



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Local Government and Communities Committee

**Wednesday 19 February 2020**

**Session 5**



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**LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**

**6<sup>th</sup> Meeting 2020, Session 5**

**CONVENER**

\*James Dornan (Glasgow Cathcart) (SNP)

**DEPUTY CONVENER**

\*Sarah Boyack (Lothian) (Lab)

**COMMITTEE MEMBERS**

\*Annabelle Ewing (Cowdenbeath) (SNP)

\*Kenneth Gibson (Cunninghame North) (SNP)

\*Graham Simpson (Central Scotland) (Con)

\*Alexander Stewart (Mid Scotland and Fife) (Con)

\*Andy Wightman (Lothian) (Green)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Vicki Bibby (Convention of Scottish Local Authorities)

Jim Boyle (Scottish Local Government Directors of Finance)

Aileen Campbell (Cabinet Secretary for Communities and Local Government)

Kate Forbes (Cabinet Secretary for Finance)

Councillor Gail Macgregor (Convention of Scottish Local Authorities)

Graham Owenson (Scottish Government)

David Robertson (Society of Local Authority Chief Executives)

**CLERK TO THE COMMITTEE**

Peter McGrath

**LOCATION**

The James Clerk Maxwell Room (CR4)



## Scottish Parliament

### Local Government and Communities Committee

Wednesday 19 February 2020

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

### Decision on Taking Business in Private

**The Convener (James Dornan):** Good morning, and welcome to the sixth meeting in 2020 of the Local Government and Communities Committee. I remind everyone to turn off their mobile phones.

Agenda item 1 is consideration of whether to take in private item 3, which is consideration of the evidence that we will hear today as part of our budget scrutiny. Do members agree to take item 3 in private?

**Members indicated agreement.**

## Budget Scrutiny 2020-21

09:31

**The Convener:** Under item 2, as part of our scrutiny of the 2020-21 budget, the committee will take evidence from two panels, with a particular focus on local government funding for next year.

I welcome today's first panel: Councillor Gail Macgregor, spokesperson for resources at the Convention of Scottish Local Authorities; Vicki Bibby, head of resources, COSLA; Jim Boyle, Chartered Institute of Public Finance and Accountancy, Scottish directors of finance section; and David Robertson, member of the Society of Local Authority Chief Executives.

Thank you for your written submissions. I invite Councillor Macgregor to make a brief opening statement.

**Councillor Gail Macgregor (Convention of Scottish Local Authorities):** Thank you, convener, and thank you for having us back in front of your committee. We welcome the invitation to discuss the evidence submitted jointly by COSLA, SOLACE and directors of finance. Our evidence presents a consolidated local government view of the Scottish Government's budget as it stands and of the detrimental impact that we believe that it will have across our communities.

Since we came to the Local Government and Communities Committee in September last year, the context in which we are operating has remained unchanged, as have the expectations of our citizens and the fact that demands on councils are growing. We have on-going pressure on core budgets, not only to deliver new policy priorities but to transform and develop our digital services. We also have challenges in relation to the fundamental structure of our budget. Although formal ring fencing in the legal sense accounts for around 8 per cent of the budget, just over 60 per cent of councils' budgets is directed by Scottish Government policies. That puts huge pressure on the core that is left, which is the area that can make the most significant difference to the look and feel of communities and to the wellbeing of individuals.

The core is what helps us to undertake innovative, preventative work, and we wrote to the committee after the last session with examples of that work across all councils. Those challenges were also clearly articulated last September and formed the basis of this year's spending review lobbying document, "Invest in Essential Services", which we launched in January.

Our financial asks have been well documented, especially the £1 billion revenue on top of last year's base budget of £10.078 billion. However, "Invest in Essential Services" focuses on the benefits of investing in local government to achieve our shared priorities. It asks the Scottish Government to recognise local government as a critical sphere of government and to acknowledge our unique role and reach in every community across Scotland, to the mutual benefit of us all. As it stands, the budget does not do that and it presents risks to our four priorities—inclusive economic growth, tackling child poverty, wellbeing and climate change—and a risk to the fundamental sustainability of communities.

This year, we are concerned about not just revenue funding: the budget sees significant reductions in capital, and the knock-on effects on inclusive economic growth and addressing climate change are currently immeasurable. We need building projects that provide jobs, training and apprenticeships, and we need capital funding that allows us to invest in infrastructure, plant and equipment that address our energy usage and emissions.

In this year's submission, we have drawn on evidence from the Scottish Parliament information centre, Audit Scotland and the local government benchmarking framework, all of which point to real challenges and the fact that it is getting harder every year. Councils have done well at treading water, but the evidence is now revealing cracks and, whether it is a matter of increasing reliance on reserves or declining public satisfaction rates, those cracks point to a situation that is no longer sustainable and which is of real concern for councils and communities.

We are happy to answer any questions that the committee has today. Thank you.

**The Convener:** Thank you. The Government says that you have received a real-terms increase of £303 million, so why are you complaining about not having enough money?

**Councillor Macgregor:** I am not sure that the figure of £303 million is correct. I think that the figure that the Government has quoted as an increase in our revenue budget is £495 million. Notwithstanding that, we have £590 million-worth of additional commitments from the Government, so we are already starting with a revenue deficit of £95 million.

**The Convener:** How many of those additional commitments do you disagree with? How many of those would you not put in place anyway? Would you not put any of them in place?

**Councillor Macgregor:** Convener, we have this dance every time I come to the committee.

**The Convener:** Exactly. I was going to replay last year's committee.

**Councillor Macgregor:** We are completely signed up to the new commitments. There is no disputing that local government is committed to early learning and childcare, to social care and to meeting additional support needs in schools. The problem that we have is that although the Scottish Government said that it would fully fund all its new commitments, by not giving us full funding, including the £95 million deficit, it is not fully funding those new commitments, because we are funding them at the expense of other areas of the council budget.

**The Convener:** If you fully buy into the new commitments, you would have wanted to do them anyway. Therefore, surely the funding that is coming is extra money to that extent.

**Councillor Macgregor:** We have welcomed the additional money—I think that that is in the opening part of our submission for today's meeting. We are not disputing the commitments. We may not have done many of them within the timescales that the Government has put on us, but those are joint commitments with the Government—they were jointly agreed with the Government on the proviso that they would be fully funded. However, they are not currently fully funded; we are £95 million short.

**The Convener:** I am sure that the other partner in this dance would suggest otherwise.

**Sarah Boyack (Lothian) (Lab):** I will come in on the £95 million figure. The "Invest in Essential Services" briefing paper was very useful. You have referred to underfunding. What does that mean for other budgets? In the briefing paper, you refer to non-core budget areas such as roads, libraries, sport, community facilities and environmental health, which are going to receive less funding. Can you give us a sense of what that means in practice?

**Councillor Macgregor:** Absolutely, yes. I will ask David Robertson to comment in a moment, but, as we have stated before, the only unprotected area of our budget makes up more than 30 per cent of our budget. It is that area that we have to dip into, which includes parks and roads—the non-statutory, unprotected, non-ring-fenced areas. However, those are all parts of the building blocks of all the other areas that we work in.

For example, let us think about whether we are serious about tackling climate change. One of the areas in councils that has been stripped out in recent years is that of the departments with officers who are able to establish the feasibility studies and the projects that could help us to tackle climate change. We have had to take the

cuts from such areas because so much of our budget is protected. David, perhaps you could give some more examples.

**David Robertson (Society of Local Authority Chief Executives):** This is really having an impact on the quality-of-life services that councils deliver daily, and communities are really starting to notice the areas where we are having to take money out of the budget—areas such as road repairs and tackling pot holes, street cleaning, waste collection, parks and grass cutting. All those things that communities really value are the areas where we are having to make reductions in expenditure because of, we believe, underfunding of the core. Therefore, we are having to heavily prioritise new initiatives and statutory functions, and in order to make the efficiencies we are having to cut the quality-of-life services that really matter to local communities.

**Sarah Boyack:** I would like to pick up the climate change issue. Councillor Macgregor mentioned that councils' capacity for feasibility studies and projects has been reduced. However, when we had a discussion with the Government last week at the Finance and Constitution Committee, Kate Forbes—then Minister for Public Finance and Digital Economy, but now Cabinet Secretary for Finance—said that there are dedicated budgets for investment in climate-related initiatives such as community heat projects. Is there a disconnect? If projects can bid for new money that is being allocated in capital budgets but do not have the staff, how does that work? What is the gearing-up time for going from an idea to a capital project?

**Councillor Macgregor:** My understanding is that money has been allocated to the low-carbon heat fund, for which councils will be able to bid in the fullness of time. Unfortunately, that funding has not been developed in conjunction with local government, so we are not fully apprised of what it involves. The sum is about £500 million over six years, but my understanding is that only roughly £5 million will be released in the next financial year, for feasibility studies. Therefore, local government will be able to bid only for small amounts—if it can get any at all, given that it will likely be competing with third sector organisations.

**Kenneth Gibson (Cunninghame North) (SNP):** When I was on the then Finance Committee, when legislation was going to cost local government money, councils would always say that it would cost one amount, the Scottish Government would say that it would cost a different amount and, in the end, the funding would be somewhere in the middle.

With regard to the additional pressures that you are talking about, has the figure of £590 million been agreed by the Government, or does the

Government suggest that the costs are £495 million? It is important to find out whether there is agreement on that.

**Vicki Bibby (Convention of Scottish Local Authorities):** That is an agreed figure on which we have done a lot of work. There are no discrepancies with regard to the cost of early learning and childcare, teachers' pay and so on.

**Kenneth Gibson:** Have ministers explained to you where they believe you should find the £95 million shortfall?

**Vicki Bibby:** No. We are currently discussing that with the Government. If there is no money to cover the shortfall, we will need to move to discussions about what services local government should stop providing. Early learning and childcare is a key example in that regard. The additional £201 million funding for 2020-21 actually just takes us up from the £600 million to what is required to fund the 1,200 hours of childcare. However, the first £600 million is in core local government funding, and that is the bit that is going to be cut. If no more money comes out of the budget process, we will need to discuss how achievable delivery of the new commitments is. Conversely, if it is decided that they are the priority, we will need to have a partnership approach to discussing what services local government stops providing, and that involves some of the points that David Robertson highlighted. We have had that discussion with Government.

**Kenneth Gibson:** Gail Macgregor talked about the dance that we go through in relation to the budget. It will therefore not shock you if I ask the same questions that I asked in September and, indeed, the year before.

You have seen the draft budget. Given that the police, justice, transport and everyone else are asking for more money, where should the £95 million that you are talking about come from? We are in a situation with the budget that we have not been in before. For example, last year, the United Kingdom budget came before the Scottish budget, so there were consequentials that the Scottish Government was able to use to increase funding for local government. This year, however, there are no consequentials, so the cabinet secretary cannot produce money from down the side of the sofa or magically pull it out of a top hat, as has happened in the past couple of years—in order to assuage the Greens, if nothing else. Given all that, where should the additional money come from? I always ask COSLA that. Should it come from additional taxation, and, if so, at what level should the tax be? Should it come from other budget lines? If so, which ones?

**Councillor Macgregor:** As I said, I love these dances. However, we are where we are.

With regard to where the additional funding should come from, as I have said before, it is not in my gift to make decisions on behalf of a minority Government. The reason why I mention that we are dealing with a minority Government is that it will require another party to either support the budget or sit on its hands in order to get the budget through. That is why I do not believe that the Government has got to this point in the budget process without having additional funding with which it can negotiate with other parties. That would be my starting gambit.

09:45

With regard to the Scottish Government's priorities, I am here to talk about local government's needs, but I would point to sums of money such as that which is attached to international development, which is not an issue that is devolved to the Scottish Parliament.

The Government is able to prioritise and vire money towards businesses that are going into administration, or are on the line, with a couple of hundred jobs that would go; it is able to plough fairly significant amounts of money into those. I draw the committee's attention to the 10,000 full-time equivalent staff that have been lost from local government over the past nine years; in total, 33,000 workers have lost their jobs. Unlike Burntisland Fabrications, Ferguson Marine or Michelin, we do not get big packages. I am not saying that those businesses are not important; of course they are. However, in my view it is down to the Government to prioritise which job losses it is most important to address.

**Kenneth Gibson:** That is very helpful. It is further than you have gone before in terms of trying to push us towards alternatives. We will obviously ask the Government whether it has any additional funding, but the new cabinet secretary made it clear that it does not have any more money so this may be about moving funding from one pile to another. If you are suggesting that as a way to fund the shortfall—if there any resources—that is at least a step forward.

COSLA could help itself if it said each year, "This is where we think the additional money—the £95 million—should come from." Then we could make recommendations. I would respond to that by saying that it sounds pretty sensible and that, given the impact on local employment, communities and so on, that might be a better way of spending the money. It is a tiptoe in the right direction.

The other thing that Gail Macgregor has mentioned in previous months and years is a package of additional taxes and powers for local government. Since our September meeting, has

COSLA given any more thought to what those additional taxes should be, how much they might raise and who would have to pay them?

**Councillor Macgregor:** Does Jim Boyle want to come in on the previous point before I come in on this one?

**Jim Boyle (Scottish Local Government Directors of Finance):** Yes. It is important for the committee to realise that it is not just COSLA evidence that is being presented this morning.

**Kenneth Gibson:** I appreciate that.

**Jim Boyle:** David Robertson and I are here and we work at the coalface.

**Kenneth Gibson:** Yes, indeed; I am sorry.

**Jim Boyle:** We work closely with our colleagues in COSLA, but we are able to give the practitioner's view. It is crucially important that the committee, the Government and the Parliament more widely appreciate the point about the headline numbers. We are not here to comment on the policy objectives of early learning and childcare, teachers' pay and pensions or additional money for integration, which are all laudable aims. We are here to highlight the impact that those policies are having; they all come with spending commitments. You might argue that local authorities just have to deal with one or two of them through their on-going budgeting—free personal care uplift and the living wage, for example—but there are some that we simply could not deliver without the funding. The quantum for early learning and childcare is too great, for example.

Coming back to the question about which services local government would not deliver, it is important to realise that the reduction in the element of the core budget that is for other services is not new. Last year, the reduction was £147 million, and there were reductions in the previous years. There is a cumulative impact that councils are, frankly, finding it almost impossible to manage. Councils produce efficiency statements each year that we directors of finance would argue we should stop producing, because they paint an inaccurate picture of local government funding. They create the impression that we can continue to manage the situation through efficiencies. That cannot continue.

