the minimum income guarantee develops and whether that will help to resolve the issue. The fundamental dilemma is that, for those who are experiencing poverty, the costs of services are far greater than their income level. At CAS, we talk a lot about negative budgets, which people who come to our network experience every day.

John Dickie's point about child poverty is an outcome that we want to—*[Inaudible.]*

John Dickie: A lot more needs to be done to improve the nature of our labour market and to ensure that the rewards from work are adequate so that parents can protect their children from poverty. That is a key strand of our submission and our work.

Two big pillars need to be strengthened and improved if we are to make progress in ending child poverty. One is about providing an adequate social security system and the other is about providing access to decent-quality work that allows parents to juggle childcare responsibilities with employment. As I said earlier, a big chunk of that is about the nature of women's work and tackling gender inequalities in the labour market. We need to think about what the Scottish budget can do to improve the type of work that is available.

There are things that can be done. How can we use business grant support and rates relief as levers to improve the quality of work and to ensure

that people are paid decent wages, have secure employment that they can rely on and are able to balance their work with family responsibilities?

It is worth making the point that we can use the budget to boost the economy and ensure that jobs are sustained and created. Investing in low-income families by providing them with cash transfers has a positive multiplier effect. Those families do not save that money; they immediately go to their local shops and businesses and spend it, because they need to. Therefore, investing significantly in social security now will help to sustain, protect, create and develop jobs.

Daniel Johnson: I will take a step back. Covid has been, to use an overused word, unprecedented. We have seen all sorts of situations that we have never seen before. We have also seen a creative use of resource, and indeed policy. For example, we saw the eradication of rough sleeping through the direct action of using hotel rooms. I spoke to the chief executive of a charity that works in that field, and their key observation was that direct action had taken place that was not hidebound by rules and regulations and which considered individual need. We have seen positive outcomes in many cases because of that approach.

Building on such a lesson, how do we need to do policy differently? Can we learn other lessons from what has happened over the past 18 months now that we are, hopefully, on the other side of the pandemic?

John Dickie: Another positive example has been the way in which local government and national Government have worked together to find mechanisms to get additional cash support to low-income families in the latter part of the pandemic. It took a while, but it happened. We know from feedback on our work with parents and pupils in schools that the Covid hardship payments, which were funded at national level but were delivered using local mechanisms around the provision of free school meals, made a real difference to families. When different levels of government work together, think creatively and find the resources, things can happen.

The pandemic also threw up some lessons to learn around where the balance of responsibility lies. I do not want to get too sidetracked, but an awful lot of families with children ended up relying on charity handouts for food, material resources, clothing, cash and so on when we have the statutory system of the Scottish welfare fund which, among a range of purposes, is there to support families who face financial crisis and exceptional pressures. Too often, families did not even know that the fund existed or had barriers to accessing it. Should children end up at food banks and relying on charity handouts for food and

clothes, or do we need to fix our statutory systems to ensure that, by right, families have the resources that they need to give their children the essentials? We need to get the right balance.

Polly Tolley: I agree with the assessment that the measures that Governments put in place substantially improved outcomes for people during the pandemic. From where we were sitting, what seemed different then was the genuinely outcomes-focused and cohesive response across the UK Government, the Scottish Government and the third sector to support people to manage through the pandemic. That felt quite different from our normal pace of work with Governments.

Reflecting on the Christie commission principles and the delivery of outcomes, I think that there is something about the fact that we can work together to mitigate outcomes quickly when we have that cohesion and focus. Even if we felt at the time that the pace was not rapid enough, we delivered rapidly—when we look back at the timetable of what happened and when, we can see that the measures were put in place pretty quickly at the outset of the pandemic. That approach worked, which was down to a combined focus on outcomes, cohesion and working together, so it just shows the power of what can be done if that is—[*Inaudible.*]—work with people.

Daniel Johnson: Does either of the other witnesses want to comment? It might be your last opportunity.

11:00

Adam Stachura: I echo what Polly Tolley has said regarding direct interventions. This is not necessarily an advert for Age Scotland, but where the Scottish Government was able, with its budgets and new money, to make cash injections into services that could be scaled up immediately to deliver what was required for people on the ground, that was successful. Age Scotland's helpline was tasked by the First Minister in early March 2020 to scale up from taking 80 calls a day or whatever it was to upwards of 1,000 calls a day, because there was no other service allowing older people to do that. The Government would have had to create something from scratch, so dealing with that massive level of phone calls for information and advice on access to services in that way was really smart.

Making those direct interventions where services that already exist can scale up—not always just doing more of the same but doing much more when it is required, rather than reinventing the wheel—was very positive during the pandemic. The relationship since then has been fruitful, showing understanding from the Government about what services exist, whether

from the third sector, other public services or the private sector, that can be used to make people's lives better. It is a very positive outcome from such a difficult time.

Laura Mahon: I suppose that I am in a slightly different position. We experienced a similar cohesion and coming together of multiple partners, with a very clear focus and working at a much higher, faster pace than we perhaps would have done, which ultimately resulted in some positives. However, that process also highlighted some significant challenges for us.

It goes back to a point that Adam Stachura made in response to a much earlier question about the mechanisms for accountability and transparency around what services are being provided by whom, where, and funded from what pot. It was exposed early in the pandemic that there is not a national overview of the level of support service across the country for people with alcohol issues and their families. We saw a crisis at the start of lockdown, and that is what brought partners together. Suddenly, services were just not available. This will not be unique to our sector, but very many of the services and personnel working in health and social care were diverted into Covid response jobs, away from their normal jobs. That included people working at a policy level in the Scottish Government.

That left a gap, which third sector partners had to step into and fill, and it exposed a weakness in the system. Putting a positive spin on it, I think that it was helpful to know that that weakness is there, so that we can start to think about how we protect against it in the future. Although I would never want to repeat this experience—I would not want that for anybody—it has certainly highlighted issues that we knew were bubbling away under the surface. It has brought them to the surface, and that has allowed us to scrutinise them and to think about how best to respond. I hope that the cohesion that we have had in that emergency response to the situation will continue as we try to build the Covid recovery, ensuring that those things that have been highlighted are part of that recovery and that we are stronger in the future.

