



The Scottish Parliament
Pàrlamaid na h-Alba

Aileen Campbell MSP
Cabinet Secretary for Communities
and Local Government.
Scottish Government
Edinburgh via email:
MinisterLGHP@gov.scot

**Local Government and
Communities Committee**
T3.60
The Scottish Parliament
EH99 1SP

Tel: 0131 348 6037 Calls via RNID
Typetalk: 18001 0131 348 6037

Email: LocalGovernmentandCommunities@parliament.scot

31 October 2019

Dear Cabinet Secretary,

BUDGET 2020-21: PRE-BUDGET SCRUTINY

I am pleased to set out the views of the Local Government and Communities Committee as part of the pre-budget scrutiny for the forthcoming draft 2020/21 budget of the Scottish Government.

The purpose of pre-budget scrutiny is for committees to reflect on a range of financial matters that they have considered throughout the parliamentary year. They can then provide views and recommendations to the Scottish Ministers, so they can take them into account in advance of the publication of the draft budget. The revised Agreement on budget scrutiny envisaged a more outcome-based approach, with the focus not just on the figures but on how effectively resources are targeted, and on what they deliver.

On 2 July 2019 the Committee launched a call for written evidence into the long-term financial sustainability of local government. It sought to assess:

- whether local authorities are well placed to continue to provide good local services into the next decade;
- how they can respond positively to current challenges;
- what approaches they are currently using which they have found to be effective and;
- what practical steps they and the Scottish Government can take to become “future proofed” against foreseeable financial risks.

The call for evidence asked the following questions:

1. What are the big medium-term (5-year) and longer-term (10+ year) financial challenges for Scottish local authorities?
2. How effectively are councils addressing these challenges? Do councils currently have all the powers they need to do so?
3. What practical steps should councils take, and what good practice should councils adopt, to plan for the medium and long-term and to anticipate financial risks? If you are a council answering this question, it would be helpful if you could clarify if you practice medium and long-term financial planning and outline briefly what form this takes.
4. What alternative models of planning for, and delivering, council services (for example, joint working initiatives) could help local authorities make efficiency savings and/or deliver better services?
5. Are there any other issues relating to the long-term sustainability of Scottish local government which you wish to bring to the attention of the Committee?

With this in mind, I am writing to set out the Committee's views on a number of issues in advance of the finalisation and publication of the Scottish Government's 2020-21 Budget. Our views have been informed by five budget-related evidence sessions within our work programme.

- On 20 February 2019, we held a session on staff absenteeism in local authorities.¹
- On 8 May 2019, we held our annual evidence session with the Accounts Commission on its Local Government in Scotland: Challenges and Performance 2019 publication.²
- On 25 September 2019 we held a session exploring local authority finances with local authorities and the Accounts Commission.³
- On 2 October 2019 we held a session with representatives from SCVO, Unison Scotland and The Robertson Trust on the range of services local authorities deliver, changes to services and funding and the ways in which external partners can support transformational services.⁴
- On 9 October 2019 we held a session with housing related organisations looking at funding and housing delivery in local areas and housing shortages

¹ [Official Report 20 February 2019](#) The Committee heard from Johanna Baxter (Unison Scotland), Nikki Bridle (Clackmannanshire Council), Stuart Crickmar (Clackmannanshire Council), Drew Duffy (GMB Scotland), Paul McGowan (East Ayrshire Council) and Sharon McKenzie (Society of Personnel and Development Scotland).

² [Local Government in Scotland: Challenges and Performance 2019 Official report 8 May 2019](#) The Committee heard from Ashleigh Madjitey (Audit Scotland), Fraser McKinlay (Accounts Commission), Graham Sharp (Accounts Commission) and Claire Sweeney (Audit Scotland).

³ [Official Report 25 September 2019](#) The Committee heard from Graham Sharp (Accounts Commission), Cllr Gail Macgregor (COSLA), Vicky Bibby (COSLA), Jim Boyle (CIPFA Scottish Directors of Finance Section) and David Robertson (Solace Scotland).

⁴ [Official Report 2 October 2019](#) The Committee heard from David McNeill (Scottish Council for Voluntary Organisations), Marie Quigley (Unison Scotland) and Kenneth Ferguson (The Robertson Trust).

and a further session with two academics on alternative models of delivery and transformational change.⁵

We are grateful to all the witnesses for contributing their time and expertise.⁶

Our extended letter to you focusses on the following key aspects:

- Fiscal planning
- Preventative spending
- Local governance and local administration
- Climate change
- Alternative models for delivery

The letter also draws on evidence gathered and key themes identified in prior Committee work on the budget process in this session.