Reference was made to the use of reserves. Audit Scotland highlighted that 26 out of the 32 councils have used reserves to balance budgets. That is not somewhere that we directors of finance want to go because it is unsustainable, but I would not be surprised if the number of councils doing that this time was greater than 26. That cannot continue, because we can only spend the reserves once. It is symptomatic of the pressures. You may



think that you hear that year after year, which you do, but you will continue to hear it unless the core budget is addressed. That is the key to the delivery of some of the policy priorities. If the core budget is undermined to such an extent, there is a danger that we will not be able to deliver those policy priorities.

**Kenneth Gibson:** I have still not heard from CIPFA, SOLACE or COSLA which additional funding streams could be made available.

**Councillor Macgregor:** Finance spokespeople in Opposition parties will be aware of this, because we have discussed it at length, but one thing that we need to consider is councils' roles within the wider health and wellbeing portfolio. Councils deliver an awful lot of health and wellbeing initiatives, particularly in social care, thereby helping to reduce delayed discharges and contributing early intervention and prevention.

We argue that the role of councils is incredibly important within the wider health agenda, and that some of the funding from health could be moved into council's funds to assist with that. It is certainly a discussion that we will have with the Cabinet Secretary for Health and Sport. The role of councils in the wider health and wellbeing agenda is incredibly important. We all know that health budgets are going to be heavily protected over the next few years—and rightly so. It is about how we can work together with health boards to ensure that funding of all the provisions that we have in place at council level—which tie in to IJBs and better wellbeing in our communities—are not kept in health, because that money is better spent across the piece.

**Kenneth Gibson:** That is very helpful.

**Councillor Macgregor:** We are trying.

**Vicki Bibby:** I want to make a comment on Kenneth Gibson's question about what councils are doing around raising taxes.

COSLA, with the support of SOLACE and the directors of finance, is engaged in a discussion with the Government about fiscal empowerment. We recognise that a complete reliance on Government grant is not sustainable, particularly because of the direction that funding has been going in.

We want to engage in a discussion about creating a more sustainable funding framework for local government. Those discussions have already started. We have engaged with councils on council tax and have asked for a much broader fiscal framework. We hope to start discussions on that very soon. A paper on what COSLA's asks are going to leaders this week.

Although that is good and it is the direction that we want to go in, it will not have an impact on the

2020-21 budget: no changes to it will be brought about. However, we are looking to the longer term and at addressing the cycle that we are in.

**The Convener:** Councillor MacGregor talked about working closely with health boards. Are you saying that you are trying to expand the work of IJBs? That is already being done, to some extent. What you are talking about is what should be happening already.

**Councillor Macgregor:** That should be happening, and it is happening. As you know, the IJBs are progressing and evolving as we speak. They are doing a good job. The point is that we believe that if a lot of money that goes into health were vired directly to councils, that could have a greater impact on early intervention and prevention. Greater wellbeing prevents people from having to go to hospital. It is not about taking away from the health budget; it is about utilising the source funding much more constructively by keeping people healthier in the first place.

**Vicki Bibby:** I emphasise that point by saying that wellbeing is not delivered only by IJBs and the national health service. What we tried to demonstrate in our "Essential Services" document series is that a raft of core services that councils provide contribute to wellbeing. We have touched on social inclusion, networks, transport, parks and open spaces—they are fundamental to the early intervention and prevention agenda.

**Graham Simpson (Central Scotland) (Con):** Do you think that healthcare tends to get funding at the expense of local government?

**Councillor Macgregor:** The last thing that anybody wants to do is pit any sector against any other—especially the health sector.

I certainly think that health services have had budgets protected—rightly—and that that will continue. This is about how to utilise the funding in core services from councils that we know from evidence result in better outcomes for our communities. I believe that some of the funding that goes directly to health could be of more benefit to councils.

**Graham Simpson:** I have a question that might be directed to Jim Boyle and David Robertson, who might or might not know the answer.

I want to find out where councils are with budgets. If all the councils are planning—they might not be, but let us assume that they are—to increase council tax by the maximum amount, where will that leave them? Will each and every one of them still have to make cuts?

**Jim Boyle:** So far only one council—Midlothian Council—has set its council tax for next year. Most councils will be doing that over the next couple of weeks. Some have split the council-tax setting

meeting from their budget-setting meeting because of the timings of the Scottish draft budget and the local government finance settlement being finalised.

I would be very surprised if any councils in Scotland are not factoring in a savings programme as they balance their budgets for next year. General conversation with colleagues across the country suggests that they will all be having some sort of savings programme. There will be various political stances on the level of council tax that is to be set for next year. Again, I would be very surprised if any, or more than a small handful, do not raise their council tax by the 4.84 per cent maximum that is allowed.

There is a common picture across the country: work that is being done under the local government benchmarking framework shows the cumulative impact of funding reductions on service standards and service delivery.

**David Robertson:** Councils are struggling with reductions in their government funding. They are also struggling to deliver against a range of inflationary pressures—pay and price pressures. There are increased demands resulting from an elderly population and demographic. Those things are driving all councils not only to increase council tax but to make significant cuts. For example, my authority, which published its budget papers last night, is looking at making another £8 million of cuts next year to balance a budget of £295 million.

There are also drivers in relation to investment in new services and things that communities want: schools, care homes, facilities that we need in order to modernise our infrastructure, and investment in low carbon. All those pressures are driving councils to increase council tax and to make significant reductions in their core budgets. It is unavoidable.

**Councillor Macgregor:** David Robertson touched on inflationary pressures. We have also to consider non-teaching staff pay inflation, and inflation on procurement, purchasing and staffing. Beyond COSLA's initial ask of £1 billion, none of that is factored in to the figures in the document.

For example, my council—Dumfries and Galloway Council—was looking at £16 million of savings. If there is that £95 million shortfall, that will reduce that £16 million only by £2.7 million. When we apply council tax on top of that we are still looking at £10 million of savings because we have not dealt with inflation, restoration, pay inflation or any of the other pressures.

**Graham Simpson:** That is what I want to explore. We have a figure of £95 million from you. Being a simple soul, I would think that if the Government gives you £95 million everything will be all right. According to you, it would not be. How

much is actually required? Is it more than £95 million?

**Councillor Macgregor:** We would need about £300 million extra just to cover inflation and the shortfall. That would enable us to stand still but not to do anything particularly exciting in terms of development, or to move forward on the digital and climate change agendas. Councils are absorbing about £200 million of inflationary pressures just to stand still.

**Graham Simpson:** So, if Kate Forbes comes up with £95 million, there will still be cuts in every single council?

**Councillor Macgregor:** Yes.

**Graham Simpson:** Whose fault is that? Is it councils' fault?

10:00

**Councillor Macgregor:** No. Councils have dealt with 10 years of budget cuts. We know that we have been going through austerity. I am not going to sit here and say that councils have taken disproportionate cuts compared with everybody else. They have not. We are simply not saying that—and we have not even dipped into capital yet. We have all dealt with austerity, but we are 10 years on and we know that the settlement that is coming from the UK Government is an increase on previous years' settlements. We are looking at a 1 per cent cut to revenue and a 17 per cent cut to our capital budget, so knowing that there is additional money coming to Scotland makes it mildly depressing that we are still in a cuts situation.

**David Robertson:** We are obviously making cuts—or reductions, or savings; call them what you want—but councils are also trying to invest heavily in transformation to modernise our services, lower our carbon footprints and make what we do more efficient through use of technology, for example. All that has costs, so one of the reasons why we are making savings is so that we can invest in improving public services against a fixed quantum of resources.

**Graham Simpson:** Okay. I am not sure that I am any clearer about what you do and do not need.

I will ask one more question. Last year, there was an announcement of £1 billion for the learning estate programme. Has that money materialised and is it enough to progress the programme?

**Jim Boyle:** We are a couple of years into the programme for expansion of early years provision. Councils are rolling out, over the three-year implementation period, provision of additional services in our facilities. In some cases there is

construction of new nursery facilities and upgrading of numbers. That is progressing well. We had a long period of discussion and negotiation with the Government at the time about what the quantum for that would be.

To come back to Mr Gibson's earlier question, we have those discussions and ultimately we reach agreement. The early years revenue side is progressing well. The issue has been capital, where the quantum was short and councils have been looking to supplement the funding for the upgrade of the estate through their own capital programmes to fill the gap. The reduction of the capital programme will make that more difficult for councils to do, because we are trying to manage the whole asset base: roads, the education estate more widely and all the other buildings that we maintain. There is a real pressure there; there had been a pressure anyway and it has now been exacerbated by the reduction in the core capital.

**Vicki Bibby:** That is the early years funding. At the end of 2019, the Government announced phase 2 of the schools building programme in the learning estate strategy. That is £1 billion capital equivalent using a new financing model that has been worked on with Scottish Futures Trust. Once the schools are built, councils will receive funding to help with their on-going maintenance. The model requires councils to invest capital or to use revenue to borrow to build those schools. The capital settlement puts that programme at risk and does not at all recognise the requirement on local authorities to build schools. As I highlighted earlier, if there is no movement on the capital budget, we will have to go back to discuss with the Scottish Government the impact on phase 2 of the schools building programme, because there will not be capacity for councils to invest that up-front capital.

**Graham Simpson:** How many schools could be at risk of not being built?

**Vicki Bibby:** We are still at the initial phase of the business cases for the schools. We can come back with an update, if the committee wants that.

**Graham Simpson:** That would be useful.

**Jim Boyle:** There are 11 schools in phase 1 of the learning estate expansion and improvement programme. Some elements of the programme, as well as the funding model, are still under discussion: for example, the nature of facilities and energy efficiency targets are still under active discussion between local government, the Scottish Futures Trust and the Scottish Government. A lot of water still has to flow under the bridge before we can finalise the nature of the buildings and assets. Some of the energy efficiency targets are, rightly, quite challenging, and that comes at a cost,

so we have to ensure that that element is fully funded.

**Andy Wightman (Lothian) (Green):** Before turning to some questions, I want to follow up on a couple of points that you made.

You said that you have bought into the £590 million-worth of joint commitments and that you have an undertaking from the Government that they will be fully funded. What form did that undertaking take?

**Councillor Macgregor:** The undertaking has taken various forms. The undertaking on additional funding for teachers' pay was in written form from Mr Swinney. Regarding early learning and childcare, there was a joint agreement that was jointly signed. Mr Swinney announced a £15 million fund for additional support needs last year, and there is continuation of that. There have been a couple of things like that. That fund was not necessarily introduced in conjunction with us in the first instance, but we are implementing it in schools.

There have been various means of providing security around additionality. The smaller amounts that have come in-year have not necessarily been written in blood, but we have certainly had the big figures in blood.

**The Convener:** Those meetings must be extremely exciting, with all the dancing and blood. *[Laughter.]*

**Councillor Macgregor:** You have no idea!

**Alexander Stewart (Mid Scotland and Fife) (Con):** We are obviously at the wrong meetings.

**Vicki Bibby:** COSLA has been calling for the clarity of a baseline budget, because it is difficult to have agreement in-year about what is fully funded if we do not have confirmation of the baseline against what we are comparing it with. That is why we are getting into the discussion about having not only more money but more commitments. As I said, COSLA has been calling for an agreed baseline for local government, so that we can measure properly and see whether the new commitments are fully funded.

**The Convener:** How have you been getting on with those calls for a baseline budget?

**Vicki Bibby:** We make the plea every year, but you can probably hear from what we are saying that we have not been successful.

**Andy Wightman:** With the £590 million-worth of commitments, is it fair to say that there are various types of commitments that will be fully funded at various dates, but that there are probably gaps for some of the smaller ones? Are you going to the Government to say, "Look, this is a contract that you have signed," and trying to hold it to those

contracts? It seems to me that, if you have those undertakings in various forms, you should simply say that, although they are joint agreements, you cannot deliver the £590 million-worth of commitments unless you have £590 million.

**Councillor Macgregor:** We have tried hard to work in strong partnership with the Government on all those schemes, because we understand their value, and it is important that we work constructively with the Government. However, time goes on and our budgets have continued to be cut, and we are now reaching a stage at which we might have to have a serious conversation about our joint agreements and, as you say, what we can continue to deliver on and what should drop off the list of priorities.

**Andy Wightman:** Is it also accurate to say that if anything dropped off the list of the £590 million-worth of commitments, that would not help you with the core?

**Councillor Macgregor:** No, it would not help.

**Andy Wightman:** It would make a little bit of difference, because you are looking at additional commitments and cuts and there is a £95 million shortfall, which would come down a little bit.

**Councillor Macgregor:** I do not know what on that list we could stop doing. Do we stop providing early learning and childcare? Do we stop paying our teachers more? Of course we do not. The point is that when the Government makes in-year commitments—particularly new ones—that it promises will be fully funded, we expect the Government to honour those promises and to ensure that the commitments are fully funded. Taking funds from another part of a council's budget to cover the new commitments does not, in good faith, mean that they are fully funded.

**Andy Wightman:** I hope that that can be part of the fiscal framework in the future and that there will be some rules.

**Councillor Macgregor:** I hope so. I am sure that you will be involved in it.

**Jim Boyle:** I have a potential caveat to what was said there. We have had discussions with Government about what the funding of each of these policy expansion initiatives would be. One of the bigger numbers—the integration authority ring-fenced funding—is potentially significant because of what is needed to fund it. When we came to the committee back in September, we spoke at length about the demographic challenge for social care, so I will not go over all that again, but it is almost like a bottomless pit at the moment. What is needed and what the Government has provided are reasonably far apart. We have seen pressure on integration boards' budgets up and down the country, and that indicates that they are struggling

to keep pace with the demographic challenge. I would not like the committee to go away thinking that we have agreed a number. It will be helpful in meeting that challenge, but it will not close that gap—nowhere near it.

**Andy Wightman:** If you had a figure, what would it be?

**Jim Boyle:** I cannot answer that question because I cannot speak for all the other integration joint boards. It would be something significantly north of the figure that we talked about earlier.

**Andy Wightman:** Could it be double or something like that?

**Jim Boyle:** Potentially.

**Andy Wightman:** Okay. Your briefing talks about the shortfalls and says “No funding for inflation” and “No funding for restoration”. You do not say anything about demand. I cannot recall whether you have an annual assessment of demand for services or you just manage it routinely. Can you say something about demand on local government services? Have you made any assessment of the changes that are likely in the coming year?

**Councillor Macgregor:** Demand is a massive issue and it is highlighted in our essential services document and our previous campaigns. Our mandate in negotiations this year came from COSLA leaders. I suppose that some restoration would also assist with an element of demand.