The Convener: I thank all the guests. We are almost 20 minutes over time, so I will not ask any further questions, you will be glad to know. Thank you all for your contributions. I thank John Dickie for coming here in person, and I particularly thank Age Scotland for its policy on concessionary travel, given that I will qualify as of tomorrow.

Daniel Johnson: Surely not.

The Convener: I know. Who would believe it?

Anyway, thank you very much, everyone. I will now call a halt until 20 past 11 for a change of witnesses and a natural break.

11:04

Meeting suspended.

11:18

On resuming—

The Convener: We move to our second evidence session on pre-budget scrutiny today. We will hear from Kevin Robertson, who is chair of the Scottish Property Federation, and Joanne Walker, who is technical officer for the Chartered Institute of Taxation and its Low Incomes Tax Reform Group. Joanne is joining us remotely, so once again members should make it clear which witness they would like to respond, and our broadcasting team will turn on their microphones. I will aim to give both witnesses a chance to respond to questions, but if Joanne wishes to respond to a specific point, she should indicate to me by raising her hand and typing R in the chat function on the BlueJeans software package.

I declare an interest as somebody who owns a property and rents it out. I intend to allow around an hour for the session. Members have received copies of both witnesses' written submissions. Without further ado, I welcome our witnesses to the meeting and start by asking a question of Joanne Walker.

In your submission, you say that you

“do not”

wish to

“put forward suggestions of particular powers for devolution or specific policy proposals.”

Why is that?

Secondly, with regard to the Scottish budget and its taxation policies, do you believe that it conforms to Adam Smith's principles of fairness, certainty, convenience and efficiency?

Joanne Walker (Chartered Institute of Taxation): Thank you for inviting me here today, convener.

We tend not to advocate specific policies and instead tend to comment on policy proposals once they have been put forward. We have suggested a few potential areas where there might be a case for reform—if the committee wants to ask me anything on those specific areas, that is fine; I will do what I can to comment on them.

It is difficult for the system to follow all four of the principles at one time. Wherever there is a list of principles—if the Chartered Institute of Taxation has 10 ideas for what the tax system should be like, for example—there can be a tension between obtaining some of them. Two of them readily spring to mind. If we have a tax system that is as fair as it can be, it is unlikely to be simple—that is

just a natural corollary. As soon as we try to make the system fairer and account for different situations, that tends to make it more complex.

Broadly, however, the answer to your question is yes. When new policies are brought in, the Scottish Government tends to look at the four principles and ask about them. Sometimes it specifically says that a measure is aimed more at dealing with one particular principle. One particular tax or policy would not necessarily meet all the principles by itself, so we try to look at the holistic effect of the whole tax system and whether it adheres to the principles.

The Convener: In your submission, you suggest that the tax system should include

“simplicity ... certainty”

and

“A fair balance”.

You go on to talk about the Low Incomes Tax Reform Group’s

“seven principles for the tax system”,

which are that it should be

“Clear and up to date ... Simple ... Equitable ... Just ... Accessible and responsive ... Joined up”

and

“Inclusive”.

Given the current on-going discussions about national insurance, is that a tax that you feel meets those seven principles?

Joanne Walker: I have a few comments on the current proposals that we are hearing from the UK Government. National insurance affects only employment and self-employment income; it does not even affect all the elements of income that are affected by the Scottish income tax, which covers the whole of income other than savings and dividend income. From the point of view of having a broad tax base, national insurance clearly does not cover all the elements of income and does not really tackle some areas.

National insurance also kicks in very early, at £9,568 of income. The income tax personal allowance is £12,570 this year, so there is £3,000 of income that is not taxable but is subject to national insurance. A change to NI will affect non-taxpayers who are workers, whether they are employed or self-employed.

For Scottish taxpayers specifically, those who have income between the Scottish higher-rate threshold of £43,662 and the UK threshold of £50,270 currently have a joint income tax and national insurance rate of 53 per cent. The proposed figure is 1.25 per cent, I think, so the figure would go up to 54.25 per cent on roughly

£6,500 of the income of those who earn that amount.

However, as I said, national insurance does not cover all types of income; it covers only very specific earned income for people of working age. From that point of view, it therefore does not necessarily meet all those principles.

The Convener: The next question is also for you, but I will ask it of Kevin Robertson as well. The question is based on the STUC’s written submission, which stated that it does not agree with freezing income tax for the duration of this session of the Scottish Parliament. Obviously, Governments might or might not keep such promises. Do you think that that policy should be stuck with throughout this session or that it should be reconsidered?

Joanne Walker: You will be unsurprised to hear that I am not going to advocate a specific policy. What I will say is that it rather ties one’s hands to make a promise like that. As we pointed out in our written response, the tax levers that are currently at the disposal of the Scottish Parliament are fairly limited. It has only the Scottish income tax and only limited powers over that. All the other taxes that are national and devolved are relatively small in terms of the amount of revenue that they can raise—that is, land and buildings transaction tax and landfill tax. That promise not to touch Scottish income tax means that there has to be a reliance on completely new national taxes, the devolution of air departure tax, which would raise relatively small amounts, or amendments to local taxes, particularly council tax and non-domestic rates. Again, though, those revenues are obviously more local than national. The promise therefore limits the options significantly.

The Convener: A sneaky way in which Governments can allow income tax to go up is by just not changing the bands, whereby fiscal drag allows inflation to bring more people into higher bands. What is the Scottish Property Federation’s view on whether income tax should be frozen for five years?

Kevin Robertson (Scottish Property Federation): Thank you, convener, for giving me the opportunity to come here this morning to speak to you on behalf of the Scottish Property Federation. I do not know that we have a specific view on that question. It is more for the politicians to decide on the policy of freezing income tax. What we would not like to see is other taxes frozen and property taxes that could frustrate future investment in the economy increased. I can understand why Governments might want to make those policy commitments, but there needs to be flexibility in the system to react to different economic situations.

The Convener: You said in your written submission:

“Our members are clear that tenants who can pay rent should do so, and those tenants who need support should be helped where a property owner has the means to do so.”