The Committee will hold an evidence session with the Scottish Government in November. After publication of the budget we will hold further sessions with the Accounts Commission, COSLA and the Scottish Government. In line with guidance in the Written Agreement, we expect one of the main topics of discussion at that session to be the Scottish Government's response to this letter, considered in the light of the published 2020/21 Budget.

We would welcome a response in relation to any material issue raised in the letter. Our requests for information are highlighted in bold in the Annexe attached which draws on the evidence gathered and key themes identified by our Committee work on the budget this session. For ease of reference, our requests for information are also listed below.

We would welcome a response from the Scottish Government on:

- a) Its plans to provide more concrete information on multi-year settlements and its response to concerns in relation to de-coupling revenue from capital budgets.
- b) The Committee's concerns about disparities between councils regarding sick leave and absence rates. We ask what work the Scottish Government is undertaking with councils to promote best practice including monitoring and costing absenteeism.
- c) What certainty it can offer to housing organisations so that they can maintain a rolling programme beyond 2021 and whether it considers there is scope for a cross party "statement of intent" to provide this certainty.
- d) Whether there is scope to make available additional funding for preventative spending in addition to the existing budget.

⁵ [Official Report 9 October 2019](#) The Committee heard from Fionna Kell (Homes for Scotland), Callum Chomczuk (Chartered Institute of Housing Scotland), Craig McLaren (Royal Town Planning Institute), Gordon Macrae (Shelter Scotland), Professor Kenneth Gibb (University of Glasgow) and Professor James Mitchell (University of Edinburgh).

⁶ Where there are references later in this letter to written evidence provided by witnesses this can be accessed via [this link](#) to the Committee's webpage. Any written evidence provided by witnesses before the meeting is included with committee papers for that meeting.

- e) Its intentions on how IJB funding should be balanced and delivered and how it can address any imbalances both through budget allocations and otherwise.
- f) The Committee's view that the housing adaptations budget for RSLs which has been static for the last 7 years should be increased.
- g) Whether it is giving consideration to further reform of Council Tax.
- h) Whether it agrees that more discretion should be given to local government to decide what percentage of income it can raise and how this could be achieved.
- i) How and when it intends to carry out an assessment of how far councils are from carbon neutrality to ascertain what further measures need to be put in place.
- j) What funding will be made available to assist councils in implementing the climate change targets as set out in the 2019 Programme for Government.
- k) An update of its plans to expand the vehicle charging network.
- l) What it has done to explore alternative models of delivery and where these could be used.
- m) Evidence that current procurement rules and practices can be a barrier to effective delivery of services
- n) Whether it is aware of the social bridging finance model and, if so, what if any plans it has for its use and expansion.
- o) Whether it has considered the use of incentives for local authorities to more effectively deliver outcomes and how this could be achieved.
- p) An update of progress on the Local Governance Review.

We look forward to you taking account of these observations as you finalise budget proposals for 2020-21 and to receiving your reply in due course.

Yours sincerely



James Dornan
Convener

Fiscal planning

1. The Committee heard from local authorities about the approaches they took, to plan their budgets for the short, medium and long-term and to anticipate financial risk.
2. *Single-year budget settlements*: In last year's letter to the Scottish Government⁷ the Committee highlighted how difficult single year settlements are for local authorities in planning ahead and sought more concrete information as to their likely future budgeting. In its response the Scottish Government stated that the UK Government had only provided a resource budget settlement for 2019-20 and therefore could only set a single year budget for 2019-20. It stated however that it hoped the next UK spending review in 2019 would offer sufficient multi-year budget information to provide it with the opportunity to develop a multi-year approach to the development of its budgets.⁸ We note that this review was, in the end, postponed to 2020, causing further uncertainty as to future local government budgeting.
3. Our evidence taking has highlighted that the uncertainty brought about by single year settlements continues to be raised as a persistent problem and a barrier to effective long-term financial planning. The reduction in funding from the Scottish Government was cited in written submissions⁹ and in oral evidence. Many spoke of increased pressure brought about by policy commitments which created restrictions on how revenue funding could be spent. These policies were seen as not always being adequately funded. We note also that outcomes set out in the National Performance Framework are difficult to meet in the context of reduced budgets. The Committee is disappointed that the Scottish Government thus far has been unable to offer more certainty on this issue.
4. COSLA said that working with single year budgets and budget restraints in both revenue and capital make long-term planning, transformation programmes and money saving extremely challenging as they are working from year to year.¹⁰ All councils have transformation programmes in place considering digital solutions, shared services and procurement and these are seen as necessary when looking across the range of services they deliver to try to improve outcomes for local communities. Prioritising services such as education and social care, however, has meant that quality of life services (parks, refuse collection etc) can suffer. To this, the Committee would also add key infrastructure, such as roads.
5. The Accounts Commission said that when looking at transformation programmes involved in Integration Joint Boards' (IJBs), medium and long-term financial planning ability is vital as it is a long-term project. For transformation of services to be effectively implemented, long-term financial planning is