I steer the committee towards social care, as an example. We know that social care is a ticking time bomb. We know that demand and demand pressures within social care will continue to rise by approximately 3.5 per cent over the next three or four years and that the relevant demographic will grow over the next 10 years. We need to have a serious discussion with Government about how we will manage social care because, at the moment, it is within councils' remit.

We also know that we have a recruitment and retention crisis in social care. We face challenges in getting people to work in social care and in retaining them. The early learning and childcare agenda is putting even more pressure on social care staff. The analogy that was given to me last year was that every single pupil who leaves school in the Borders would have to go into work in early learning and childcare to fill the gap. If those workers have to come out of other areas, such as social care, that will leave a massive gap.

Vicki Bibby will have the technical information, but from a council's point of view, we really need to get a handle on social care because demand pressures will be significant. I ask you, as parliamentarians, to work with us all to do that

because it is such a big agenda and it involves us all.

**David Robertson:** The last time we came to the committee, we talked about health and social care and the need to adopt a whole-system approach to it. On that specific point, one of the key targets that is set for the health service is on delayed discharge. It is evident to us that councils cannot address delayed discharge unless we have the resources to put beds and care home places in the community, and to ensure that people can be got out of hospital as quickly as possible.

On demand, in the Borders, we are looking at building two new care homes in the next five years in order to respond to the increase in the population of elderly and very elderly—over the age of 85—people. That is an extra 120 beds that the system will have to fund just to stand still.

**The Convener:** Sarah Boyack wants to come in on that point.

**Sarah Boyack:** You are right to say that we have discussed the matter at a previous committee meeting. It is completely relevant to IJBs. We talked about the facts that a third of the senior staff changed during 2018-19 and that a third of the IJBs had no budget at the start of 2019-20.

Is there not a total disconnect? You come back and tell us regularly that there are not enough care staff, but we know from looking at the NHS statistics that millions of pounds are being spent on people who are stuck in hospital and whose life chances reduce the longer they are there. The issue is the budget for care homes, adaptations and care and how that is put in place when people need it, rather than 10 months later. I was at a meeting yesterday with Age Scotland. I heard from it about adaptations being put in place in different parts of the country taking between 10 weeks and 10 months. The on-the-ground experience in different places is therefore totally different. How do you get that resource from the NHS to address what is not a future issue but a current one? How does that work at regional or local level?

10:15

**David Robertson:** In reality, that is very difficult. I said previously at a meeting—I think that I made Mr Sharp from the Accounts Commission twitch—that budgets often get in the way of planning decisions. We need to ensure that with our resourcing we can plan properly for the demographic that is coming through our systems, that we can get aids and adaptations in place so that people can leave hospital, that there are care packages in place and that there are care home beds to go to. There is no point in simply continuing to punt money into the acute sector and

leaving the safety net with a gap in its resources. The safety net is councils; it is councils that take on the care of those people when they leave the acute sector.

The NHS wants people to get through the system as quickly as possible, which is admirable and completely understandable, but we need somewhere for them to go. If core resources in councils are struggling to meet demand, the only place where those people can go is hospital, where they have to stay for longer than they should. We need to look at what we can expect nationally in terms of targets to get people out of hospital as quickly as possible, and we need to ensure that the resources are in place to fund provision when they leave hospital.

**Councillor Macgregor:** As was alluded to earlier, COSLA's health and wellbeing spokesperson is working closely with the Cabinet Secretary for Health and Sport. I have been involved in some discussions with a particular team that have been more finance related. I think that we will make progress in that work, because we need a joint solution from central Government and local government on how councils can assist with the issues that Ms Boyack raised.

**Sarah Boyack:** I raised those issues because of the discussion about underfunding of core budgets and lack of progress on non-core budgets, which is the issue that I started with. You have a request for more money for care, which is not even a financial ask, in the sense that it is a completely systemic issue. However, that is not going to happen with this budget, is it, in respect of addressing delayed discharge?

**Councillor Macgregor:** We are moving towards that in the budget, but there is a lot more work to be done. The reality is that any additionality that comes from the health portfolio to councils will be, quite rightly, for specific areas around social care and delayed discharges. It will not help with the problem of the £95 million shortfall at the core, but it will be there for a specific and admirable purpose. However, it is more important that the discussion develops.

**Andy Wightman:** I have three substantive questions, the first of which is on the settlement. The finance circular on the settlement that was issued to chief executives and directors of finance on 6 February said that the Local Government Finance (Scotland) Order 2020 would be presented to Parliament and is "scheduled for 19 February". That is today—I am not sure whether it is on schedule. However, the circular also said that the Government expects

"local authorities to inform COSLA, and for COSLA in turn to inform the Scottish Government by no later than 14 February ... if they think there are any discrepancies".

Have you confirmed to the Government that there are no discrepancies, or are there discrepancies?

**Vicki Bibby:** For every settlement, because the settlement is quite complex and there are changes in indicators, COSLA gathers all the questions and we feed them to the local government finance team. We have done that and we are having discussions about the answers.

**Andy Wightman:** Okay. The circular goes on to say:

“The Minister for Public Finance and Digital Economy wrote to the COSLA President, copied to all Council Leaders on 6 February 2020, confirming the package of measures”.

I have struggled to find that letter, so I do not have it. What does it say in relation to the settlement? Previously, the settlement was conditional on things such as teacher numbers, council tax caps and so on. Can I take it that the letter is broadly along those lines?

**Vicki Bibby:** Yes, it is. It includes teacher numbers and the council tax increase cap of 4.84 per cent. In addition, we are still in discussion about the additional money for health and social care, which is predicated on councils maintaining their health and social care budgets at the 2019-20 recurring level. We still need to get into detail about what that means, because some councils might have put more money into that budget in 2019-20 for transformation or spend to save, and they might have had plans for potential reductions. We need to know what that means for the reduction if the £95 million sustains and they cannot take any money out.

That links in to the previous conversation. It is not that any council would want to take money out of that area—there is significant demand—but that is set out in the letter and we need to get into the detail of what it means. We have a meeting with the cabinet secretary to do that.

**Councillor Macgregor:** I do not imagine that it would be a problem to share that letter with the committee. We would be quite happy to forward it to you.

**Andy Wightman:** That would be helpful, because the circular makes reference to it.

**Councillor Macgregor:** Absolutely.

**Andy Wightman:** Paragraph 4 of the circular says:

“The terms of this settlement have been negotiated through COSLA on behalf of all 32 of its member councils.”

That suggests that the settlement has been agreed. What does “negotiated through COSLA” mean?

**Councillor Macgregor:** It is not an agreed settlement, at this stage. I can confirm that. The phrase about it being agreed

“through COSLA on behalf of”

32 local authorities relates to the historical decision that the cabinet secretary would not negotiate with councils directly but would negotiate with the negotiating team from COSLA.

**Andy Wightman:** I see.

I will go back to the council tax. The Scottish Government does not set the council tax: by law, individual councils set the tax, so the Scottish Government has no power to impose caps other than by referring to a letter and saying that if councils do not do what it wants, it will sanction them in some way. Is it still COSLA’s position that it disagrees with anyone else telling it what to do?

**Councillor Macgregor:** Yes.

**Andy Wightman:** Moving on to non-domestic rates, there was an interesting change in the budget this year—the introduction of an intermediate and higher property rate in the non-domestic rates structure. Were you consulted on that?

**Vicki Bibby:** No. That will have software implications related to issuing bills. We are in discussion with the Government about that. We were not consulted about the change, which has implications for councils.

**Andy Wightman:** That is quite a significant change in local government taxes that you were not consulted about.

**Councillor Macgregor:** Yes.

**Andy Wightman:** Do you agree with the proposed changes and the introduction of an intermediate property rate?

**Vicki Bibby:** We were not consulted on them.

**Councillor Macgregor:** COSLA does not have a position on that.

**Andy Wightman:** Fine. Thank you for that.

**Alexander Stewart:** You have given us a very good overview of where we are: you have talked about things getting harder and harder each year and you have indicated what councils’ consider to be the implications of the draft budget. Councils the length and breadth of Scotland have already expressed their strong views and opinions about what the budget will mean for the services and the facilities that they provide, and in respect of the commitments that they can make to their communities. It is still seen as a funding crisis—no one is saying that they are getting enough.

The Government has said that its commitments are fully funded. From my discussions, and from

what you have said this morning, it does not seem to be the case that the new commitments that the Government wants you to make will be fully funded by the draft budget.

**Councillor Macgregor:** No, they will not be fully funded. There are £590 million-worth of new commitments and £495 million to pay for them.

**Alexander Stewart:** The Scottish Government has talked about ensuring that there is a long-term financial approach. What reassurances have you had from the Government in relation to sustainability? Will there be a credible process, going forward? Year after year, we stumble from one event to the next. Councils attempt to bridge the funding gap by increasing charges and tax—and all the other things that they can do—but there still are and there still will be major funding shortfalls. Unless there is long-term reassurance, some councils, as the Accounts Commission has indicated, will be in jeopardy.

**Councillor Macgregor:** We know that the cracks are beginning to show. We do not want to be the organisation that always comes cap in hand for more money. However, the level of cuts over the past 10 years is really having an impact on the core services that are at the heart of our communities.

As the committee is aware, there is also more and more ring fencing—or money being vired for specific things. As I have said before, some of those things are incredibly valuable, and we will work with the Government to deliver them. However, the Government has recently stated—repeatedly—that local authorities have control over how we spend 92 per cent of our money. Legally, we do—only 8 per cent of funding is for things that we must deliver—but Government now directs so many policies that we have less and less local autonomy. We need to move back to our having greater local autonomy, with greater ability to spend money where we consider it will have the biggest impact.

**Alexander Stewart:** You have already said that some projects that you have in place might well be in jeopardy: projects that are in your short-term and medium-term financial plans might not happen now because there is a shortfall. That will have consequences. You will not be able to fulfil some of those short and medium-term financial plans because the long-term financial sustainability that would allow you to ensure that they happen does not exist.

As has been mentioned, reserves are being used, but those can go only so far before some councils implode. Audit Scotland and the Accounts Commission have identified that a number of councils are in such dire situations that they could

be put on special measures or require more support in order to sustain their present facilities.

**David Robertson:** A practical thing that the Scottish Government could do to avoid the annual dance is to adopt longer-term financial planning in the local government settlement. On the back of the budget last year, a commitment was made to move towards three-year budgets, so that councils could have greater planning certainty about the resources that would be available. Simply getting an annual statement every year and not knowing how much money we will have to spend on delivery of public services the next year is highly problematic for us. A move to joint three-year budgeting could be really helpful.

**Alexander Stewart:** That would give you flexibility. The Scottish Government has promised that, but it has not materialised, yet.

**David Robertson:** In relation the current settlement, no—it has not, yet.

**The Convener:** I agree that we should have a three-year funding settlement. However, we do not even have the UK budget yet. Given that we are struggling to plan for the current one-off budget, it is a bit difficult for us—and extremely difficult for local authorities—to plan for the long term.

**Councillor Macgregor:** Given that situation, our working closely with the Scottish Government this year has been helpful. We have acknowledged that the delay to the UK Government's budget because of the general election and suchlike has caused problems for us, too, and we have worked constructively with the Scottish Government. We said that we did not require multiyear indicatives at this stage, and that we just need to push on and get the budget through as quickly as possible. Although we need longer-term planning—that is our preference—we have helped to facilitate the budget because we need councils to have certainty as quickly as possible.

**Jim Boyle:** I will add a wee bit to that. We have talked about the financial sustainability of local government generally. We are also seeing the impact of specific budget reductions. For example, if a school closes, we see the impact: the school is no longer there. Some impacts are really in your face, but there are other difficulties below the waterline that affect our ability to push forward how we cope with the financial challenge. Carrying out the digital transformation work and all the other service transformations become so much more difficult because we simply do not have enough people to drive them forward.

10:30

Following our previous appearance before the committee, we provided examples of good early intervention work that is happening across the country. The reality is that not enough of that is happening to enable us to cope with the demand issues that we have discussed. Again, that is because core funding is under so much pressure that councils are struggling just to keep their heads above water and to keep core services going. Therefore, their ability to do more exciting forward planning work is being compromised.

**Annabelle Ewing (Cowdenbeath) (SNP):** Good morning. Earlier, the convener referred to the fact that the UK Government's budget has been delayed until 11 March—that is the latest information that we have. The UK general election was on 12 December 2019. Some three months will have passed between those dates. I think that people will reach their own conclusions about that.

The Scottish Government's budget has to be set against the context of the UK Government's financial processes. Over the past 10 years, the Westminster Government has cut more than £1.5 billion from the Scottish Government's budget. It is therefore important that we recall the circumstances in which we are all operating—to do otherwise would be to look at only half the picture, which I am sure no one would want to do.

Earlier, Kenny Gibson made the point that COSLA, if it wants more money for local government, should say where it should come from. Councillor Macgregor was very forthcoming in making suggestions, one of which was that we should look at international development. However, the budget for such development includes funding for organisations that seek to deepen the ties between Scotland and Malawi, such as the Scotland Malawi Partnership, which does fantastic work in primary schools throughout Scotland. Another example is the Scottish Government's climate justice fund. I do not know whether Councillor Macgregor would seek to cut money from those elements.

**Councillor Macgregor:** As I have said, there are elements that we can look at. My daughter went out to Malawi on a school programme—

**Annabelle Ewing:** It would be a shame to pull up the ladder after your daughter's experience.

**Councillor Macgregor:** Absolutely. I understand the value of such programmes. However, if there are areas to be looked at, an element that would appear not to be devolved to the Scottish Parliament would be a good starting point.

We are aware that the delay in delivering the respective budgets has been problematic, so we

have worked swiftly and constructively with the Scottish Government to map out a framework for this year—and we continue to do so. It is generally acknowledged that the Scottish Government has indicative figures, and it has given us a broad overview of the budget. However, on capital in particular, we are now in the second phase of the negotiations. Post delivery of the UK Government's budget—whenever that might be—we will need to go into a third stage of negotiations with the Scottish Government. We have been very open to that prospect and understanding of the fact that the delay is a problem for all of us in Scotland. We are just trying to do our job, but we are also trying to be flexible.

**Annabelle Ewing:** Sure. Let us go back to the issue of people saying that they need £X and then being asked to say where it should come from. You will be aware that the Scottish Government is spending around £100 million a year to mitigate the hugely negative impacts of Tory austerity that adversely affects the lives of people in local council areas throughout Scotland. Everyone is having to pick up the pieces, including the Scottish Government and local authorities. That is £100 million that we do not then have available to spend elsewhere, which is a real pity.