Can you expand on what you mean by that and on how support could be provided?

Kevin Robertson: As you probably know, the property industry is dependent on investment in property, which enables us to build and create an environment in which to live. A lot of the money that comes into property investment can be from, for example, our own pensions or businesses. Property investment is funded in various ways.

11:30

Through the coronavirus acts, the traditional landlord and tenant relationship in law has changed. We think that it is good that we try to protect businesses; our landlord members have worked closely with various tenants, particularly retailers, to try to help them through the pandemic. However, we would prefer that we revert sooner rather than later to the existing landlord and tenant provisions and normal contract law rather than extending the provisions in the coronavirus acts.

I have some statistics here for you. The British Property Federation did a study of more than 16,000 retail, hospitality and leisure property leases across the UK and found that, for 77 per cent of the rent owed since March 2020, the rent has been paid or an agreement has been reached on arrears, including payment plans, waivers, rent holidays and deferrals. That means that only 23 per cent of rent owed since March 2020 remains unresolved, where property owners and tenants have not yet been able to agree how the debt should be managed. That includes a small minority of tenants—14 per cent—who currently refuse to speak to property owners despite a proactive approach to reaching agreement. Our members are clear that those tenants who can pay rent should pay rent and that those tenants who need support should be helped when a property owner has the means to do so.

The investors in property could be pension funds and things like that whereas some of the retailers might be owned by private equity, so it is about trying to get the balance right. Although we and the industry have worked throughout the pandemic with tenants, the sooner we get back to normal landlord and tenant relationships, the better. That will help to stimulate more investment in the built environment in Scotland.

The Convener: The Parliament will spend some time deliberating that in the months ahead. Further on in your submission, you state:

“Planning and tax incentives to encourage mixed-use developments could support regeneration and help realise the ambition of 20-minute neighbourhoods.”

What planning and tax incentives did you have in mind there? Does Joanne Walker have any ideas in that area?

Kevin Robertson: Again, I will quote you some statistics. The impact of coronavirus on the property industry has been extreme. In 2020, year-on-year investment in commercial property fell by 50 per cent, which represents a reduction of £1 billion in activity. Our largest commercial sector, Glasgow, experienced a fall in office demand of more than 50 per cent compared with 2019.

Meanwhile, the Scottish Retail Consortium reports that one in seven shops in Scotland are lying vacant. The BBC reported at the weekend that more than 8,700 chain stores closed in the UK in the first six months of 2021 on high streets and in shopping centres and retail parks. That is 50 a day. City centres have suffered the most while retail parks have fared better. The store closure figures were collected by the Local Data Company on behalf of accountancy firm PricewaterhouseCoopers. Our industry needs a fair and effective business environment in which to invest, develop and support occupation of commercial, residential and public buildings and places.

I move on to the convener’s question about what we should do. We would like to see the continuation of support and business rates reductions, if necessary, throughout the coronavirus period. Our members are particularly concerned about the empty property rate, which I am sure has been the subject of much debate in the Parliament. We feel that, given the impact that the coronavirus pandemic has had on the retail sector in our town centres, we need to work to recreate them and get people back to using those facilities. That has also been exacerbated by the internet. We think that it is unfair for the existing regime of empty property rates to continue; we think that that could hinder future investment in our towns and city centres.

The Convener: We will want to explore that in further depth.

Joanne, would you like to reply to the question on tax incentives to encourage mixed-use development?

Joanne Walker: Yes. I agree on the issue of non-domestic rates for empty properties. I attended a round table a couple weeks ago that examined how to regenerate town centres, and the issue of empty property rates discouraging investment was raised a number of times. As Kevin Robertson has indicated, many retailers have gone out of business, so an investor who

chooses to invest in an empty business property then has to find a tenant. Unfortunately, because of the current situation, potential investors fear that they might not be able to find a tenant of any kind and would be left with an empty property for which they would have to pay the rates, which acts as a significant disincentive.

One of the things that we discussed, which is outwith Scotland's current powers, is the number of disincentives in the tax system to regenerate property and brownfield sites, such as the empty property rate and the VAT regime. Both elements could be altered not only to encourage investment in town centre properties but to effectively discourage developers from going into greenfield sites ahead of brownfield sites. The latter point is an issue with the VAT incentives in particular which, at the moment, encourage the usage of greenfield sites rather than the regeneration and refurbishment of disused brownfield sites. Obviously, altering those elements is not within the powers of the Scottish Parliament or the Scottish Government now but might be something to consider if VAT were to be devolved, or during negotiations around what the UK Government might do.

The Convener: I have further questions that I will leave to the end if there is time. I am keen to let other members in.

Liz Smith: The issue of accountability and scrutiny in the tax-and-spend system is obviously a prime consideration for the committee. To its credit, the Finance and Constitution Committee tried hard during the previous session of Parliament to ensure that there is good-quality scrutiny of the decisions that are made in Parliament.

What do we have to do to improve on the scrutiny and accountability of the tax and spend system? Other committees in the Parliament have investigated several aspects of it and have come down on the side that, in some cases, gross mismanagement of procurement and so on had taken place, which does not help the public's acceptance of the tax system that exists. Do you have any suggestions about what we could do to improve its accountability? I see that Joanne is nodding.

Joanne Walker: Yes. Would you like me to come in first?

Liz Smith: Thank you.

Joanne Walker: Before the elections, the CIOT and the Institute of Chartered Accountants of Scotland published a joint manifesto for the changes that we would like to see in order to build a better tax system. We feel that Scotland has actually had a good start, because the Scottish

Government has taken a consultative approach, but there are always improvements to be made.

One of the things that we would like to see that would help improve scrutiny is an annual finance bill process. That system is not necessarily perfect at Westminster, but Scotland would not have to adopt its exact replica and could change some things about it. For example, we are now giving oral evidence to the committee, but there is no oral evidence from expert witnesses for the UK Parliament's finance bill. A finance bill system here, should Scotland adopt one, could allow for oral evidence sessions as the Scottish Parliament does them now.