⁷ [Pre-budget scrutiny letter to Scottish Government dated 1 November 2018](#)

⁸ [Response from Scottish Government dated 19 December 2018](#)

⁹ For example, written submissions from Dumfries and Galloway Council, SCVO and Unison

¹⁰ [Official Report 25 September 2019, Col 17](#)

essential and a long-term approach from the Scottish Government to the funding of councils would be hugely valuable in assisting that process.¹¹ COSLA said that it would benefit from “better forward planning, longer-term budgets, greater collaboration with Government on the policies that it wants to introduce and much greater and earlier discussion about how we can deliver on them”.¹²

6. *Decoupling of capital and revenue*: Some written submissions noted concerns around limited capital funding and COSLA drew the Committee’s attention to the Scottish Government’s intention (as set out in the Medium- Term Financial Strategy) to decouple revenue from capital budgets in the event of three-year local government settlements. Even where councils would receive three-year revenue figures, years two and three of capital figures would not be announced until summer 2020 in line with announcements of the Scottish Infrastructure Commission. COSLA were concerned about this change, explaining that councils do not operate siloed revenue budgets and capital budgets and that they are very much linked¹³.
7. *Staff absenteeism/Workforce planning*: The Committee heard that the management of sickness absence continues to be a significant challenge to local authorities. We also noted wide disparities in rates of absence between councils and sought to explore the reasons for this. We later wrote to Cosla underlining the importance of councils sharing best practice on handling and reducing absences and sick leave. In oral evidence it was suggested that moving to a less punitive model of sickness absence management would better support the workforce particularly where mental health is concerned and help to reduce overall instances of sickness absence. It was also suggested that introducing a model system for recording and defining absences across all local authorities could be useful.¹⁴ Unison spoke about a growing crisis in terms of experience and skills in local authorities with an experience “brain drain” having occurred as the result of efficiency savings.¹⁵ The third sector also spoke of the knock-on effect of these challenges.
8. *Conclusion*: The balance of evidence suggested that given the range of key services that local authorities provide, and the number of people they employ, they would benefit from having more concrete information as to their likely future budgeting. Indicative budgets for the following financial year would also serve a useful purpose.

¹¹ [Official Report 25 September 2019, Col 18](#)

¹² [Official Report 25 September 2019, Col 20](#)

¹³ Written submission from COSLA

¹⁴ [Official Report 20 February 2019, Cols 3-4](#)

¹⁵ [Official Report 2 October 2019, Col 2](#)

(a) We would welcome an update from the Scottish Government on its plans to provide more concrete information on multi-year settlements and its response to concerns in relation to de-coupling revenue from capital budgets.

(b) We ask the Scottish Government to note our concerns about disparities between councils regarding sick leave and absence rates and ask what work it is undertaking with councils to promote best practice including in monitoring and costing absenteeism.

9. *Housing sector:* The Committee heard from The Chartered Institute of Housing (CIH) that for local authorities the challenges of managing current housing budgets has been compounded by increasing responsibilities placed on them such as developing rapid rehousing transition plans,¹⁶ proposed changes to temporary accommodation for those who are on the housing first programme,¹⁷ energy efficiency and the 50,000 homes programme.¹⁸ ¹⁹Homes for Scotland stated that the support of local authorities is fundamental to the delivery of new homes and cited continued cuts in planning, roads construction, consent and building control warrants as having an impact on their ability to deliver. They emphasised that local economic benefits arising from meeting delivery targets for new homes should be recognised. They said that a delivery of 25,000 new homes a year would bring with it around £27 million in council tax and that investment is therefore vital in planning and building control for that benefit to be realised.²⁰
10. The Royal Town Planning Institute (RTPI) emphasised that town planning is an enabler of the housing target but had found increasing burdens placed upon it while resources were decreasing including a 25% decrease in planning staff and a 40% loss of budget.²¹ Shelter Scotland described a “cliff edge” in terms of delivery of the social housing building programme and said that local authorities have withdrawn into providing statutory services as a result of the other services being under pressure.²²
11. The CIH stated that the success of the affordable housing supply programme had been as a result of the guarantee of money over a five-year period. They could be confident about delivery with the knowledge that the money would be there. The CIH raised concerns about the last phase of the programme and how to manage the transition period.²³ They do not have an indicative sense from the Scottish Government of what funding will look like after the Scottish elections in April 2021. While the Committee acknowledges that the Scottish