I turn to ring fencing. When I was looking at the statistics, it seemed that the ring-fenced budget is currently around 8 per cent of the total budget. I do not quite understand what Councillor Macgregor meant when she responded to Alexander Stewart by saying that more and more ring fencing is happening. As far as I understand it, under the previous Labour-Liberal Government, the ring-fenced figure was £2.7 billion, whereas it is now £0.9 billion. That seems to be an enormous reduction, but Councillor Macgregor seemed to suggest that the trend is going in the other direction.

**Councillor Macgregor:** Again, our "Invest in Essential Services" document shows very clearly where that has happened. I ask Vicki Bibby to speak to that in a moment.

I highlight that there is ring fencing—that legal requirement accounts for around 8 per cent of councils' budgets—and there are also policy commitments, policy announcements and the direction of policy from the Government, which have put an enormous amount of centralised pressure on local government.

**Vicki Bibby:** I will give the committee a few examples. As Mr Wightman referred to, the settlement contains a number of conditions that the Government would like local government to honour, such as maintaining the teacher pupil ratio. As Councillor Macgregor said, that is not ring fenced in the settlement in the legal sense;



however, it puts significant restriction on local authorities in relation to not reducing that spend.

This year's financial settlement letter also maintains the contribution to health and social care—that is £4 billion of the settlement that cannot be reduced. Although that is not ring fencing in the legal sense, it does not allow councils to make any changes and it restricts that part of the budget.

New funding options come across to the teams weekly. It is good to have negotiations with the Government. However, in order for the Government to release small pots of funding—initiatives that are worth £2 million and £5 million—it requires significant reporting back on how the funding will be used.

We absolutely understand that, if new funding is given to local government, the minister responsible wants to ensure that they get something for it, but we want to agree what the outcomes should be. We have been calling for that for a long time, but, over the past few years, we have seen a retraction from that approach and a return to having input measures and reporting on funding.

Increasingly, those types of restrictions are in the local government settlement. Although we perhaps do not use the term “ring fencing” in the legal sense to which Annabel Ewing referred, in essence, that is what it means in practice.

**Annabelle Ewing:** I am sure that some of the conversation is sounding quite familiar to everybody; this is, as has been described, our “annual dance”. I, again, make the point that education and social care are core services, so we go round in circles.

The reporting back issue is interesting, and I am sure that you will be pursuing that point with the Scottish Government. Obviously, we want to minimise—to the extent that it is possible—bureaucracy that takes up people's time, and ensure that we monitor outcomes in a way that makes sense for everybody concerned.

Are you confident that the money that has been given to local authorities for the roll-out of early learning and childcare has—in fact—been spent on ELC, or have local authorities managed to use it in other parts of the budget?

**Jim Boyle:** No. It comes to local government as a specific grant and it has to be spent on the intended purposes. There is no ability, or desire, to use it for other purposes.

**Annabelle Ewing:** Is there any creative accounting that could be employed in that regard?

**Jim Boyle:** I do not even know what that term means. [*Laughter.*]

**Annabelle Ewing:** I have to ask the question.

Although I appreciate that it is not where we are at for this year's budget, my last question is about an important issue that I have raised before: the development of a meaningful approach to shared services on the part of local authorities. Where is that debate? Although we raise the issue every year, and shared services seem to be a good thing, if we look across Scotland, there are only a few good examples. I would have thought that they could be exemplars and that additional shared services could be developed.

**Vicki Bibby:** Yes. COSLA's position is the same: where there is a good business case to do so, shared services will be explored. However, we are trying to move that conversation towards a more place-based approach, which is where the real opportunities lie for shared services across public sector organisations.

We are in discussion with the Scottish Government, particularly in relation to the local governance review, about how we can consider place-based approaches to shared services that will align priorities and realise efficiencies in delivering services to communities that are rooted in the place.

**Kenneth Gibson:** Thank you for letting me in again, convener. I know of at least one local authority that will not be making any cuts this year because it has reprofiled its loans from 20 years to 35 years. That has freed up a considerable sum of money, which means that it will be able to fund its transformation programme. Are other local authorities exploring that approach?

**Jim Boyle:** Yes. Because of the changes in the 2016 regulations, we fought long and hard last year for that approach, mainly through David Robertson, with Audit Scotland and the Scottish Government. Most councils will explore that approach, including my council. It is an opportunity that is available to all councils and we will be exploring it. The potential savings that can be freed up from doing it will vary from council to council, but it is actively being pursued.

**Kenneth Gibson:** What will that approach deliver for an average-sized local authority?

**Jim Boyle:** As I said, that will depend on what asset lives each council originally took, but a significant sum could be involved for some councils—it could be hundreds of thousands of pounds, if not millions of pounds. It is a freedom that we welcome and for which we fought hard. We therefore have an obligation to use that power. Councils will look at asset lives and seek to reprofile some of them and extend the debt. It is a live issue for us.

**Kenneth Gibson:** You said that David Robertson has done a lot of work on that. Does he feel that some local authorities are leading the way on the issue and that others are perhaps not giving it as much attention as they should? I would also like to hear from Gail Macgregor what COSLA's role is in pushing for that approach and what resources she feels it could free up across Scotland on an annual basis.

**David Robertson:** There was a long-running debate with Audit Scotland last year about the principle of loans fund reprofiling, and Audit Scotland accepted that what the directors of finance section proposed to do was absolutely in line with the legislation. I cannot cite specific examples of councils, but my understanding is that all local authorities across Scotland are looking at the approach and actively pursuing it as part of their budget process. As Mr Boyle said, the amount of savings that councils can make from the approach will depend on decisions that were taken in the past about asset lives and on how councils are managing their debt profiles. However, my understanding is that all councils are looking at the approach and that it is of significant benefit to councils' general efficiency, mitigating cuts in other areas.

**Councillor Macgregor:** I defer to Vicki Bibby on the matter.

**Vicki Bibby:** COSLA was heavily involved with directors of finance in negotiations with the Scottish Government on the issue, but the fundamental pillar in all those negotiations was the need to take a prudent approach to accounting for what is done. We therefore tried to ensure that there was financial accountability and prudence in councils' looking at their debt profiles.

It would not be the role of COSLA, as a membership organisation, to say to councils that they should or should not take that approach to their debt profiles. COSLA's role is to support councils to have the flexibility to take that approach where it is appropriate, and I think that COSLA did that in conjunction with directors of finance in the negotiations with the Scottish Government.

**Kenneth Gibson:** Surely, if local authorities are successfully taking that approach and freeing up millions of pounds to fund the transformation programme, COSLA might want to highlight that to those of its members that are perhaps a bit more cautious about taking the same approach. Would that not be the case? We have talked about local authorities' shortage of money, but the approach in question is a potential source of money to enable transformation to take place in order to deliver preventative strategies—Gail Macgregor touched on that issue earlier—and make local authorities more efficient in the long run.

**Vicki Bibby:** Absolutely. Hopefully, what we have highlighted to you today is that, because of inflation, demand for services and the need for transformation of services, councils are having to make savings well above the grant cut that they are experiencing. Councils, in conjunction with the Improvement Service and the professional associations, are therefore continually looking at innovative ways of supporting that work.

Councils have to do that, given the budget gap. There is a difference between a cut to the local government settlement and the budget gap, which is a lot bigger—I hope that we have covered that today. Local government needs to bring in all those elements, and it is doing so.

10:45

**Graham Simpson:** This is unusual: I have a question for Mr Gibson, because I did not quite catch what he said. I think that you mentioned a council that does not have to make cuts, because of reprofiling, but I did not catch the name of the council.

**Kenneth Gibson:** I did not mention the name of the council, but I am happy to do so. I understand that it is Clackmannanshire Council.

**Graham Simpson:** Thank you. Mr Boyle, do you accept that, because of its approach, Clackmannanshire Council does not have to make cuts?

**Jim Boyle:** I do not know the detail of Clackmannanshire Council's budget, so I cannot comment on that.

**Graham Simpson:** In answer to a question that I asked earlier, you suggested that all councils are having to make cuts. If Mr Gibson is right, that is not the case.

**Jim Boyle:** I suggested that I would be surprised if more than a small handful of councils were not having to make cuts. As I said, I do not know the detail of Clackmannanshire Council's budget, so I cannot comment on it.

**Kenneth Gibson:** I understand that the council has reprofiled. However, it has not set its budget, so I cannot say for certain that it will not have to make cuts, although I understand that discussions are going on and that that is a possibility.

**Jim Boyle:** I assure the committee that any director of finance who has an opportunity to make a significant contribution to closing their council's budget gap by looking at its loans funds and conducting a reprofiling exercise will seize that opportunity with both hands. However, such an approach will not be the solution to closing the budget gap. It will help, but it will not go anywhere near closing the gap.

**Kenneth Gibson:** Another point to make is that, as you said, each local authority has a different asset base, so going down that road will impact differently on different local authorities. However, I think that the approach offers a significant way forward in helping local authorities.

**The Convener:** You have given us a helpful example. Do other members have comments? Please be brief.

**Andy Wightman:** I want to give the witnesses the opportunity to comment on how the discussions are going with the Government on the local governance review, the fiscal framework, council tax reform and the possible repatriation of non-domestic rates. There is a whole package of potential reform, some or all of which we hope will get us to better and rather more sustainable financial planning in the longer term. How confident are you that such talks are progressing and that, in two or three years' time, there will be a refreshed approach to local government finance?

**Councillor Macgregor:** I sincerely hope that that is the case. We have made very slow progress over the past couple of years, as you are aware. We hoped to make more progress last year, on the back of the previous budget.

We have made significant progress on the fiscal framework. We have written confirmation from Ms Forbes that we will engage and work towards developing a fiscal framework in this parliamentary session. That is a fairly big piece of work to do in the next 14 months, and it is good to have written confirmation that the Government is prepared to work with us to achieve it in the next financial term. We are moving forward with that at pace, which is exactly what council leaders asked for. The progress is very welcome.

**Vicki Bibby:** The Scottish Government asked us to develop the scope of the work. So, in conjunction with professional associations across local government, we have been doing that and, as I said, a paper on the scope of the work is going to leaders on Friday for agreement. We will then share that paper with the Scottish Government.

As in our approach to council tax, COSLA would like to work on a cross-party basis. So, if the scope is approved on Friday, we will be happy to share it with the committee. It is quite ambitious—there are different layers to it in relation to what a rules-based framework would be for the base and the core that we have talked about today, what the package of taxation could be and what innovation element could be allowed. The key point is that we must ensure that all those layers knit together and that we do not just look at elements in isolation.

**Andy Wightman:** Thank you.

**Sarah Boyack:** I have a couple of brief questions. One is on climate change, which I mentioned in my first question and which has come up several times. It is one of local government's four priorities, and it is one of the Scottish Government's priorities, but I wonder whether there is a disconnect.

Major funds are going into addressing climate change through bus investment, active travel and community heat networks, which we mentioned briefly. However, are all of those major capital investment funds, whereas what you need are revenue funds to have the right staff to direct the infrastructure? Is there a disconnect?

Those are immediate priorities, and there is money for them in the budget. You have talked about roads maintenance, cycling, buses and modal shift, but, if the roads are not adequate, that has an impact on the move to zero carbon. What conversations have you had with the Scottish Government about that disconnect?

**Councillor Macgregor:** That is not within my specific portfolio. I deal with the money end.

**Vicki Bibby:** Unfortunately, we have not had detailed discussions on all those bid funds, and COSLA is concerned about bid funds because it can be quite bureaucratic and resource intensive to allocate such funds. Although we welcome additional money to address climate change, the key plank of our essential services document is the systematic delivery of services in a greener way. Local government's general day-to-day services need to be funded.

We are eager to speak to the Government about the detail of what is required by the funds. More often than not, such funds require match funding and we can access them only if they are accompanied by a 50 per cent grant. I do not know whether that is the case, because we have not had those detailed discussions, but if it is, we will have some concerns, given the capital settlement.

However, we do not know what the situation is yet—we will need to explore that through discussion. As Councillor Macgregor mentioned, for some of the grants that have been announced, the sums could span up to five years. We need to understand the profile of that money and how soon it can be accessed.

**Sarah Boyack:** That is very useful. My last question is on Brexit, which has not come up today. There is a forward planning issue in services such as care services, in which we have used a lot of European workers in the past. Where are you in relation to investment from the Scottish Government or planning services regarding staffing and other issues?

**Councillor Macgregor:** Councillors have been very good at being active and proactive right the way through the entire Brexit negotiation process, and we will continue to be. There was an announcement by the UK Government last night on immigration systems and what it refers to as “low-skilled workers”. We will look at that to see what impact it will have on local government.

We have very good teams in COSLA—particularly the migrations team, which cuts across all our policy areas. They will be working very hard to ensure that we have capacity and that we are coping with any potential pressures that are due to Brexit.

**David Robertson:** At a local level, we are acutely aware of the impact that Brexit may have on care workers, for example, and that is an active part of our workforce planning. We have identified European nationals who are living in the area and are involved in work in the care sector, and we are actively planning our workforce arrangements on the back of potential issues that may emerge.

**The Convener:** Andy Wightman touched on this. Have you got any updates to give us on the progress of the local governance review, particularly in relation to any devolution of revenue-raising powers to councils?

**Vicki Bibby:** The local governance review has three elements: community empowerment, functional empowerment and fiscal empowerment. The fiscal framework and the fiscal empowerment work that I just talked about feed directly into the local governance review. I hope to be able to provide an update on that review, depending on where the council leaders go.

**The Convener:** Okay. What about the other two strands?

**Vicki Bibby:** I understand that there was a meeting last night, but I was not there. Discussions are continuing.

**The Convener:** I thank you all for attending. It has been very useful, as always. Enjoy the dance.

10:55

*Meeting suspended.*

10:59

*On resuming—*

**The Convener:** For our next evidence session on the Scottish Government’s budget for 2020-21, I welcome Aileen Campbell, Cabinet Secretary for Communities and Local Government, and Kate Forbes, Cabinet Secretary for Finance. I take this opportunity to congratulate Kate Forbes on her new role. The cabinet secretaries are supported

by the Scottish Government officials Graham Owenson, team leader for local government finance, local taxation policy and business rates; and Shirley Laing, director for housing and social justice.