Such a process would also play another role. We think that it is important to improve public awareness and understanding, and having a set finance bill process would help to raise the profile of the Scottish tax system among the public, which would allow other ways of improving understanding to be built.

We would also like to see a longer-term approach to policy development, although that is not always possible. The way in which the Scottish Parliament works in terms of not necessarily having a majority means that it is sometimes necessary to have negotiations close to the budget time being finalised. A longer-term approach would allow better consultation and better tax policy development.

Liz Smith: On that theme, do you feel that there is a need to ensure greater cohesion between the UK and Scottish Governments regarding the timing of the finance bills and information budgets in particular? One concern that has been put to us is that it is difficult for either the Scottish Government or the UK Government to plan ahead, because the timescales are apart. As such, there are lots of unknown variables, which matter to Government and economic advisers. Would part of the problem dissipate if we had better cohesion over timescales?

Joanne Walker: Yes, definitely. It has been an issue for the past few years due to various issues with delayed UK budgets. That has had a significant knock-on effect, particularly given that the UK Government can publish its finance bill, but the bill does not actually have to be passed until July. It has the ability to have a provisional collection of taxes even if the bill has not been passed.

In Scotland, we must have the budget and all the resolutions through in March, before the start of the next tax year and for local authority budgets. That has had a significant effect; therefore, better timing and co-ordination between the UK and Scottish Governments would help, as would better communication, albeit behind the scenes and not

necessarily at a public level. Some indication could be given, so that there are no rabbits out of the hat. As I understand it, the Cabinet Secretary for Finance and the Economy and the Scottish Government officials have no idea what is in the UK budget until the UK public does. In some ways, that approach is fair, but in relation to Scottish Government planning, it is not very sensible.

Liz Smith: There is the question of the renegotiation of the fiscal framework, which has to take place shortly. It has been put to us that there are elements, particularly some of the technical aspects, of the fiscal framework that might make cohesion between the two Governments difficult. I know that you will not advise on policy, but do you have any comments on any of the technical difficulties of the existing fiscal framework, which runs from 2016 until now?

Joanne Walker: I am not an expert on the fiscal framework, but I think that it would be helpful to have a broader review of it along the lines proposed by the Scottish Government in terms of its encompassing tax powers, and consideration of whether there need to be more tax and borrowing powers.

I think that I am right in saying that borrowing is not allowed to extend beyond one financial year, which significantly limits it. Therefore, when it comes to considering what would be most helpful for Scotland to have in the fiscal framework, it would be important to look at the whole package.

11:45

Liz Smith: Mr Robertson, I was interested in your comment to the convener about your concern about contracts between tenants and the people who rent out properties. You said that some of the legislative changes that have taken place have not been particularly helpful. Will you expand on what you meant by that?

Kevin Robertson: Yes. For years, the property legal system has been renowned worldwide, and the framework has allowed investors to come in and buy office buildings, invest in our town centres and build shopping centres. That money comes from various sources. We are getting indications that steps that have been taken in the coronavirus legislation such as the moratorium on rent payments and the procedures for non-eviction of commercial tenants will potentially, if they continue, prevent large institutions from investing in our town centres. The system that used to be in place seemed to work quite well.

There is concern about those provisions, not just in Scotland but in the UK. We all accept that they were necessary to protect businesses when we did not know what we were entering into, as the pandemic hit these shores. However, as we

move forward, I want to flag up that the property industry needs stability and long-term certainty.

A lot of investment comes from not just private landlords but county council pension funds, mineworkers pension funds and so on—I used to work for the Mineworkers Pension Scheme. Such pension fund investors need stability and they will not invest in the built environment to the same extent if they think that there is a threat that they might not get a return, for example because they cannot deal effectively with the property if someone decides not to pay.

Over the years, we have seen tenants use other means to avoid paying rent—I am thinking about company voluntary arrangements in the retail industry, for example. I just flag up that there is concern that if the balance tips too far over, that will prevent the investment in our town centres that we need as we rebuild from where we are today.

Liz Smith: Thank you, that was helpful.

John Mason: On empty property rates, which the convener asked about, my recollection is that properties were sitting empty for quite a long time while their owners appeared to hope or expect that the property value would go up and they would make money that way, so it did not matter whether they put someone into the property. The convener might remember the example of the post office building in George Square—a beautiful building, right in the centre of Glasgow, which sat empty for ages. Is that issue not why we brought in the empty property rates? Is there a risk that development would be slowed further if we did not have those provisions?

Kevin Robertson: That is a fair point, but we are in a changed world since we thought that way. One in seven shops is now empty. In general, property owners—and I have dealt in property for 40 years—want to get on and make things happen. It is not normally through choice that a property owner does not want to accept rent, particularly given the burden of empty property rates.

The problems for landowners have become more acute. If we are to get the property industry working again, we need to review the position. I do not know how we prove that someone is deliberately holding back to get a higher rent. In my experience, when someone buys a property they want to get an income from it or develop it—we can maybe talk about the reasons for delays when it comes to developing properties. It is time to review the position, in view of the economic shock that we have had.

John Mason: Your submission—and, I think, the submission from Scottish Chambers of Commerce—talks about matching UK tax rates, cutting property taxes, LBTT incentives and so on.

There might be arguments for all those moves, but if the Scottish Government and the Parliament take in less money from those taxes, we might have to, say, cut funding to the NHS or local government. At a time when everyone is struggling and the NHS is clearly under pressure, can you justify cutting any taxes, given such knock-on effects?

Kevin Robertson: I am not advocating any cuts to NHS budgets or anything like that. We are simply looking at this issue from an economic and industry perspective and making some suggestions as to how we get our industry working again. The last rates revaluation was carried out several years ago, and despite the recommendation that it be carried out again, it has, I think, been deferred for another couple of years. Moreover, there are fewer retailers to take on properties. As a result, we are going to lose the take from rates anyway. People are still paying empty property rates, but what we are saying is that we will be facing a potential downward spiral for properties and our town centres unless we look at other approaches. We accept that you have to fund the NHS and so on, but we also have to think of the consequences for our built environment. After all, we all want thriving town centres and nice places to visit. There needs to be a balance.

John Mason: That was helpful.