¹⁶ [Ending Homelessness Together Action Plan](#)

¹⁷ [Better Emergency Accommodation for People in Crisis](#)

¹⁸ [Affordable Housing Supply Programme](#)

¹⁹ [Official Report 9 October 2019, Col 3](#)

²⁰ [Official Report 9 October 2019, Col 4](#)

²¹ [Official Report 9 October 2019, Col 4](#)

²² [Official Report 9 October 2019, Col 7](#)

²³ [Official Report 9 October 2019, Col 10](#)

Government is able to give limited assurances beyond April 2021, the CIH raised concerns that, without this clarity, local authorities may start to wind down the programme before 2021 which will have an impact on the programme and has the potential to undermine delivery.²⁴ Local authorities need the commitment that the money will be there.

12. This view was echoed by Homes for Scotland who highlighted that identification of a site, planning and building takes time and that long-term certainty would assist in their ability to deliver more homes. RTPI would welcome three-year budgets as this would assist with workforce planning and how best use of other services could be made. Better recognition of the value that planning brings would also be welcome. RTPI suggested that planning fees could be invested back into the planning service to assist with resourcing.²⁵

(c) We would welcome a response from the Scottish Government as to what certainty it can offer to housing organisations, so they can maintain a rolling programme beyond 2021 and whether it considers there is scope for a cross party “statement of intent” to provide this certainty.

Preventative spending

13. The Committee focussed much of its evidence taking on what is being done by local authorities to support preventative spending as a critical and cost-effective measure but one that is vulnerable to cuts, particularly in non-statutory functions. The Committee acknowledges that this is not a straightforward funding issue. Councils reported that increased pressures on unprotected revenue is making investing in preventative spending challenging. Witnesses also highlighted the challenges in quantifying and evidencing the effects of preventative spending. The Committee believes that for preventative spending to be effectively delivered, additional resources must be specifically provided for that purpose.
14. We heard from COSLA about its four priorities- tackling child poverty; climate change; inclusive economic growth; and wellbeing, as intrinsically linked areas and on which local authorities intend to take a holistic approach which best suits the needs of local communities. They highlighted that local councils are a large contributor to health and well-being in communities and are in a unique position to deliver early intervention and better prevention measures which have a cost saving in the long term. Greater recognition of the contribution councils make in overall health and savings to the NHS needs to be made however, and local authorities would benefit if these savings could be passed on in Scottish Government funding.²⁶ The Committee heard that there was considerable variation across the country in the effectiveness of IJBs and that councils can only deliver successfully if they can be more coordinated through their IJBs and

²⁴ [Official Report 9 October 2019, Col 3](#)

²⁵ [Official Report 9 October 2019, Col 11](#)

²⁶ [Official Report 25 September 2019, Col 33](#)

the health and social care agenda.²⁷ The balance of evidence suggested that councils are responding the best they can to demographic challenges and that more integrated care between the two sectors has been achieved but that there is still a long way to go.

15. Our evidence-taking underlined that the acute sector is under extreme pressure and this is taking away the focus and resources required to achieve better integration and a focus on preventative spending. COSLA said that there needs to be more flexibility with funding that sits within IJBs.²⁸ Movement of resources from acute care to preventative care work is a long-term project for which medium and long-term planning is needed. The Accounts Commission said that “leadership is absolutely critical in IJBs to bring integration together and push forward what are essentially transformation programmes” The high turnover in senior management teams within IJBs however has made building leadership difficult.²⁹
16. Unison highlighted an imbalance in power in health and social care partnerships citing perception amongst local authority staff that they are junior partners. Unison said, “Most councils have a policy of making no compulsory redundancies, but the NHS’s policy is to make no redundancies at all”. We heard that cuts within an IJB must be achieved through local authority redundancies and this has a disproportionate effect on the social workers and others who work in that area as their jobs are more vulnerable than the NHS equivalents.³⁰ The Scottish Parliamentary Information Centre (SPICe) have clarified that the NHS policy is to offer redeployment rather than redundancy.³¹ The Committee is aware of the work on IJBs being carried out by the Health and Sport Committee and awaits the outcome of this work with interest. We will draw this evidence to the attention of the Health and Sport Committee as part of their ongoing work.
17. Concern about cuts to early intervention and preventative work provided by the third sector was also highlighted. The Committee heard that short-term preventative spend was at risk, with services such as youth work, family learning and adult community education that have an immediate impact on anti-social behaviour and positive destinations being reduced. There is a knock-on effect for the third sector when local authorities are forced to cut spending in those areas to make savings.³²
18. *Housing*: Shelter highlighted that Scotland’s relatively lower social rents are the major factor in difference between poverty in England and in Scotland³³ and a