In this evidence session, there is an opportunity for the cabinet secretary to respond to some of the issues that were raised about the local government budget in the earlier evidence session and to answer questions on any other matters that are relevant to the committee’s remit, including the housing budget. I invite both cabinet secretaries to make opening statements.

**The Cabinet Secretary for Communities and Local Government (Aileen Campbell):** Thank you for inviting me. I am pleased to be here alongside the Cabinet Secretary for Finance and to be supported by Shirley Laing and Graham Owenson.

Despite the challenges that the Scottish Government has faced in setting out its draft budget, we have secured significant investment for the communities and local government portfolio so that we can maintain our focus on creating a fairer Scotland by tackling inequality and reducing child poverty; ensuring the provision of accessible, affordable and energy-efficient housing; and promoting community empowerment.

I will highlight a few of the commitments that we have made in the budget. Child poverty is a key focus for me and for the Government, and the budget sets out new spending of £21 million for the Scottish child payment, which will be worth £10 per week per eligible child. The first payments will be made by Christmas this year for children under six. In addition, the budget offers enhanced support for a wide range of other programmes that tackle child poverty.

Housing is a key component of Scotland’s infrastructure and we aim to publish a new infrastructure investment plan and the capital spending review by June 2020. To support our communities, I am delighted to confirm that we are investing more than £843 million in 2020-21 for our commitment to deliver 50,000 affordable homes in the current session of Parliament. Following the committee’s pre-budget scrutiny, in which it heard that stakeholders were looking for certainty to be provided for the continuation of funding for affordable housing, I am pleased to confirm that we are committing a further £300 million for 2021-22, ahead of the spending review, to ensure that delivery of affordable housing continues once the 50,000 target is reached.

Regeneration spending is also increasing, with an additional £5 million being invested in the regeneration capital grant fund, which is managed jointly by the Scottish Government and COSLA.

That will restore RCGF spend to £25 million in 2020-21.

There has been a major increase in funding to support our efforts to tackle fuel poverty and improve the energy efficiency of Scotland's homes, with £18 million of support provided through the climate emergency package, alongside £119 million for our existing programmes.

I have also increased the planning and building standards budget line to ensure that we learn lessons from the Grenfell tragedy and to implement the changes that are needed to support implementation of the Planning (Scotland) Act 2019 and the development of our fourth national planning framework. That will be aligned with wider infrastructure investment programmes for long-term sustainable development and will set out our long-term planning response to the global climate emergency.

That is a brief summary from my perspective. I look forward to the committee's questions.

**The Cabinet Secretary for Finance (Kate Forbes):** I have just a few comments to make that are largely to do with the context in which we find ourselves in terms of the finances and timescales around the budget process. It is important to set the wider context of the budget challenges and obstacles that we face.

As committee members will know, from 2010-11 to 2020-21, Scotland's discretionary resource budget—the money being spent on day-to-day services—is 2.8 per cent, or £840 million, lower in real terms. After removing the uplift in health funding, our fiscal resource budget allocation in 2020-21 is lower in real terms than it was last year.

In coming to our decision to announce the Scottish budget in advance of the UK Government's budget and before the outcome of those budget discussions was known, we listened carefully to COSLA's representations on behalf of local government about the damaging impact that any further delay would have had on councils' ability to set budgets. There were obviously implications for ratepayers and council tax payers.

Our decision meant that we published our budget in advance of the UK Government's budget. However, that has implications, because we still do not have guarantees on what total budget might be available to Scotland next year. Our assumptions on Barnett consequentials are based on provisional economic forecasts and we have taken decisions on devolved tax policy without knowledge of future UK tax policy. A lot of the anticipated consequentials that we have baked into the budget are based on the Tory party manifesto for last December's election. Despite all

that, the budget is focused on our four key strategic aims: improving wellbeing, supporting inclusive economic growth, responding to the global climate emergency and tackling child poverty.

This year, we have delivered a funding package of £11.3 billion for local authorities, which is an additional £494.4 million for our vital day-to-day services and is a real-terms increase of 3 per cent. That builds on our funding to local authorities last year. Alongside that increased revenue funding this year, there will be the flexibility to increase council tax by up to 3 per cent in real terms, which is 4.84 per cent in cash terms. Taking those things together, councils have the potential to access an additional £629.3 million of revenue funding for essential front-line services.

The Scottish budget allocates every penny of our available revenue and capital. In doing so, it makes assumptions on the basis of anticipated consequentials. I hope that that gives a helpful summary of some of the uncertainties over timescales and funding, and of our approach in endeavouring to provide additional certainty to local authorities.

**The Convener:** Thank you. I am delighted that our letter of 31 October had some impact on what the cabinet secretary has put in the budget. You say that there is an increase in the budget but, as you may have heard from our previous witnesses, COSLA and SOLACE say that there is a shortfall. Will you square that circle for the committee?

**Kate Forbes:** The key tables in the budget document in that regard are 6.14 and 6.15, on pages 80 and 81. I know that the committee will scrutinise me on the figures, but I have been clear that the headline budget figure is a real-terms increase of 3 per cent. The total revenue settlement elements for 2020-21 are set out in table 6.11 and 6.14, with the comparable 2019-20 figure, which is £10.1 billion. That is where my figure of a cash increase of £494.4 million, or 4.9 per cent, comes from. The equivalent real-terms figure is £303.4 million, or 3 per cent. I can break that down, if there are additional questions about the capital and revenue elements.

I know that COSLA's position concerns a figure of £95 million, but the figures that I have cited are based on the overall revenue funding that will be available to local authorities, compared with the current year.

**The Convener:** What do you make of COSLA's claim regarding the £95 million?

**Kate Forbes:** We have increased the local authorities' budget in cash and in real terms, as is clear from the figures. We are mindful of some of the pressures that local authorities face, particularly around the inflationary increase to

teachers' pay and social care, and we have funded our commitments in that regard. There is support for teachers' pay and pensions, and we are funding commitments on early learning and childcare. There is additional funding of £100 million to support investment in health, social care and mental health services, as well as an additional £201 million of revenue and a further £121 million of capital to meet commitments on expansion of early learning and childcare services. Therefore, as part of the budget settlement, we are funding the key pressures that COSLA has identified.

**The Convener:** If the settlement is as generous as the Government has said, why are so many local authorities planning cuts to services?

**Kate Forbes:** When it comes to generosity, I opened my remarks by setting the context. In this year's settlement, if all the parties agree that we should pass on the health consequentials in full—although they might not—the Scottish Government faces a challenging funding circumstance. Our job is to protect our priority areas, and local authorities are a priority, because we work in partnership with them to meet commitments. The education and social care services that we are talking about are as much local authority core services as they are Scottish Government priorities.

To caveat my remarks, I am not saying that this is an easy budget. However, we believe in protecting the health service after a decade of austerity and we have done so by passing on consequentials in full. We have then tried hard to mitigate austerity, particularly when working in partnership with local authorities.

**The Convener:** I accept your description of "generous". However, if local authorities are getting an increase, why are cuts required?

**Kate Forbes:** The bottom line is that local authorities have autonomy. Ring fencing is a big topic of debate. We have cut it so that, in 2020-21, local authorities will have autonomy over 91 per cent of their budgets. We meet regularly with COSLA as part of budget negotiations and budget meetings. I am sorry that I did not hear the earlier evidence in full, but I am sure that the witnesses identified pressure points around inflationary uplifts for teachers' pay and social care. In the budget settlement, we have clearly set out that we are funding those pressured areas.

To ensure that local authorities have sufficient support to deliver their other services, we have also allowed for an increase in council tax of up to 4.84 per cent, which is £135 million. Comparing the £95 million that COSLA has identified with the £135 million that local authorities can take in council tax, I believe that the settlement is fair and that it funds our partnership work on core

commitments and allows local authorities the autonomy to make decisions with their other funding.

**Aileen Campbell:** The Scottish Government and local authorities are aligned to the national performance framework and, for instance, want to tackle child poverty. Collectively, the Scottish Government and local government are having to spend money to continue to mitigate 10 years of austerity and the worst impacts of welfare reform. Imagine what we could do if we did not have to mitigate decisions that have been taken elsewhere by another Government and if we did not have to use the £110 million to mitigate the worst impacts of welfare reform. The £95 million ask from COSLA becomes clearer in that context. We could make other decisions if we did not have to do those things on behalf of the people of Scotland, which both national and local government agree are the right things to do.

**Sarah Boyack:** I welcome the cabinet secretary to her new role. Last week, when the Finance and Constitution Committee interrogated the cabinet secretary, she said in response to questions about local government that Scottish local authorities were not "collapsing".

**Kate Forbes:** I did not say that—I quoted Gail Macgregor.

**Sarah Boyack:** That sets a low bar. The cabinet secretary mentioned the impact of 10 years of austerity, but today we heard feedback on the disproportionate cuts to local government. It feels like there is a disconnect. Jim Boyle, the CIPFA chair, talked about local authorities

"struggling ... to keep their heads above water"

and about non-core services being disproportionately cut.

That feeds into the Cabinet Secretary for Communities and Local Government's agenda on preventative care. We have talked a lot about social care. Does the cabinet secretary believe that we will see an end to delayed discharge because of the Scottish Government's extra investment in social care that goes through local government?

**Kate Forbes:** I certainly believe that we should prioritise investment in social care, which is what we have done in the budget, for the reasons that the member set out, such as the importance of preventative spend in order to help with the health budget.

That goes back to the core point. To be clear, I was quoting what the COSLA spokesperson for finance said—to this committee, I think—about the fact that, while councils in England and Wales were collapsing, that is not the case in Scotland.

We intend to continue to support local authorities to deliver key services.

11:15

That is why the context is important with regard to the point about health. The Scottish fiscal resource budget is showing a 2.7 per cent increase from 2013-14 to 2020-21. If we remove the health consequentials, that goes to a negative figure: a 7.7 per cent real-terms reduction for all remaining fiscal resource budgets. Against that, the local government real-terms resource reduction of 3.7 per cent clearly stands up well.

I am not saying that the budgets are easy; I am saying that they are difficult budgets, because we are setting them after a decade of austerity. We were promised the end of austerity in 2018, and it was not delivered. We were promised the end of austerity in 2019, and it was not delivered. We have again been promised an end to austerity on 11 March. We will not have any guaranteed consequentials until then and, as I said at the Finance and Constitution Committee, engagement between the Treasury officials and the Scottish Government has amounted to their referring us to the Tory manifesto.

That wider context has meant that we have used our resource to prioritise areas of maximum pressure. We know that social care is an area of significant pressure and, in this year's budget, we have built on the total transferred from the health portfolio to support health and social care integration, bringing that to £811 million next year.

**Sarah Boyack:** When I asked Gail Macgregor a similar question, she said that local government would like more access to funding for social care. At the end of the session, David Robertson spoke about the impact of Brexit on staff recruitment. In previous evidence sessions, we have discussed the delivery of social care, IJBs struggling to break even, budgets not being set, senior staff moving on and so on. That brings me back to my question. Will the extra money address the delayed discharge issue? Gail Macgregor said that local authorities need more resources to fund social care, because of increasing demands.

**Kate Forbes:** That point was well made by COSLA during negotiations. I keep going back to the £100 million transfer from health to local government to deal precisely with that issue, because we recognise that that is an area of pressure. At a time when we are all agreed that we want to continue to fund our health service, and we are providing record funding again next year, there is clearly an important role in supporting local authorities, through the integration joint boards, to play their role. That transfer of £100 million from health to social care endeavours

to deal with that, and my sincere hope is that it reduces delayed discharge.

**Sarah Boyack:** What outputs have been discussed in relation to your expectation that that will be delivered across the country?

**Kate Forbes:** That is more a question for health, because it involves joint work with that department. Aileen Campbell might have something to say.

**Aileen Campbell:** The specifics would be properly dealt with in the form of written responses to those questions from the Cabinet Secretary for Health and Sport. For by the money issue, work is going on in relation to the challenges around staffing and retention issues and improving workforce planning. It is worth noting the wider context of Brexit, too. Alongside the discussions about how much money is required in order to make things work better, work is going on through the national health and social care workforce plan to address some of the issues around recruitment and retention, which are vexing for many local authorities, and to ensure that there is more fairness in the social care workforce.

**Sarah Boyack:** It would be useful to have those written responses because, when the issues came up in the previous evidence session, Councillor Macgregor said that she thought that more resources were needed for social care to enable authorities to deal with the demand that they have.

**Aileen Campbell:** We can follow up with more specifics from the Cabinet Secretary for Health and Sport on some of the work that she is taking forward. Since October 2016, we have provided resources to enable adult social care workers to be paid the real living wage. There is a recognition of the challenge and the need to work on that collaboratively to address it. Given that the specifics stem from another portfolio, we can ensure that you are furnished with the more technical detail later.

**Sarah Boyack:** My follow-up question is about cuts to non-core investment in things such as libraries, sport, community facilities and environmental health, which are all examples of the preventative investment in our communities that we are seeking. It came out strongly from COSLA's evidence this morning that there is a legacy of cuts to such things and that this budget would see yet more cuts. As Cabinet Secretary for Communities and Local Government, to what extent are you concerned about that? You have made poverty reduction one of the priorities—rightly so—yet those cuts would undermine the community resilience that is at the heart of that.

**Aileen Campbell:** Kate Forbes has outlined the day-to-day increase for councils and their spending capabilities. Local authorities will be able

to look at their priorities and apply that increase where they think is best.

We have worked pretty closely with COSLA and the Cabinet Secretary for the Rural Economy on issues such as environmental health because of the pressing concerns that we have about the impact of Brexit and to understand what the landscape will be post-Brexit. I agree that there is further work to be done on such issues. I also point to the fact that another workforce that will be similarly affected is in building regulations, standards and planning, which is why we are looking to increase that in my portfolio, so that we can take into account lessons from Grenfell and ensure that we are geared up to implement the new Planning (Scotland) Act 2019. We continue to work with COSLA and the local authorities on some of those workforce needs. Although we know that the context is challenging for us all, the increase to the local authority budgets means that they will be able to deploy their priorities as best they can. We will continue to work with them to tackle our shared agenda on child poverty.

If we did not have to spend as much to mitigate some of the poor choices of the UK Government, some of that money could be spent with much more impact on the wellbeing of our communities.

**Kate Forbes:** I am sure that you will have heard the evidence about the pressures on local authorities. Education and social care are two areas where there are particular pressures and where it is important that our decisions on the settlement are seen in that context. There is a lot of discussion about what is core and what is non-core, but core council services such as education and social care are the ones that we have intentionally ensured that we help to fund as part of this year's budget. Local authorities have the autonomy that I mentioned earlier, and there has been a significant reduction in ring fencing.