You have also mentioned the area of planning and suggested, I think, that council planning departments should get more funding. I wonder whether you can clarify something for me, as I have probably forgotten, and for the general public. Is it not the case that planning is more of a self-funding exercise, given that the fees match the costs?

Kevin Robertson: I am not sure that it is. It is down to individual councils to determine the amount of planning fees that go towards the budget for planning departments. The fact is that, over the years, the time taken to make decisions has got longer, and we are not getting a quality service. We think that that, too, might put the Scottish property industry at a disadvantage with regard to seeking investment. There is a global pool of capital that people invest throughout the world, throughout Europe, throughout the UK and then in Scotland, and if they can go to other cities where they think that they will get a quicker response and have more certainty with regard to getting planning permission, they will do so. We are all competing.

John Mason: Would businesses pay slightly higher fees if they knew that they would get a faster service?

Kevin Robertson: Yes. Our members have confirmed that to me.

According to the annual statistics on planning performance that were recently published by Scotland's chief statistician, the annual average time for a decision on major development applications was 41.3 weeks in 2020-21, which is almost eight weeks longer than the 32.6 weeks in the previous year. Everybody has had difficulties in working through and adapting to Covid, and we think that the planning service has done a good job in getting up and running, but we are falling behind, things are taking longer and the number of major applications is falling. We need to look at all these things in the round and ensure that our property sector is performing. After all, we are quite a major contributor to the economy.

John Mason: I accept that.

Ms Walker, I did not ask you to respond to any of those questions, but you are more than welcome to. However, my first question for you follows on from what Liz Smith was asking about; indeed, you might already have answered it. You say in your submission that

"Prior to the ... pandemic, the Scottish Government had been considering methods of improving the tax policy-making process and the legislative processes for taxes"

and that you would like to see that worked through. Are you talking purely about a finance bill, or is there a bit more to it than that?

Joanne Walker: Obviously, the Scottish Government is currently consulting on a new framework for tax. I think that that deals with the point about the policy-making process.

You mentioned the legislation. The CIOT was a member of the devolved taxes working group, which was jointly chaired by the Scottish Parliament and the Scottish Government. We would like that work to be picked up, and we hope that the outcome of that will be a finance bill process. When it comes to the legislative element, that is the main outcome that we would like to see, for the reasons that I mentioned earlier.

John Mason: I have another question that is aimed at you, although Mr Robertson might want to come in, too. The voluntary sector has asked for multiyear funding, as it does every year, and a bit more predictability, which Mr Robertson mentioned. In practice—you are looking at the practical side of this—is it possible for any Government, whether a Westminster Government, the Scottish Government or even local government to make such a commitment and to adopt a multiyear approach, rather than the annual process that we have at the moment?

Joanne Walker: I can see that that is probably difficult, because Governments want to be able to adapt and be flexible. Business and the voluntary sector want certainty, as it is really helpful.

In relation to environmental taxes from the UK Government, we recently suggested that it would be useful to have a broad road map with a view to achieving net zero on climate change. Such an approach would involve setting a broad direction of travel without necessarily specifying individual items. By outlining broad steps along the way, people could understand where we are heading and gain a sense of certainty and stability. The UK Government produced a corporate tax road map in around 2010, which worked quite well.

A multiyear approach is difficult, especially when events such as Covid occur, which throw up all sorts of unexpected demands, but it is possible to indicate a broad direction of travel, with the caveat that it is necessary to remain flexible.

John Mason: Would an example of that be to say that we will keep raising landfill tax in an effort to discourage landfill? In that way, we could give a sense of direction, without giving all the rates.

Joanne Walker: Yes, that is the idea. Obviously, there is the separate fund to do with that that people pay into, which provides a sort of guarantee that that will continue.

John Mason: That is me, unless Mr Robertson wants to come in on any of that.

Kevin Robertson: I have nothing more to contribute on that.

The Convener: On the point that Mr Robertson made about planning, I once read an article by a retiring chief executive of West Lothian Council, in which he was asked how the council was able to attract a disproportionate amount of investment, given that, post-mining, it had been one of the poorest authorities. He said that the council had a strong focus on turning round planning applications—saying yea or nay to them—within four weeks, which gave it a competitive advantage over other local authorities. Therefore, the point is well made.

Daniel Johnson: I intend to focus mainly on high streets and the comments that have been made about retail but, before I do so, I will get my declaration of interests out of the way. I refer members to my entry in the register of members' interests: I am a director of a company with retail interests and a member of the Union of Shop, Distributive and Allied Workers.

Before I ask about high streets and retail, I want to pitch in a different way a question that I asked the previous panel. Last week, the committee looked at the impact of taxation decisions that had been taken in Scotland. An additional £500 million should have been provided as a result of the changes that were made by the Cabinet Secretary for Finance and the Economy, but we have seen an uplift of only £150 million. The reason for that is

the fiscal framework and the way that it works. Fundamentally, income tax receipts per capita have increased more slowly in Scotland than they have in the rest of the UK. What does that say about the way in which we have been applying taxation policy?

12:00

That elicits a fundamental question, which I put to the previous panel. Has the Scottish Government focused sufficiently on increasing the number of taxpayers in Scotland by getting people into work and ensuring that, when they are in work, they are sufficiently well paid? That is surely the best way of ensuring that we have money for public services in Scotland.

That question is probably more for Joanne Walker in the first instance, but I would be interested to hear Kevin Robertson's response, as well.

Kevin Robertson: I agree: the more people we can get working and contributing, the better. I do not have much more to say than that; I do not know enough about the fiscal system, I am afraid.

Daniel Johnson: Does Joanne Walker have any observations about the way in which taxation operates in Scotland?

Joanne Walker: Because of Scottish income tax, the fiscal framework partly relates to different forecasts, as well, and that can affect what filters through at different times. I agree that it is important for us to have more people in good work that pays well.

Scotland has only limited income tax powers. That includes powers over employment and self-employment income, but it is basically just the ability to set the rates and bands. The personal allowance threshold is set by the UK Government; it is currently set at £12,570, and it has risen significantly over the past few years. That means that, although there are something like 4.5 million adults in Scotland, only 2.5 million of them actually pay tax. The rest of them are either not earning enough or are not earning at all.