²⁷ [Official Report 25 September 2019, Col 8](#)

²⁸ [Official Report 25 September 2019, Col 15](#)

²⁹ [Official Report 25 September 2019, Col 16](#)

³⁰ [Official Report 2 October 2019, Col 23](#)

³¹ <https://www.staffgovernance.scot.nhs.uk/media/1407/redeployment-within-nhsscotland-pin-policy.pdf>

³² [Official Report 2 October 2019, Col 6](#)

³³ [Official Report 9 October 2019, Col 14](#) citing [Poverty in Scotland 2019](#), published by The Joseph Rowntree Foundation, 7 October 2019

key indicator in demonstrating that investment in new social housing is one of the best forms of preventative spend. They also highlighted that protection of front-line services that prevent homelessness also prevent poor health and drug and alcohol addiction. They said “we would advocate that they prioritise rather than try to spread their money too thinly across too many priorities”.³⁴ The benefits are realised through savings in other areas such as health or criminal justice.

19. Our evidence suggested that the health budget could have a role in providing funding for housing. The CIH said that the role of the chief planning officer could also be pivotal in bringing early discussions about council decisions on asset management and policy and financial matters with a view to future proofing the way in which communities are developed.³⁵ The issue of working in silos in education, social work and environment was stressed and a need to break away from this approach would assist in optimising outcomes.³⁶

20. *The Empty Homes Partnership*: Shelter highlighted the success of the empty homes partnership in its engagement with local authorities which is seeing homes returned to the system often for small sums of money. This could be maximised by every local authority engaging with the partnership and investing in an empty homes officer.³⁷

21. *Housing adaptations*: were also highlighted as a cost-effective means of preventative spending. CIH Scotland stated that “the evidence is startling about what happens if we can support someone to stay in their home longer. It will undoubtedly release massive savings which is an outcome that everyone wants”³⁸ Housing adaptations are funded through the Scheme of Assistance, which is factored into local government budgets. There is currently no fixed budget for this. Registered social landlords (RSLs) have to pay for adaptations within their own housing stock. There is £10 million set aside in the budget for this.

22. Adaptation figures for 2015-2019 are as follows:

Adaptation Spend by RSLs 15/16-18/19³⁹

Year (£M)	15/16	16/17	17/18	18/19
Spend	13.221	13.207	13.401	13.570

RSL Adaptations: breakdown of spend

£m	15/16	16/17	17/18	18/19

³⁴ [Official Report 9 October 2019, Col 23](#)

³⁵ [Official Report 9 October 2019, Col 15](#)

³⁶ [Official Report 9 October 2019, Col 16](#)

³⁷ [Official Report 9 October 2019, Col 24](#)

³⁸ [Official Report 9 October 2019, Col 23](#)

³⁹ https://scotparl.knowall.online/book_details.aspx?titleid=58311

National Programme	10001	10002	10001	10000
City of Edinburgh	0.540	0.500	0.602	0.659
Glasgow City	2.680	2.705	2.798	2.910

RSL Adaptations: No of adaptations by client group 15/16-18/19

£m	15/16	16/17	17/18	18/19
Disabled Person	3049	3575	3131	3424
Older Person	2863	2920	2672	3264
Not reported	120	46	222	19
Total adaptations	6032	6541	6025	6707

23. Local Authority spending on adaptations is measured by the [Scottish Government](#). In 2017/2018, there were 5599 grants approved for disabled adaptations. The majority of these (5541) were for those entitled to mandatory assistance. This amounts to a total of £21,857,008 spent on disabled adaptations, of which £21,354,595 was for those entitled to mandatory assistance. Assessments are free but are carried out in order of priority of need. Therefore, if the social care department determines that the need for an assessment is not urgent, an individual may have to wait for a period of time before it is undertaken.

24. An application can be made for a grant to cover part of the costs of the work, with any remaining costs covered by the owner/tenant although local authorities can 'top up' the 80% grant to meet more of the costs. Local authorities however have a duty to meet any identified community care needs and consequently if there is evidence that an applicant with an 80% grant cannot afford some of the outstanding costs, the local authority must assist with meeting the identified needs under welfare legislation.