The process throughout the budget, through our meetings with COSLA has been to help us to understand where the core pressures are. COSLA's opening pitch in the press has been a call for an additional £1 billion of support, but there is not an additional £1 billion of support in our funding, so, with the funding that we have, to meet the most significant pressures, we have decided to prioritise investment in education and social care, which is where local authorities are seeing the biggest pressures.

**Sarah Boyack:** That goes back to the convener's first question about cuts. Cuts are being considered in the council areas and region that I represent in relation to music tuition and education. There will be cuts coming through our councils even in core protected areas. It is a very challenging time for local authorities.

**Kate Forbes:** It is a challenging time for us all. There are inflationary pressures across the board and our funding settlement is still very poor in comparison with what it was 10 years ago. Over that period, we have done what we can, through identifying specific pressures and funding them or working in partnership with local authorities, to support local authorities to deliver their services.

I do not know whether you are going to come on to capital budgets later on. There is more that can be said about capital funding in that context.

**Graham Simpson:** I will follow on from what the convener and Sarah Boyack asked about. Let me start with this question: do you accept that what we heard earlier is that most, if not all, councils will have to make cuts over the next year?

**Kate Forbes:** I accept that we are operating in very challenging fiscal environments. This has not been an easy budget for anybody. Looking at the potential funding settlement that Scotland will get on 11 March, we have built in anticipated consequential of £142 million in revenue on the basis of the spending review. If we factor in the £635 million of uplift for health and £120 million of the anticipated consequential going straight to health, our resource still shows a real-terms decrease. It is in that context that we have provided a funding settlement to local authorities that seeks to mitigate austerity. My key line is that we have deployed every penny on the face of the bill. If one line should go up, we need to be clear as to where it is coming from.

Sarah Boyack made the point well that we need to support local authorities with IJBs and their joint work on social care, which is why that additional £100 million is moving from health to social care. However, we cannot get away from the context when we are talking about local authority finance.

**Graham Simpson:** My question was whether you accept that most councils will have to make cuts this year.

**Kate Forbes:** That is entirely a decision for local authorities.

**Graham Simpson:** But do you accept that that is what will happen?

**Kate Forbes:** I do not accept that that is what will happen, no.

**Graham Simpson:** That is what we have been told.

**Kate Forbes:** I engage directly with COSLA, which has identified what it would like to see in next year's budget. There is not £1 billion of resource for me to give to local authorities. The Parliament would have to take a decision on what it believes are the priorities—if that £1 billion is going to local authorities, it is coming from



somewhere else, so my question would be “From where?”

**Graham Simpson:** It sounds like you do accept it.

**Aileen Campbell:** I suppose in the same way that the Conservatives accepted during the recent debate in Parliament that our budget has been cut.

**Graham Simpson:** There is a gap between what COSLA says that it needs and what it has been given. COSLA says that there is a core revenue budget cut of £95 million—that is where the £95 million comes in. It also mentions capital, which the cabinet secretary mentioned, where there is a £117 million cut.

The upshot is that COSLA is asking for money, and the reality of the political arithmetic is that you need another party to come on board in order to get the budget through. My reading of the situation is that all the other parties are asking for more money for local government—I think that I am correct in saying that. Without getting into a point-scoring exercise, is there some flexibility in all this?

**Kate Forbes:** The nature of getting a budget through requires compromise—that is the bottom line. Although I have been meeting every party, I do not necessarily want to do budget negotiations in a committee meeting.

**Graham Simpson:** Nor do I.

**Kate Forbes:** I recognise that there will have to be compromise. However, my line throughout has been that, if anybody believes that one aspect of the budget should increase, which I am delighted to talk about, we have to be clear about where it is going to come from.

**Graham Simpson:** Okay.

I will ask about a different area that might be useful: the budget for homelessness. The Government provides money to councils to tackle homelessness. Yesterday, a press release from the Salvation Army stated that the draft budget makes available £50 million for the ending homelessness together fund but that councils have submitted proposals for £130 million of spending on homelessness. You will be aware that my party—I do not like to make things party political in this committee—has asked for an extra £10 million for the ending homelessness together fund. It looks like we might be a bit short there. We all want to tackle the issue. Is there any flexibility there given that what councils asked for—maybe this is always the case—is more than they will be given?

11:30

**Aileen Campbell:** In the same way that Kate Forbes answered your question on increases in particular budget lines—given that the full amount that we have has been deployed in the budget document—if the Conservative Party ask is for an additional £10 million, there would need to be a discussion about where that would come from.

There is unanimity across the Parliament on wanting to tackle homelessness. We have a suite of measures that is considered to be the strongest set of rights in the world for homeless people. That has not been created just by the current Government but has been there since the Liberal-Labour Government. The ability to look at and tackle this issue has been a real benefit of devolution. We cannot be complacent—although people have those strong rights we need to make sure that that is their experience on the ground. We have a long way to go to make sure that we tackle homelessness effectively.

Alongside the money, a culture change is required in how services are delivered. That sits alongside the work that Joe FitzPatrick is doing on tackling addiction, some of which supports mental health and trauma-informed services. It is not necessarily always about additional funding; it is about how we use the funding that is in the system to better deliver services to people who experience or are at risk of homelessness. The best way to tackle homelessness is to stop it happening in the first place.

There is a huge amount of on-going work in partnership with other organisations to tackle homelessness and rough sleeping. I am also taking forward work on how we identify and have more of a steely focus on female homelessness, because that does not necessarily come through in some of the data that we collect and is, of course, very much aligned with domestic abuse.

If there is further discussion to be had on that, we are happy to have it, but the principal point is that, if people want to see an increase in a particular line, there has to be a decrease in another. Negotiations are on-going and, if you want to make that pitch, I am sure that Ms Forbes will oblige.

**Kate Forbes:** It is a good example of an area that has been mentioned by the committee in the past to do with outcomes and the national performance framework, and how we cannot look at particular budget lines in isolation from other areas. Issues of social justice, rehabilitation and homelessness also need to be looked at in the round to see whether the funding that is invested is delivering the outcomes that we want to see, rather than just preserving budget lines for their own sake.

**Aileen Campbell:** I know that we mentioned the work that Joe FitzPatrick is doing and there is also the work the Clare Haughey will be taking forward on mental health—we have also had the care review, so there is a suite of things that we need to make sure are working well together and are not pigeonholed into particular silos. We need to understand the needs of individuals and how we can deploy and marshal that money in the best way, as Kate Forbes outlined, to deliver the outcomes that we all agree we should be seeking to achieve.

**Graham Simpson:** That is encouraging. You are absolutely right that there are a lot of policy areas that are interlinked here. Spending on homelessness is one of those areas where we can end up saving money and have a much better outcome as well. Another area that the committee has looked at several times—we questioned Aileen Campbell on it last year—is spending on adaptations. That budget has not moved in seven or eight years from £10 million. Again, if you increased that budget, you could end up with savings in another area. The committee's view every year—I am not misquoting the committee—is that there should be more money for adaptations.

**Aileen Campbell:** Again, in the wider context of what is quite a challenging budget, we worked hard to maintain that budget line, recognising its importance for enabling people to live independently or to live at home, and also recognising the keen interest that the committee has had in the issue. However, that funding pot should not be viewed just on its own, because there are other funds—for example, Edinburgh and Glasgow have the transfer of management of development funding budget that they can deploy and there is also funding that registered social landlords use. Alongside that, there is the delivery of housing, because we need to ensure that what we are building is adaptable to cope with the ageing demographic. We have committed to reviewing the housing for varying needs design guide and taking forward that bit of complex work so that we can ensure that our housing stock is fit for purpose for the needs and challenges that will increase as the population ages.

There is on-going work on that, because it is recognised that the bits and bobs of money that sit around different parts of the system are possibly not being deployed in the best way. We are committed to continuing to look at that and delivering something that people might feel a bit more comfortable with. However, we have worked hard to try to maintain that budget line for adaptations in the context of a challenging budget.

**Graham Simpson:** Yes, but I just think that it is disappointing that we have this conversation every year.

**The Convener:** On that point, both the cabinet secretary and Graham Simpson talked about lots of different pots of money or different portfolios dealing with the same issue. It is good to hear that they are all working together, but how does that work in a budgetary sense? How can we get clarity on that? For example, all that we see in the budget for adaptations is £10 million, but the cabinet secretary said that more than that is being spent on adaptations. How do we see that from a budgetary point of view? Further, is this not what IJBs should be for? Should the Government not try to get some money from the health service for adaptations? Should that not be clear?

**Kate Forbes:** I will speak to the question on the budget process. As I understand it, your question is about transparency and the accessibility of information. Working collaboratively with the Finance and Constitution Committee, we have had the budget process review group looking at ways in which we can improve not only the budget process itself but information about it. My offer to the Finance and Constitution Committee will always be that, if it thinks that further information would be helpful to bring greater clarity to certain budget lines or certain aspects of the budget, I am happy to consider that. I am also happy to do that for the Local Government and Communities Committee.

My second point is about outcomes, which I know I keep going on about. However, the mini-reshuffle in the Government this week means that Ben Macpherson is now the Minister for Public Finance and Migration, and two areas that he will now look at are wellbeing and climate change. I am very keen to look at how we demonstrate clarity from the beginning of the budget process to the outcomes, so that we can see a more linear link from inputs to outcomes. That is challenging to do when multiple budget lines are involved. We can see that most clearly in the health budget when we consider low-emission zones, which involve local authorities, transport, health and other areas. Similarly, the resource for adaptations is very much a key issue for IJBs, as the convener indicated, because it brings together the two partners in that relationship. However, I am very happy to revisit in future with the Local Government and Communities Committee either of those two offers of more information.

**The Convener:** That would be good because, at the end of the day, it looks to us that just £10 million has been spent on adaptations, but clearly there are other sources of funding for that.

**Aileen Campbell:** Absolutely. There are a number of lines that you would probably look at

and think that they had gone up or down, but that would miss the full context. It is a challenge, and how we address that will not be an exact science. However, the discipline of government is to acknowledge, in the policy context, that we have to work across portfolios. Using the principles of the Christie commission, and asking people to disregard professional boundaries, we need to ensure that we focus on outcomes. That is the ongoing, wider public sector reform work.

We have to ensure that that is how we do business in the Government. For instance, I will not be able to tackle child poverty on my own, with my portfolio; Mr Swinney will have to do what he can with education and Ms Freeman will have to do what she can with her health spend. Throughout the Government, we need to be mindful of our collective agreement to reach the very stretching child poverty reduction targets. That is why the critical child poverty lines that have been applied to the budget—the themes of wellbeing, child poverty and inclusive growth—have been particularly important this time. We need to ensure that we work across portfolios, where we can and as best we can, to deliver the outcomes that the people of Scotland want us to deliver.

We are, and will be, working with IJBs, local authorities and registered social landlords to create a model in which IJBs take responsibility for assessing and evaluating the installation of adaptations. That takes a bit of time but, at this point, and within the context of a challenging budget, we have maintained the £10 million for adaptations. I am happy to have further discussions if people want to, but that is not the full picture, and it is important that we also make the housing that we are providing in the here and now work for the future challenges that we will face.

**The Convener:** I appreciate that, but it would be good for a committee such as ours to get the full picture of what is being spent on adaptations.

**Andy Wightman:** I want to ask about the core disagreement between the Scottish Government and COSLA. According to COSLA, it has £495 million to pay for £590 million of new commitments. Kate Forbes said in her opening remarks that the Government has funded its commitments, but COSLA does not agree. If it is your position that you have funded your commitments, and if it is the case that there is £590 million of new commitments, why is only £495 million going towards paying for them?

**Kate Forbes:** I should say that those are COSLA's figures, not mine. My argument would be that some of the services that local authorities are identifying as new commitments are core council services.

**Andy Wightman:** Which ones? Can you identify any for me?

**Kate Forbes:** The commitments around social care are where that is seen most starkly, because—

**Andy Wightman:** Is that the £25 million for the living wage?

**Kate Forbes:** Yes, or you could use it in the round and say £100 million. We want to ensure that that £100 million goes to the areas where there is maximum pressure on social care. There have been some discussions about flexibility, and COSLA would like to see more flexibility in how that £100 million is deployed. We believe that there are significant pressures on social care, so that money is for social care.

In my view, whether it is central Government or local government, we have funded our commitments to provide education, ensure that teachers are paid, meet pension costs and ensure that carers are paid adequately. I believe that, at the end of the day, those are core local authority services, too.

**Andy Wightman:** You would not call them new commitments from the Scottish Government. You are saying that you want to direct that social care funding in a certain way and that it should come out of core budgets. Is that your position?

**Kate Forbes:** I think that most of us are aware of where the pressures are in local authority services, and we have supported and helped local authorities to deal with those pressures through this funding settlement.

11:45

**Andy Wightman:** The circular says that the local government finance order is currently scheduled for publication on 19 February, which is today. Is it being published today?

**Graham Owenson (Scottish Government):** Yes, it is being published today.

**Andy Wightman:** Has it been published?

**Graham Owenson:** I cannot tell you. It will be published today.

**Andy Wightman:** I look forward to seeing that. Given that the order is before Parliament, can I take it that the circular that went out to COSLA on 6 February has been agreed? Are the numbers the same as in the settlement?

**Graham Owenson:** They are.

**Kate Forbes:** Are you asking whether they are agreed with COSLA?

**Andy Wightman:** Yes.

**Kate Forbes:** In a sense, there is no requirement for COSLA to accept or reject the estimate.

**Andy Wightman:** It does not need to stick by your council tax cap, for example.

**Kate Forbes:** We set an expectation on council tax levels in the manifesto on which we were elected, and we have provided local authorities with the flexibility to increase it by up to 3 per cent in real terms. I believe that this is a fair local government settlement in the circumstances. As in recent settlements, there are no sanctions attached, so there is no reason for a local authority to accept or reject that flexibility.

**Andy Wightman:** You said that you have “allowed” an increase in council tax. Of course, you have no authority to allow any increase or decrease.

**Kate Forbes:** Any increase is capped at up to 3 per cent in real terms.

**Andy Wightman:** It is capped, but you have no authority to impose such a cap, because, under section 93 of the Local Government Finance Act 1992, band D council tax is set by local government, not by the Scottish Government.

**Kate Forbes:** Our expectation is that it will be capped.

**Andy Wightman:** It is an expectation. The order is being published today and you have an expectation that council tax will be capped, but there is nothing to prevent a council from increasing its council tax by, say, 5 per cent.