That highlights the issue that little more than half of the adult working population in Scotland are within the proper tax system. Some of those who do not pay income tax will still pay national insurance contributions, given that, as I mentioned earlier, NI kicks in at a much lower level, but nevertheless a significant group of people in Scotland do not pay any tax here at all.

Daniel Johnson: I will move on to retail. I wonder whether we are sufficiently concerned about the impact of Covid on the retail sector, considering that 10 per cent of employment stems from retail and associated industries, and the

sector is the largest source of private sector employment. That is coupled with the fact that online sales, as a proportion of retail sales, have increased by about 50 per cent. According to the Office for National Statistics, about half of those sales are from—I love this euphemism—“non-store retailing”; I think that we all know which big non-store retailer, whose name starts with an A, that probably refers to, at least in terms of the lion’s share.

In addition, furlough is coming to an end. Are we about to see a cliff edge for our high street retailers? If their trade is currently down by 20 or 30 per cent, as current figures show, that is not sustainable, is it? What are the consequences of that?

I will go to Mr Robertson first.

Kevin Robertson: You make a very good point. That is why we are advocating a lot of things and asking the Government to pay attention to the issue. We think that, when furlough ends, those shops will be fighting for survival. If we have in place what they consider to be penal rates and their competitors are sitting in dark factories or whatever and are able to supply online, is it really worth it for them to continue trading? Some of them have already adapted to the challenge but, as someone who cares about and works in the area of the built environment, I say that we have to think about what the implications are.

We can bring in some other measures. We are all keen to move to net zero and to take on board the issue of sustainability. However, that means that there will have to be capital investment in shops and so on in order to make those buildings more sustainable.

It might be a bit much to say that the retail sector is on a cliff edge, but we certainly face major challenges.

Daniel Johnson: Does Joanne Walker have anything to add?

Joanne Walker: I do not have anything specific to add to what Kevin Robertson has said, apart from saying that I think that a broader, holistic review of the whole position, bringing in various elements, is required.

Daniel Johnson: Kevin Robertson alluded to the need to examine the non-domestic rates situation. I completely agree with that view. Do you agree with the assessment that the fundamental problem is that non-domestic rates do not reflect the balance of trade—specifically retail trade—in the economy, and that non-store retailers are simply paying rates for having a warehouse rather than rates that reflect the fact that they are selling directly to consumers? Further, fundamentally, those rates are only notionally connected to rent—

essentially, the assessors come up with a rateable value, but there is no direct correlation to what people are paying in rent. That means that we have a system that is broken and is a potential impediment to recovery in the sector. Do you think that I am overegging the situation, or do you agree with that position?

Kevin Robertson: I would generally agree with that. I think that there is a challenge in that regard at a worldwide level. Governments throughout the world are grappling with how to deal with taxing the big internet companies. That is a big challenge, and the situation is unfair to the smaller retailers.

For years, we have been fortunate in relation to the contribution that the retail sector has made to balancing the Government’s books. Generally, the retail sector has had the highest rateable values. However, we are seeing a seismic shift, which we are all involved in, as we are all choosing to shop online quite a lot, particularly through the pandemic. That presents a real challenge to the retail sector, and that then impacts on our built environment, which will have to change and adapt. We are now talking about 20-minute neighbourhoods and perhaps having more local centres.

A whole host of issues are involved in that situation, and we need to think about them. That is why we are bringing the issue to the Government’s attention. We need to think fully about retail town centres, the future of offices, whether people are going to go back to working full time in offices and so on. There are many issues there that could affect our future.

Daniel Johnson: We agree that there needs to be an alternative. We need to think about what that looks like in the longer term, but are there also steps that should be taken in the shorter term? In the longer term, what should we be using as the basis for taxation? Should there be some sort of generalised sales tax? Should rent be taxed directly? Should it be landlords who are taxed rather than tenants? I know that your response to that question will be no, but I thought that I would put it out there nonetheless.

Finally, is there something that we can do in the short term to address the issues around online retailers? For instance, could we create a new category of retail or warehouse premises that would enable us to use the existing, albeit imperfect, regime to tax the massive increase in sales that the non-store retailers have experienced over the past 18 months?

Kevin Robertson: Those are all good points. My simple answer is that we need a review of the system. We need to look at it holistically and consider the pros and cons of various tweaks or

fundamental changes to the system. At the moment, the rental value basis is changing—rental values have historically been higher in retail. The revaluation has been put back to 2023 but, if there is a revaluation, the take from existing retail will fall. As I said, we need a review, although I am not sure what the procedure would be. It seems unfair that the internet retailers in big sheds pay, in effect, industrial prices, given the value of their turnover relative to their overhead costs. A review is required.

Daniel Johnson: I will resist the temptation to have a rant about the revaluation process—I will leave that for another day.

Finally, I ask Joanne Walker whether she has any thoughts or observations on the need for reform of non-domestic rates or any views about what should replace them.

Joanne Walker: Again, I probably do not have a significant amount to add to what Kevin Robertson has said. Obviously, there are other ways in which companies are taxed, such as corporation tax, which is not currently within the gift of the Scottish Government and Parliament. International negotiations are on-going about those sorts of things. I suppose that it is about trying to do something holistic and meshing all those issues to see what the best solution is, which might be a combination of things. Clearly, non-domestic rates might need to be reformed in some way, whether that is by treating certain properties in a different manner or whatever.

Michelle Thomson: I thank Joanne Walker very much for her submission, which I enjoyed greatly. However, in the interests of time, I will confine my questions to Mr Robertson. I should declare that I have an interest in some buy-to-let property and that I am an ambassador for the all-party parliamentary group on fair business banking, which is based at Westminster.

I want to gently challenge you, Mr Robertson, in relation to the discussion that came up earlier about your comment that

“our well-respected property legal system is being undermined by changes to the landlord-tenant relationship”, which you say

“could create a barrier to much needed future investment.”

In light of the considerable uncertainty in the trading environment, surely as big a factor is access to finance for businesses and the risk appetite of lenders, be they private equity or banks. Do you accept that that is the case?