25. The CIH said that enabling people to remain living in their own homes tended to be more economical than the alternatives. The housing adaptations budget has not increased in recent years and evidence suggests that this is overdue. The CIH suggested that other services such as the NHS that benefit from supporting people to stay in their own homes should also be willing to support the funding.⁴⁰

⁴⁰ [Official Report 9 October 2019, Col 24](#)

We would welcome a response from the Scottish Government on:

- (d) Whether there is scope to make available additional funding for preventative spending in addition to the existing budget.***
- (e) Its intentions on how IJB funding should be balanced and delivered and how it can address any imbalances both through budget allocations and otherwise.***
- (f) The Committee's view that the housing adaptations budget for RSLs, which has been static for the last seven years, should be increased.***

Local Governance and Administration

26. Many submissions suggested that transformation strategies and wide reform of local government are needed and put forward ideas for potential redesign. Those included potential new powers, new governance models and increased tax raising powers. The Committee acknowledges through the Non-Domestic Rates (Scotland) Bill, the introduction of the workplace parking levy as part of the Transport (Scotland) Bill and ongoing discussion of a transient visitor levy, this conversation has already begun. There were however suggestions from the majority of witnesses that wider reform is needed. Suggestions on Non-Domestic Rates ranged from creating a consistent and centralised collection model to full devolution to local authorities. CIPFA Directors of Finance were of the view that continuing to run 32 separate non-domestic rates services under the same legislative framework was not viable in the medium or long-term.⁴¹
27. Some submissions called for much wider powers for local authorities and others suggested that the role of local authorities in delivery of public services might need to be reassessed. Unison argued that local authorities should be devolving services to community level. It agreed with a transfer of NDR to local authorities and suggested that there needs to be a wider review which looks at the tax system as a whole including a replacement for Council Tax.⁴² The balance of evidence suggests that less constraint on councils' ability to raise revenue would be helpful. This could include removing the current cap on Council Tax increases and further reform of the Non-Domestic Rates system.
28. Proposed new tax powers in the form of a transient visitor levy and the workplace parking levy were also discussed together with opportunities for behavioural taxes such as a paper cup tax and a parking tax, albeit their impact would be small.⁴³ Proposed new taxes were seen as part of the picture only, as their benefit in some areas would be insignificant. The balance of evidence highlighted that greater freedoms need to be made available to councils to make balancing of their budgets more tenable and that this change is necessary and required. The RTPPI proposed that an increase in planning fees could

⁴¹ CIPFA Directors of Finance written submission

⁴² [Official Report 2 October 2019, Col 13](#)

⁴³ [Official Report 2 October 2019, Col 12](#)

ensure that the required service is provided and would be a practical way to generate income.⁴⁴

29. The Committee also heard evidence from Professor Gibb and Professor Mitchell who consider that change is overdue but should be made incrementally. They would like to see local government being given the discretion to determine how best to do things. Professor Mitchell commented “Central Government has gradually over time told local government what it ought to do, essentially creating local administration rather than government”.⁴⁵ They would like the perceived trend of disempowering local authorities reversed and a return to a situation where around 50% of revenue spent locally is raised locally. To achieve this would require the phasing in of local control of Non-Domestic Rates over a period of years. Professor Gibb said “We would certainly favour a better property and land-based tax” which may allow income tax to be reduced.⁴⁶ They highlighted that local government have few tax powers compared to other cities and authorities in the Organisation for Economic Co-operation and Development.
30. The balance of evidence suggested that the current model is not working effectively. Professor Mitchell said “When do you make change when you do not have public support? One circumstance is by building consensus and showing leadership. The other is when there is a crisis, you fall off that cliff edge”. He said “we are getting close to the cliff edge (and) it may be forced upon us.”⁴⁷ The Committee is disappointed however to note that few concrete suggestions about reallocation of public resources, or about the specifics of proposed new taxation powers, including from whom they would be collected, were forthcoming from witnesses during our evidence sessions.

We would welcome a response from the Scottish Government on:

- (g) Whether it is giving consideration to further reform of Council Tax.***
(h) Whether it agrees that more discretion should be given to local government to decide what percentage of income it can raise and how this could be achieved.