**Kate Forbes:** If a council wanted to go down that road, there would certainly be discussions with local authorities and with COSLA, because we believe that the funding settlement, as it stands, is fair.

**Andy Wightman:** Councils may take a different view, given the demands on them and inflationary pressures.

**Kate Forbes:** We will visit that issue if it emerges, but my expectation is that it will not.

**Andy Wightman:** The key difference between this year and last year is that you do not have formal agreement of the circular from COSLA in advance of publishing the order.

**Kate Forbes:** Graham Owenson may be able to speak more on that issue, but there was no formal agreement last year.

**Graham Owenson:** For the past couple of settlements, COSLA has not been required to formally agree to the settlement; it is required only to say if it is rejecting it. There is no requirement for COSLA to agree to it.

**Andy Wightman:** So, it is a matter of semantics if a council rejects the agreement.

Let us move on. The budget has introduced a new intermediate rate of non-domestic rates. Did you consult COSLA about that change to its own tax?

**Kate Forbes:** As part of the budget process, we engage with, meet and discuss the budget with COSLA. The contents of those conversations are private.

**Andy Wightman:** Did you consult COSLA over the introduction of an intermediate rate of non-domestic rates?

**Kate Forbes:** There would have been no formal consultation.

**Andy Wightman:** Was there an informal consultation?

**Kate Forbes:** I am afraid that I was not involved in those conversations, so I can neither confirm nor deny whether there was. A host of different areas would have been covered in those conversations with COSLA.

**Andy Wightman:** This morning, COSLA said that there was no consultation.

In setting the context for the budget, you said that we should assume that the health consequentials should go to health, but the Scottish Government does not always pass on consequentials in the same budget line. There was a dispute about Brexit funding not being passed on. You are making choices.

I understand that the Scottish Government has manifesto commitments on NHS expenditure. However, in the previous panel session, we heard from COSLA that, although work is under way in the integration joint boards and social care, the wider context in health is about preventing people from getting into situations in which they require to call on the services of the NHS. There is a long-standing commitment to moving forward on preventative spend.

COSLA’s view was not fixed, but it illustrated the fact that a lot of the core services that local authorities deliver are designed to help people’s health and wellbeing. Therefore, it should not be automatically assumed that health consequentials should go to the NHS.

The NHS deals with people when they are sick, but should you not at least consider whether as much of the health consequentials as goes to acute services should go to preventative spending and keeping people healthy in the first place?

**Kate Forbes:** That is a really important point. The first part of your question is absolutely right—there is no requirement for us to use

consequentialists in the way that they have been given to us. It is a political choice to pass on health consequentialists in full to our health service. However, my understanding is that most—if not all—parties in the chamber agree with that decision.

Mr Wightman is shaking his head. I agree with the point that he makes about the need to support local authorities. That is why, again in this year's settlement, there is a transfer from health to local authorities, to help them to provide social care. I think that the principle stands. I have no dispute with the principle of using the health money to tackle the most pressing issues in health and social care.

**Andy Wightman:** We are clear on that transfer for social care. The point that I am making is that there is a broader question of wellbeing—people leading healthy lives and being able to access leisure facilities, people having good environments to live and grow up in, children having decent access to green space, and all the rest of it. Those are things that you cannot fund directly, as it were, but if councils have to make cuts in leisure services such as libraries, parks and recreation facilities, that has an impact on the quality of people's lives. We have seen evidence of that in relation to green spaces, for example.

I am asking you that broader question. Although you can allocate some money to social care, it is not necessarily the case that all parties are in agreement. I am not making any commitment on behalf of the Scottish Greens, but we would like to see more health spending being preventative spend.

I know that that is difficult when there is acute demand and there are political pressures and commitments. However, I presume that, if one accepts that principle, one accepts the principle that health consequentialists could legitimately go to areas of expenditure other than the NHS in order to achieve a healthier population, which is an outcome that we all want.

**Kate Forbes:** I can see that argument until I stand up in the chamber and other parties condemn me for moving money from front-line health services to parks.

**Andy Wightman:** I absolutely understand that, but we cannot, on the one hand, agree that we want to implement preventative spend and follow Christie's recommendations while, on the other hand, hiding behind the fact that it is difficult to stand up for that.

**Kate Forbes:** I am not hiding. We have made it clear that, in this year's budget, we are delivering record funding of £15 billion for health and care services. The figures are in the budget, but I will break them down. There is additional investment

of £454 million in front-line boards, full funding of pension contributions, an additional £100 million for social care costs and over £100 million to support primary care services.

If any party believes that I should move money from front-line health services to other areas, it is perfectly within its rights to make that argument. However, I cannot see myself having an easy time in or outwith the chamber if I consciously move money from front-line health services such as acute services and social care into those wider areas—which, incidentally, we continue to fund. The active travel budget is up this year.

It is not that we are funding health to the exclusion of all else. We are trying to deploy our funding as best we can while recognising that there will always be areas that would like more resource.

**Andy Wightman:** Okay. I will move on to my final question.

In its financial overview, the Accounts Commission observes that, between 2013-14 and 2018-19, local government funding underwent

“a more significant reduction than the rest of the Scottish Government budget”.

Scottish Parliament information centre analysis shows that, between 2013-14 and 2020-21, local government revenue reduced by 3 per cent in real terms while Scottish Government revenue increased by 2.8 per cent in real terms over the same period. Do you agree with those analyses?

**Kate Forbes:** I will not repeat my earlier answer to Sarah Boyack, but the Scottish fiscal resource budget shows a 2.7 per cent increase from 2013-14 to 2020-21. I do not want to keep going back to this point, but, if health consequentialists are removed, our fiscal resource budget shows a 7.7 per cent real-terms reduction in all remaining fiscal resources. In that context, the local government real-terms resource reduction of 3.7 per cent clearly stands up well and demonstrates that we have sought to protect local government, as far as we can, with the resources that are available to us.

**Kenneth Gibson:** How have local government budgets in Scotland managed to stand up, compared with those south of the border and in Wales?

**Kate Forbes:** I do not have specific figures, but I have looked at the cuts in England and Wales and at the comments that have been made on those cuts. As I said, one such comment is that local authorities in England and Wales are said to be “collapsing”, whereas those in Scotland have challenging decisions to make. We are working in close partnership with Scottish local authorities to support and protect them in their delivery of the services on which people rely.

**Kenneth Gibson:** The Scottish Government is clearly striving to protect local government services, but there remains the nagging issue of the figure of £590 million in core funding that is required versus the £495 million that is available. In our evidence session earlier this morning, I asked Councillor Macgregor whether COSLA and the Scottish Government are not coming at that issue from different directions. She said that the figure of £590 million had been agreed between COSLA and the Scottish Government. Is that the case?

**Kate Forbes:** Members should bear in mind the fact that I do not dispute the challenges that local authorities face. However, that shortfall of £95 million is spread over 32 local authorities, and the settlement does not include the potential council tax uplift of £135 million.

We have tried to support and protect local authority services from the inflationary pressures that they have identified, and to fund them. On the funding commitments that have been made on pensions, over which local authorities have no control—policy decisions on pensions are made not by them but by the UK Government—we have again sought to help them to fund such costs.

**Kenneth Gibson:** When I asked Councillor Macgregor where else in the budget resources might come from, she suggested that, rather than spend money on measures such as supporting BiFab, Michelin and Ferguson Marine, the Scottish Government should look at international development matters, which are not devolved. What is the Scottish Government's view on that?

**Kate Forbes:** All those lines are critical—as is local regeneration through ensuring that there are meaningful and relatively well-paid jobs locally. Our work in relation to Michelin, BiFab and other employers is doing a lot for the local economy in those cases.

**Aileen Campbell:** One of the drivers of poverty is low pay. If we are looking at the budget from the perspective of child poverty—and COSLA is coming at it in the same way—we should remember that one of the best ways of tackling such poverty is to ensure that people can access good employment and be supported to do so.

Not to intervene to try to save jobs, to interact positively with companies such as Michelin in Dundee, to attempt to save employment opportunities and to work with such companies to support them in maintaining a presence in those places is a strange request to make of national Government, because of the impact that their closing would have. If people lose their jobs, that puts pressure on social security, which is the most expensive way of tackling child poverty. We are having to direct resources into the Scottish child

payment, the effect of which will be a direct reduction in the number of children living in poverty, but that is the most expensive way to tackle the issue.

That is why, despite the Scottish Government's not having powers over employment matters, we try to influence them where we can, such as by ensuring that people are paid the living wage. That underlines the importance of the proactive responses that we have put in place to support companies in situations where there might be a bit of a risk—because of the wider impact, aside from the economic one.

**Kenneth Gibson:** I might be paraphrasing, but I think that Gail Macgregor used the words “failing businesses”. Obviously, there would be an impact on specific areas if companies were to go down.

Another point that I put to the earlier panel was on the potential for local government to fund the transformation programme through reprofiling of loans. I understand that that is already happening successfully in one or two local authority areas. Has the Scottish Government done any work to discover how much money could be released through reprofiling loans, that are based on capital assets, from 20 to 35 years? Such funds could be used not to cover specific services, but to allow transformation that would enable local government to become more sustainable in the long term.

**Kate Forbes:** It is not within the Government's gift to interfere in the loans process. That is probably for the Public Works Loan Board. Such decisions are for local authorities, which have the authority and autonomy to make them.

12:00

**Kenneth Gibson:** Is it something that the Government would encourage?

**Kate Forbes:** The suggestion is, in essence, about capital; I note that local authorities have the power to borrow. In the light of our commitments on climate change and on protecting and supporting local authorities, we have included in this year's budget use of innovative finance including the green growth accelerator model, through which we can support local authorities' provision of low-carbon infrastructure. That model is built on the existing growth accelerator model, which has been used successfully at the Edinburgh St James centre. It is a revenue finance model whereby local authorities commit to delivering a defined and measurable outcome that is underpinned by investment in infrastructure. When the outcomes are met, the Scottish Government will make regular revenue payments for a set period—usually 25 years—that reflect the value of the delivered outcomes.

Borrowing is within local authorities' gift and is for them to make decisions on. I would not want to mandate what they do, in terms of borrowing. That aside, we are trying to help local authorities with other ways to source capital to invest in infrastructure projects.

**Aileen Campbell:** Some of that work is behind delivery of the 50,000 affordable houses. We have been looking at innovative ways to fund and finance their delivery, and that work is on-going between the Government, local government and other partners. That is good, because it delivers X units.

However, in terms of the transformation space, we know that housing delivers across a number of desired outcomes that are aligned to the national performance framework. We know that safe and warm housing also gives people an enhanced sense of wellbeing, and that it means that children live and grow up in warmer and safer homes. All those things—including a sense of security—have an impact beyond delivery of units of housing. That approach to delivering housing through innovative financial means delivers not only the houses, but wider wellbeing outcomes for communities across the country. That is a tangible example of how some of the work has wider impacts.

**Kenneth Gibson:** Yes. More sharing of best practice around such innovations is needed.

The previous panel expressed concern about the funding of phase 2 of the schools programme. Basically, local authorities are having to front the money for the schools from their own revenue, or from borrowing that is to be funded from revenue, then refunded by the Scottish Government. It was suggested that the Scottish Government is, in effect, kicking down the road its commitment to funding phase 2, at the expense of local authorities. The previous panel, which included COSLA, CIPFA and SOLACE, said that that could have a significant impact on phase 2 of the schools programme. What is the cabinet secretary's view on that, and why is that way forward being taken?

**Kate Forbes:** The funding approach for the new schools for the future, or learning estate investment, programme was developed with local authorities and agreed with COSLA in order to deliver the best possible long-term value. It will use councils' existing capital resources or borrowing from the Public Works Loan Board, which is cheaper than private finance. The Scottish Government will then support local authorities via a funding model that is based on outcomes that will be linked to keeping the new facility in good condition. There are also outcomes related to low carbon, digital and economic

growth. Those outcomes were agreed with COSLA.

I have heard, and it has been raised with me, that some local authorities are asking questions about the new model, which is designed to ensure that our estate is kept in better condition, because there were issues around new schools falling into disrepair far more quickly than we liked. The new funding model tries to ensure a high-quality estate for the long term.

Where issues are identified, the school estates team should be working in collaboration with COSLA to consider what works best for local authorities. Incidentally, that model is another good example of capital funding that is outwith the settlement. We have talked about affordable housing. The school learning estate and city deals are sources of capital funding that are not in the core settlement. They are outwith the core capital grant, but are still capital funding for local authority statutory services.

**Kenneth Gibson:** I will not go into it, but there is an argument that some of the city deals are, in effect, sleight of hand, with the capital effectively replacing what would otherwise be local authority capital budgets. I will not ask you about that, because I realise that other committee members have questions.

I will ask about the council tax. The Scottish Government froze council tax for nine years, from 2008 to 2017. It did not even go up by the rate of inflation. That was funded to the tune of about £70 million per year, up to about £630 million at the end of the nine years. At the time, it was considered that that could not be sustained forever.

However, the Scottish Government now seems to be of the view that council tax should go up every year by the rate of inflation plus 3 per cent. I suggest that that is not sustainable for the people who will have to pay it because their incomes will not go up by the rate of inflation plus 3 per cent.

If councils do not put their council tax up by the maximum of 4.84 per cent this year, they will be accused of complaining about a lack of resource when they have not even put their tax up by the maximum that is allowed. There are a number of reasons why they would not do that.

The Scottish Government itself has argued that family budgets were under pressure during austerity. I suggest that they are still under pressure. Does the Scottish Government think that the long-term situation will be to go from zero council tax increases for nine years to 3 per cent on top of inflation, year on year?

**Kate Forbes:** We were elected on a manifesto commitment to cap council tax increases year on

year by 3 per cent. We are keeping that manifesto pledge.

Kenneth Gibson's point about protecting ratepayers in Scotland is well made. The average band D council tax in Scotland in 2019-20 is £1,251, compared with £1,750 in England and £1,591 in Wales. There is a balance to strike between ensuring that local authorities have the resources that they need to invest in public services, and protecting families who are still coming through years of austerity.

**Kenneth Gibson:** Thank you.

**Annabelle Ewing:** Good afternoon to the cabinet secretaries and their officials.

On an issue that the Cabinet Secretary for Finance raised, is there an easier way for the layperson to understand that capital spend outwith the confines of the local government settlement still contributes to enhancement of statutory provision? That is a very good point, of which we perhaps we lose sight. When COSLA talks about the capital resource that is available to local government, it does not ever seem to mention the reality of the situation in that regard. Is there an easy way to ensure that council tax payers out there know exactly what is going on?