Kevin Robertson: Yes, that is a fair point. In looking at that issue, we have to take into account the fact that some people who are investors in existing property stock might have lending

sources. If tenants are not paying the rent, or have the ability not to pay the rent or are not being forced to talk to the landlord, that might put individuals and companies that are property owners in jeopardy with the banks. Therefore, yes—that is an issue.

Michelle Thomson: I will move on to another area that we have not yet touched on. I am interested in your organisation’s reflections on the desire for home working, or at least a version of hybrid working, that has arisen—indeed, we can see it in our meeting today. How will that cause and necessitate change for the people who you represent?

Kevin Robertson: That is a big subject. It is all quite new, and we are all trying to find the new norm. The new norm might differ for different organisations. Some organisations are finding increased productivity as a result of working from home, but others are having difficulty with it. Others are encouraging people to go back to the office. Our industry is still trying to come to terms with the issue. We are considering whether we will need more offices or whether office requirements will shrink. People in house building are thinking about introducing more space in houses for home working.

12:15

We are still in a state of uncertainty. We do not know what will happen yet. My view is that some businesses will go for a hybrid model and some will want 100 per cent of their staff back in the office. That might increase demand. We were getting squeezed into smaller spaces but, because of the pandemic, people might want more space.

For our young people, we need people to come together to collaborate and to share ideas. That seems to be good and healthy for businesses and for people’s wellbeing.

There will still be a need for offices, but the full extent of the pandemic’s impact is still to be worked out. Some major internet companies have made comments about wanting all their staff back in the office, but other companies have said that they want to use a hybrid model—for example, some people might not go into the office on a Monday. Also, the Government is looking at a four-day working week.

There is a lot there. The pandemic has driven the debate forward, and we will soon find out what the outcomes will be.

Michelle Thomson: I take it from that that you, on behalf of your members and your member organisations, will be reflecting on that matter, given the often long-term nature of property.

Given that diversity makes an economic contribution, what are the SPF's reflections on supporting women to lead the businesses that it represents?

Kevin Robertson: The SPF and the BPF are very inclusive organisations. My predecessor was a lady, and she was in a senior position in the property industry. We also have Women in Property in Scotland. We are looking to broaden diversity. You are right that, traditionally, the property industry has been male dominated, and we need to do more about that.

During my tenure at the Scottish Property Federation, we are encouraging people to think about a future in the industry. We are engaging with young people in property, because we are quite an ageing industry. We have set up a mentoring programme for people with less than 10 years' experience, which we have done with a view to becoming more inclusive and in order to get fresh ideas and thinking. In relation to the questions about offices, retail and so on, we need fresh thinking from young people, who will be here a lot longer than I will. That is part of our inclusive agenda and our work on increasing diversity.

Michelle Thomson: I assume from that that you might look at the membership of your policy team. When I checked today, I found that your policy team has three women and 23 men, which means that women make up less than 12 per cent.

Kevin Robertson: I am not making excuses, but we have seen across business that progress is not being made as quickly as it could be. We are all working towards that.

Michelle Thomson: In your submission, you call for

"greater capitalisation of the Scottish National Investment Bank".

I agree with that view. You also comment on the need for a "National Infrastructure Agency". I also agree with that view. In that light, would you support increased borrowing powers for the Scottish Government to enable those much grander ideas to be taken forward? I am a bit concerned that, throughout our discussion, we have tended to focus on small taxes, such as LBTT, rather than on the shifts that will really make a difference to economic growth.

Kevin Robertson: I would not be against that, because I want Scotland to thrive, our economy to grow and people to have a good quality of life. I would support anything that we can do to improve our economy and take Scotland forward.

Douglas Lumsden: I want to go back to non-domestic rates and empty properties. I am from the north-east of Scotland and, over the past few years, I have been concerned about the number of

commercial properties—I would not call them old properties—that are being knocked down just to save on non-domestic rates. Knocking down new premises has an impact on the environment as well as on the valuation roll. Do you agree and, if so, what can be done over the next couple of years to mitigate that situation?

Kevin Robertson: It is a concern. At the weekend, I visited some of our towns to see how they were doing, and I felt that some of them looked quite tired and sorry, with lots of agency to-let boards on shops. People are trying to let those properties, but the demand is just not there, particularly during the pandemic. I share your concern that, over time, we will lose buildings simply because people cannot afford to keep them.

What is the solution? My organisation is collaborating with the Scottish Government, working on town centre initiatives and talking to councils, and we are trying to come together to come up with ideas. Issues that we are talking about include permitted development rights to give owners the ability to develop properties without their needing to get full planning permission or to go through a formal application process.

Various initiatives are being looked at, but we need Government help and intervention. We need to improve our landscaping, townscaping and streetscapes, make town centres more accessible and improve public transport to get people into towns. Given that we are not really encouraging car use in town centres, we need to find other ways to get people to want to come back.

As I have said, I share your concern, which is why we have highlighted empty property rates as a disincentive to investment. We think, for the reasons that we have mentioned, that there will be a further decline in our built environment with regard to retail.

Douglas Lumsden: The valuation roll has probably decreased now, given that buildings have been knocked down, and in town centres where they cannot be knocked down, because they might be listed, there is still a loss of income. Has there been any analysis of the impact on the Scottish Government's budget of that kind of reduction in the roll?

Kevin Robertson: I do not have any figures on that at the moment. I am asking for more research to be done on the impacts of Covid, and we might be able to pick up that issue in the course of that.

The Convener: I touch on a couple of areas that we have not covered so far, the first of which is that wee tax that Michelle Thomson mentioned—the land and buildings transaction tax, which still brings in a few bob. I am intrigued by

the difference in the submissions on this point. In his submission, Kevin Robertson says:

“We are particularly concerned about the 10% tax band, and believe that its threshold should be increased to £500,000”.

In her submission, Joanne Walker says:

“following temporary relief from Stamp Duty Land Tax”—

as it is called south of the border, and as it was called here before LBTT came in—

“for first time buyers ... in 2010 – 2012, HMRC undertook an evaluation. It concluded that the majority of the 1 per cent tax relief (0.5-0.7%) was in fact capitalised in higher prices”.