Climate change

31. Councils were asked how effectively they are managing the existing impacts of climate change and planning for change and services in the future. The Committee heard about a range of measures which are being undertaken by councils. These included the extension of the vehicle charging network across Scotland with a view to stimulating increase in the demand for electric vehicles and the conversion from coal and gas-fired boilers to biomass boilers in council buildings, with many councils looking to take a carbon-neutral approach.⁴⁸

⁴⁴ [Official Report 9 October 2019, Col 6](#)

⁴⁵ [Official Report 9 October 2019, Col 32](#)

⁴⁶ [Official Report 9 October 2019, Col 41](#)

⁴⁷ [Official Report 9 October 2019, Col 48](#)

⁴⁸ [Official Report 25 September 2019, Col 10](#)

32. The balance of evidence suggested however that the demand for electric cars would only pick up pace if there are charging points available throughout the country and the network and infrastructure are capable of supporting that. Additionally, we heard that maintaining the vehicle charging network and charging points fell to councils which is creating a further pressure on their revenue budgets.⁴⁹
33. COSLA also highlighted that posts looking into council's economic and planning challenges which are vital in assisting councils in delivering on the climate change agenda are often within the 39% of unprotected budget.⁵⁰
34. Housing organisations raised concerns about delivery of climate change targets. There was consensus that more investment was needed to address resulting burdens on planning and building control and ensuring more energy efficient homes can be delivered. Unison highlighted that achieving progress on climate change locally would require leadership, investment and ambition on the ground. Initiatives such as shared heating and sustainable transport schemes would have an impact but need investment because councils will be unable to cover those costs within existing budgets.⁵¹ Evidence also suggested that digital transformation to reduce travel and the associated carbon footprint was being trialled (for example meetings via video conference) but that this was not the whole picture as culture and behaviour also needed to change and this was harder to achieve.

We would welcome a response from the Scottish Government on:

- (i) How and when it intends to assess how far councils are from carbon neutrality and to ascertain what further measures need to be put in place.***
- (j) What funding will be made available to assist councils in implementing the climate change targets as set out in the 2019 Programme for Government.***
- (k) An update of its plans to expand the vehicle charging network.***

Alternative models of delivery

35. Many written submissions talked about the opportunities that better use of the third sector and partnership across local government could bring. The Committee heard a number of positive examples of co-designed and delivered services across local authorities. The evidence highlighted challenges in relation to scale and the short-term nature of funding packages, which reduces projects' sustainability and their ability to scale up and replicate. Good work is therefore lost when short-term projects and programmes disappear.⁵² Professor Gibb also spoke about the "underachieved benefits" of joint working

⁴⁹ [Official Report 25 September 2019, Col 12](#)

⁵⁰ [Official Report 25 September 2019, Col 11](#)

⁵¹ [Official Report 2 October 2019, Col 31](#)

⁵² [Official Report 2 October 2019, Col 15](#)

across local government and commented on the interesting joint work that is starting to happen as a result of the city region deal in Glasgow. He did not consider this work would have happened in the absence of the city region deal.

36. We heard from The Robertson Trust that the drive in the third sector towards a contract and service level agreements approach has created an imbalance in power between local authorities and the often small charities concerned (a "master-servant" relationship) which "feels wrong". Local authorities also demand transparency of accounts then may claw back any surplus from the third sector body. The "master-servant" relationship was described by The Robertson Trust as a "race to the bottom" and about reducing costs rather than considering the design of a service or the quality of what is being delivered. The Robertson Trust raised concerns about how this can affect the long-term sustainability of a partnership and evidence suggested a shift away from this approach to one where there is parity of esteem would be helpful⁵³. The "risk averse" culture in local authorities was also highlighted and that different ways of procurement and commissioning should be considered.
37. *Social Bridging Finance*: The Committee heard evidence from The Robertson Trust about a new funding model - Social Bridging Finance which it has been working with. The model enables public services to innovate and move to greater preventative spend by bringing together a working partnership of public sector, third sector and independent funders. Risk is taken by investors who are not looking for financial return but for social impact. The Robertson Trust were able to share a number of positive examples with the Committee where transformation in services had been achieved and better outcomes delivered.⁵⁴ Leadership from councils was highlighted as key in the examples shared.
38. The Committee heard that this opportunity was not being maximised and that London-based charitable funds that work across UK feel underrepresented in Scotland. The Robertson Trust are looking for a new approach and would like Scottish Government to challenge them on how they could work together. They sit on a board of a UK organisation that represents 350 philanthropic foundations and almost £2.6 billion of spending per year and are "amazed at the partnership opportunities in Scotland".⁵⁵ They highlighted that Scotland could benefit as a small, progressive country with easier access to politicians and ministers and suggested that funders be invited and introduced to the key decision makers to see how funds could be put to good use.⁵⁶
39. *Community planning*: The Committee heard that the community planning approach in which communities become more empowered and services better designed for them has worked to varying degrees. Many of the programmes are set out with the intention to save public sector money by prescribing involvement in third sector community groups and projects with the result that the savings do not flow back to the organisations that deliver the services.