Has there been any assessment of the impact of that with regard to revenue? After all, there is no point in our increasing a threshold to assist the sector if all it means at the end of the day is that prices go up, revenue declines and no one is any better off.

Kevin Robertson: I do not have any figures for that at the moment, but I can get some calculations done and come back to you on it. However, we were wondering whether the 10 per cent tax on properties above £325,000 was inhibiting families’ ability to move to larger houses, given that house values and prices in some of our larger cities and their suburbs are exceeding that threshold. It might help families if we thought about that again.

The Convener: Is LBTT or house price inflation more likely to inhibit people’s ability to move to larger properties? That is in places such as Edinburgh. I am not talking about North Ayrshire, which I represent and where, for £0.5 million, you can buy a palace, never mind a house. I have a five-bedroom detached house with a garage, which cost me £145,000. There is a big difference between house prices across the country. What is your view on that?

Joanne Walker: We do not know for sure what the result has been of the measures that have been taken during Covid. The previous research suggests that, if you cut LBTT or stamp duty land tax, partly because you are sending out the message to people that they are paying less tax, that creates higher demand, which pushes up prices. On what is preventing people from moving, there has been a suggestion that prices went up significantly during the recent period in which LBTT, and SDLT in the rest of the UK, were cut.

Kevin Robertson mentioned the need to review the rates and thresholds. LBTT has been in place since 2015. Although there have been changes since then, it is always important to review. Given that the average house price has gone up significantly since the introduction of LBTT, there comes a point where you have to review rates and

thresholds to see whether they are still relevant and appropriate. We suggest that you need to do that.

You mentioned earlier that one way of increasing the tax take from Scottish income tax would be to freeze the thresholds so that, as people’s incomes go up, they pay more. That is a way of increasing the tax take from any tax, although obviously we suggest that you need to review any amounts that are fixed in legislation, whether that is reliefs, thresholds or allowances.

The Convener: As we have heard and discussed, the high street is under pressure and there has been a 50 per cent increase in online sales. If the UK Government decided to tax online retailers to try to create a balance in the high street, would you support that? If so, should some of the revenues that would be raised be assigned to the Scottish Parliament?

Kevin Robertson: Yes, that would be fair. We are using the retailers in the dark buildings, so if the UK Government raised that money, part of it could be assigned to Scotland.

The Convener: My next point is for Joanne Walker. If the UK assigned that money and more money came in—obviously, this is hypothetical because it is not happening yet—that would allow the Scottish Government to reduce rates and make the high street more competitive.

Joanne Walker: Obviously, it depends on how the money filters through in the block grant but, potentially, if you get more money from another source, that allows you to reduce taxes in other areas or to bring in reliefs to assist and to change the balance in the make-up of your tax resources.

The Convener: My last question is for Kevin Robertson. Compulsory sales orders were a Scottish National Party manifesto commitment in 2016, but it was not delivered in the previous session of Parliament, partly because of the Covid pandemic. I asked a written question about the issue and was referred to a question submitted by Paul Sweeney. When I looked at that, it said that the question had not yet been answered, so that was a body swerve there.

Does the Scottish Property Federation support compulsory sales orders? A lot of high streets and other streets have been blighted by buildings that have been left empty for 15 or 20 years and that have been difficult to get moved on. In the previous session of Parliament, there was cross-party support for the measure.

Kevin Robertson: Is that compulsory purchase orders?

The Convener: It is compulsory sales orders. Basically, they are for the sort of situation where someone has owned a derelict building for 20

years—perhaps an old primary school, a pub or a house or whatever—and planning permission has long since passed away with nothing being done. Under compulsory sales orders, in effect, if nothing was done within three years to refurbish a building, the owner could be forced to sell it at auction. We explored the idea at the Local Government and Communities Committee in the previous session and there was cross-party support for it. Has the Scottish Property Federation considered that measure, which might help high streets and make them more attractive? I also ask Joanne Walker whether she has any comments on that.

12:30

Kevin Robertson: I have worked in the past with compulsory purchase orders—

The Convener: There is a slight difference between a CPO and a CSO. With a CSO, you are not buying a property; instead, you are forcing someone to sell it.

Kevin Robertson: Sorry—I see. As part of our collaborative approach to working with the Government and councils, we look at all those options. If someone was being deliberately obstructive to an overall benefit for a community or high street, we would support their being forced to dispose of the property or for the council or someone else to buy it to enable improvement. We want good high streets and good public buildings, and we want investment. We would support that measure, where people are blighting areas. There would need to be appropriate rules and regulations, but we support the principle.

The Convener: Joanne, you can have the last word.

Joanne Walker: I will not comment on that, as it is not really in our remit.

The Convener: I was not sure about that, but I thought that I would give you the opportunity, anyway.

We have come to the end of our time. I thank our guests for their evidence, and particularly Kevin Robertson for coming in today.

We will have a two-minute break to allow our witnesses to depart, and then we will continue with the rest of the meeting.

12:32

Meeting suspended.

12:35

On resuming—

Budget Information on Climate Change (Working Group)

The Convener: The next item on our agenda is consideration of a note from the clerk in relation to the Scottish Government and Scottish Parliament working group to improve budget information on climate change. Members have received a paper that contains background information on the group, along with a joint letter from the Cabinet Secretary for Finance and the Economy and the Cabinet Secretary for Net Zero, Energy and Transport setting out proposed next steps.

Members are invited to note the update in the letter and the fact that the Net Zero, Energy and Transport Committee will be taking the lead on this piece of work.

I ask the clerk whether she has anything to add to the information in the paper.

Joanne McNaughton (Clerk): I add that the intention is that a member of this committee's clerking team will sit on the group and feed back as appropriate.

The Convener: Do members have any comments?

Michelle Thomson: That seems fine.

The Convener: Thank you for that. Members seem to be in agreement that we note the letter.

As the next item on our agenda is consideration of a work programme paper in private, I now close the public part of the meeting.

12:37

Meeting continued in private until 12:42.

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