⁵³ [Official Report 2 October 2019, Col 8](#)

⁵⁴ [Official Report 2 October 2019, Cols 16-18](#)

⁵⁵ [Official Report 2 October 2019, Col 25](#)

⁵⁶ [Official Report 2 October 2019, Col 30](#)

Because money realised as efficiency savings does not flow back they are not necessarily sustainable. Success was attributed to people and leadership rather than to frameworks and legislation.⁵⁷

40. *Incentivisation*: The Committee heard that incentivisation could be a useful tool to better achieve outcomes particularly on prevention.⁵⁸ Professor Gibb said that departments working in silos is a problem in finding better and more efficient ways of working and that this culture does not promote creativity or innovation. He was of the view that people would not find a way around the silo structures and institutions if they are not engaged with the process in a creative way.⁵⁹ Professor Mitchell commented that “one of the problems is that we appoint to such institutions in silos, train in silos and work in silos”. He advocated a “stick” and “carrot” approach rather than one of “sermonising”. He said “We are keen on incentivising and rewarding people”.⁶⁰
41. A change in approach may be needed to deliver local accountability while also making savings. This could be achieved by introduction of payment by result mechanisms for local government which could assist in breaking down silos and encourage collaborative working across departments. Meeting set objectives, for example, could result in an award of a bigger capital budget and this could be attractive for local government as well as having a less immediate effect on revenue.
42. Local government is presently required to meet the cost of inflation and some of the demand increases but that is not being fully accommodated within the local government funding formula. Professor Gibb suggested there may be a way of sharing that burden and incentivising so if savings and efficiencies are made elsewhere, for instance within the NHS, some compensation could be awarded through central government meeting some inflation and demand increases.⁶¹
43. Professor Gibb’s evidence suggested that looking globally for good practice models could be beneficial. Successful partnership working with the private sector in countries like Denmark, Sweden and The Netherlands exist where, for example, high amenity accessible living for older people in town centres has been successful. Models have often made use of individual housing equity, local government capital funding and private sector investment to achieve positive outcomes. Design thinking as a model was also suggested, the idea being that local authorities could work with people directly to see what would and would not be suitable and to allow testing of various ideas.⁶²

⁵⁷ [Official Report 2 October 2019, Col 19](#)

⁵⁸ [Official Report 9 October 2019, Col 33](#) citing [Note for Prevention Evidence](#), James Mitchell and Kenneth Gibb, March 2015

⁵⁹ [Official Report 9 October 2019, Col 45](#)

⁶⁰ [Official Report 9 October 2019, Col 46](#)

⁶¹ [Official Report 9 October 2019, Col 33](#)

⁶² [Official Report 9 October 2019, Col 40](#)

44. Professor Mitchell also spoke about his involvement in the Local Governance Review. He described the Review as having “different strands” which were interlinked relating to fiscal empowerment, functional empowerment and community empowerment. He said that lots of work had been done in the area of community empowerment to engage with communities and gather evidence and information. Engagement had been carried out with institutions and local government and by inviting public institutions to attend meetings. We heard that councillors, council officials, Police Scotland and the Scottish Fire and Rescue Service were good at attending, participating and offering views but that this was less the case with health institutions. Professor Mitchell’s personal view was that lack of engagement from health was disappointing.⁶³

45. We heard that work is ongoing but that Professor Mitchell is not clear what the end product will be. He envisaged a series of proposals but stressed that progress on the three strands of empowerment need to be done together and considered this fundamental. He said we must “ensure that fiscal and functional empowerment goes hand in hand with community empowerment”.⁶⁴

We would welcome a response from the Scottish Government on:

- (l) What it has done to explore alternative models of delivery and where these could be used.***
- (m) Evidence that current procurement rules and practices can be a barrier to effective delivery of services.***
- (n) Whether it is aware of the Social Bridging Finance model and, if so, does it have any plan for its use and expansion.***
- (o) Whether it has considered the use of incentives for local authorities to more effectively deliver outcomes and how this could be achieved.***
- (p) An update of progress on the Local Governance Review.***

⁶³ [Official Report 9 October 2019, Col 44](#)

⁶⁴ [Official Report 9 October 2019, Col 44-45](#)