**Kate Forbes:** It is probably not an easy way, but I could refer people to the budget document, and the list in table 6.15 of capital items that are outwith the core settlement. I will not bore the committee by going through it. Over and above that are the city deals that we have talked about, which are part of the funding. There is the record sum of £842 million for affordable housing, which is part of local authorities' services, and there is £1 billion for the schools for the future programme to improve the school estate. Funding for that estate is part of local authorities' requirements. Those are all over and above the core settlement.

We have ensured that local authorities have access to capital to invest in the things that people care about. Taxpayers care about their local schools being in good condition, about local regeneration and about there being a sufficient number of affordable homes.

**Annabelle Ewing:** That is helpful. I had a look at the budget document and, with all due respect to its drafters, I am not sure that it would be everybody's cup of tea for getting to sleep at night. Who knows?

I would like to pick up on the important point that the cabinet secretary made about the context in which the Scottish budget is introduced for the next financial year. There was a telling point about Barnett consequentials vis-à-vis the commitment to direct them at health, and the resulting financial position for the coming financial year. Can you

remind me of the figure that the resource is down by when we take out the health consequentials, which all go to health and social care? That is a very useful figure, because it puts every other part of the budget debate in context; one cannot consider the budget without understanding the context in which it is put forward.

**Kate Forbes:** Between 2013-14 and the coming year's budget—2020-21—the Scottish resource budget, with health removed, shows a decrease of 7.7 per cent. Local authorities are protected in that context, in relation to real-terms movements.

**Annabelle Ewing:** What is the figure for the coming financial year? I think that you gave that information to Sarah Boyack earlier.

**Kate Forbes:** The figure for our discretionary resource budget allocation from 2010-11 to next year is 2.8 per cent lower. In cash terms, that is £840 million.

**Annabelle Ewing:** In that context, the settlement that has been proposed for local government should be—

**Kate Forbes:** The figure is £11.3 billion, which is a 3 per cent real-terms increase.

**Annabelle Ewing:** That is helpful to know. I absolutely accept Andy Wightman's point about preventative spend. However, it is important to recall that the amount of money for important preventative spend across the whole health sector, in relation to current spending across the whole NHS, including general practices and so on, is not insignificant. It is important to flag up the factual position.

**Aileen Campbell:** Work is also on-going between the NHS and COSLA on shared public health priorities, such as community-based health responses and prevention. In that broader context, money is not directly going into acute health services at the expense of all else.

**Annabelle Ewing:** That is helpful. The convener of COSLA cited £95 million and said that the figure was agreed with the Scottish Government. That, or thereabouts, was the phraseology, which will be on the record. Is that the position or not? It is a fundamental question. COSLA stated that without equivocation, in response to Kenneth Gibson's question. What are the Scottish Government's views on that statement?

**Kate Forbes:** Every year, we set our budget in the context of what our block grant will be, of our discussions with COSLA and of negotiations with other parties. Our budget is not baselined each year; in terms of supporting local authorities, we build the budget in conversation with them. James Dornan mentioned at the beginning of the session that the committee's letter had influenced the



budget to an extent. We take such things into account; we do not go in with a baseline figure before we have spoken to anybody. Discussions help to shape the budget. I cannot confirm that there was a hard and fast agreement on the £95 million figure; it is COSLA's number, not mine.

**Annabelle Ewing:** That is clear. COSLA made points well on reporting back; on bureaucracy, when, in the great scheme of things, we are talking about relatively small pots of money; on recognition that outcomes have to be measured; and on accountability. I sensed a plea to see whether that could all be done more rationally in order to save money for the front-line.

12:15

**Aileen Campbell:** Discussions are ongoing between officials on that. COSLA often makes that point to us; it is about ensuring that, when we seek to analyse how money has been spent and its effectiveness, we collect the right information for the right purposes in order to inform future policy direction. That work, which has been ongoing for some time, continues between local authorities, COSLA and officials in our local government team.

When there is a new policy development, we have to consider what more we might ask of local authorities regarding their reporting back, because there might be cumulative effects across portfolios. The process has worked effectively in the tackling child poverty delivery plan. We have had reports back and the information is going to the Poverty and Inequality Commission for assessment of practice. That will flush out where local authorities are performing well, doing things innovatively and delivering good outcomes.

That work has an evolving dynamic, but there is real purpose behind the request for information to come back. That is a shared priority for us. However, the point is well made about the proportionality of central Government requests on individual policy lines to local authorities, and whether we can do a bit more to corral that more sensibly.

**Annabelle Ewing:** That is helpful and encouraging. I look forward to following the ensuing discussions.

I understand that COSLA has called for removal of the cap on council tax. What is the Scottish Government's position on that?

**Kate Forbes:** We were elected on a manifesto in 2016 to cap council tax increases at 3 per cent. We like to keep our promises.

**Annabelle Ewing:** That was a clear answer. Thank you.

**The Convener:** Before I bring in Alexander Stewart, I will let Graham Simpson ask another question, as he has to leave before half-past 12.

**Graham Simpson:** Thank you, convener. I have a quick question about the affordable housing budget. I was very encouraged by the pledge in Aileen Campbell's letter to provide an extra £300 million next year. I think that there was £895 million for this year, though, so where did you get the figure of £300 million from?

**Aileen Campbell:** It is in part down to a clear ask from the industry, the wider house building sector and RSLs, so that we do not hit a cliff edge in March next year and can ensure that the programmes that are already in the stocks can get over the line. We want a bit more certainty for the sector beyond the March deadline so that we do not see a slowing up. The nature of house building in recent years is such that there is slower progress in the early years but acceleration at pace for the remainder of the five-year parliamentary session. We therefore did not want to jeopardise the 50,000 target.

We can furnish you with further information. However, with regard to some of the projects that are in place just now, we wanted to ensure that we got them over the line because they transcend that March deadline, and the sector has asked for certainty on them. The committee also asked for certainty in response to that demand from the sector.

**Graham Simpson:** I just wondered how the £300 million figure was arrived at. You can come back to us on that if you like.

**Aileen Campbell:** Some of it was based on knowing that some projects will need a bit more to get over that March line. We also want to ensure that we do not put off projects because there is no certainty beyond the March 2021 deadline. We do not want to slow down progress; we want to ramp it up in this last phase of the delivery of the affordable housing. We always anticipated progress on that speeding up towards the end of this parliamentary session.

I am glad that the £300 million is welcomed by the committee and I hope that the sector will also welcome it. We should bear in mind the wider impact of that on the aspirations that we set out in the national performance framework.

**Graham Simpson:** Thank you. My apologies, convener; I have to leave.

**Aileen Campbell:** I should have taken longer with that question.

**Alexander Stewart:** We have covered a lot in this morning's two panel sessions. Cabinet secretary, in this part of the meeting you have talked about giving resources to local government.

You have talked about a fair settlement and about protecting local government. In reality, what we have heard in the discussion with the previous panel and at other times is that councils are struggling. They are looking at their budgets, and the majority of councils are talking about reductions, closures, increased charges and even job losses again. How do you see that as being fair and protecting local government?

**Kate Forbes:** What I think does not protect local government is that the UK Government is publishing its budget on the date by which local authorities have to publish their plans on council tax. That is not fair.

Rather than delay our budget and create all sorts of issues for local authorities, who would be setting their budgets in a vacuum, we have gone ahead of the UK Government budget. We have taken into account every possible penny of consequentials that we might have, including those that are based on Tory promises from December, and we have baked them in. Then we have made decisions to deploy our full capital and revenue resource in a way that meets what COSLA has identified as key pressures.

I cannot dictate to local authorities how they use their money. They have discretion. They have autonomy over 91 per cent of their budgets. What I can do is discuss with them where the pressures are—on education, teacher pay, teacher pensions and social care—and ensure that this budget fairly meets their pressures.

The convener mentioned generosity near the beginning of this part of the meeting. I am not saying that a budget process is easy for anyone, not least when we do not even have guarantees of the consequentials that will be available to us. I am saying that we have deployed every penny of the funding that we have in a way that most meets the pressures that local authorities have identified.

**Aileen Campbell:** We also have to mitigate the impacts of UK austerity. Some £60 million will go to local authorities to fully mitigate the effect of the bedroom tax. Adding that to the increase that we have had to find for the Scottish welfare fund will get you to that £95 million figure pretty quickly. What if we did not have to do that? If the UK Government took a decision to ensure fairness in its social security system and did not put in place policies that we have to mitigate, we could get to a place where COSLA's £95 million figure suddenly became more realisable. However, we always have to tackle the issues and mop up the messes that the UK Government has created for us.

**Alexander Stewart:** Do you anticipate that, as many have said, this budget settlement will be the best in a decade, because of the situation and circumstances? Do you acknowledge any of that?

**Kate Forbes:** In terms of our budget?

**Alexander Stewart:** Yes.

**Kate Forbes:** I acknowledge that we anticipate about £142 million of additional consequentials from the forthcoming UK budget, out of a total of £468 million. That is in the budget document: £142 million is revenue and the rest is capital. That is what we anticipate, based on the Tory party manifesto. In our conversations with Treasury officials to look for certainty about what our settlement might be, there have not been guarantees but we have been repeatedly referred to the Conservative Party manifesto.

If, on 11 March, there is celebration of additional money, it will be worth noting that we have already made decisions to factor in those consequentials. We did so to protect all the budget lines that we prioritise, including local authorities.

**Alexander Stewart:** Why have you taken decisions to decrease the capital budget in this process, when you may have a situation in which extra funding is coming and there might be opportunities to develop that process? You seem to have already made a choice to diminish the capital budget by, as COSLA sees it, £117 million.

**Kate Forbes:** "May" is doing a lot of heavy lifting in that question, because we have already factored in anticipated consequentials.

On capital, I have four quick points to make. First, we have made no apology that this year's budget is not business as usual. We have consciously shifted our capital spending from high-carbon to low-carbon infrastructure. It is not business as normal: we are focusing on mitigating climate change. There will be £500 million of additional capital spent on low-carbon projects to deal with climate change, which will bring the total capital spent on low-carbon infrastructure up to £1.8 billion. That is a conscious decision that we have made.

The second point on local authority capital is that last year there were a number of one-offs, such as the reprofile of £150 million and the town centre fund, which obviously are not relevant to this year's budget.

The third point is one that I have already made on additional—that is, outwith the settlement—access to capital.

The fourth point is about how we support local authorities to do things differently when it comes to dealing with their own challenges on climate change and capital more generally. That is precisely why the green growth accelerator programme was devised. There will be up to £200 million, I believe, of potential funding for capital projects, which we will help local authorities to

meet. There is scope here for local authorities to continue to invest in local infrastructure.

**Alexander Stewart:** Many local authorities have been pioneering in what they are trying to achieve.

**Kate Forbes:** Indeed.

**Alexander Stewart:** They have grasped that nettle and taken on that challenge, because they see that by doing so there will be opportunities in the future. It all boils down to them having the resource, manpower and opportunity to do that. Do you anticipate that that will continue to expand, on the Scottish Government's side of things? Local government has gone at least halfway to meet you in trying to manage some of those challenges. Do you anticipate that that will become the norm and not just something that they can do from time to time when they can manage the resource to do so?

**Kate Forbes:** Do you mean investing in infrastructure?

**Alexander Stewart:** Yes.

**Kate Forbes:** Yes, I believe that there is resource in this budget settlement for local authorities to continue to invest in infrastructure as part of our wider commitments to improving the school estate, investing in affordable housing, ensuring that everywhere in Scotland has a city deal and ensuring that the expansion of early learning and childcare comes with the capital investment that is required to make it work. Yes, those are our commitments, yes, we are funding them and, yes, we are working in partnership with local authorities to deliver them.

**Aileen Campbell:** On the innovative approaches that some local authorities are taking to deploying some of that funding, the Ayrshire growth deal includes support that we put in place for community wealth building. It is about using the money in those regional deals to work for the whole community. That is an example of local authorities using resources in an innovative way across the three Ayrshire council areas, not just to deliver infrastructure projects but to make sure that they have a wider societal impact.

We are also working with local authorities and others to ensure that we have a much more place-based approach to the deployment of funding. It is fine that one arm of Government is focusing on capital investment in education, early learning and childcare and housing, and a whole host of other bits in between, but how do we knit all that together to make sure that we develop communities and maximise impacts, aligning funding in a sensible way so that we are not building projects higgledy-piggledy and ending up with a bit of a guddle? That is not always easy and things will not always be ideal, but there has to be

a way in which we can support local authorities and other public partners to make sure that that significant investment is delivering what communities want in a sensible way and making best use of the resource.

**Alexander Stewart:** It is about having joined-up thinking and collaboration.

**Aileen Campbell:** Yes.

**Alexander Stewart:** Local government is part of the solution; it is not the problem, which in the past it has sometimes been perceived as being, because of things not happening when it was constrained by the financial situation that it found itself in.

**Aileen Campbell:** Absolutely, and we can point to the community wealth building approach as an example of taking the opportunity of the regional deals beyond the investment in infrastructure and thinking about how to make the best use of employment opportunities.

You see that in Glasgow as well; from memory, I think that some of the anchor organisations in Glasgow are looking to deploy their resources in a much more sensible way, which probably aligns more effectively with the national performance framework outcomes. That is a fairly new journey for some people, but we should be looking to replicate that aspiration. The community wealth building approach in other parts of the UK has demonstrated what can be done, despite the challenges, if a sensible judgment is made to maximise the benefit of investment.

**Alexander Stewart:** Thank you.

12:30

**Andy Wightman:** I want to tie up a few loose ends on the capital question.

This time last year, the funding outwith the core settlement for capital was £287 million. This year, it is £382 million. That is an increase of £95 million outwith the settlement. However, within the settlement, there has been a £334 million cut this year. Kate Forbes said that there were a couple of one-off projects—she mentioned £150 million for reprofiling and the £50 million for town centres. Is the cut that I mentioned entirely down to the fact those one-off projects are no longer happening?

**Kate Forbes:** I will talk about the policy element and then perhaps bring in Graham Owenson.

The reprofiling related to a decision that was taken a few years ago to allow the capital to be reprofiled. A commitment was given that it would be done by last year. That is technical, and Graham Owenson can perhaps say more about it.

The £50 million town centre fund was established with the understanding and expectation that it would be a one-year shot in the arm—if that term is not too impolite—to try to support local communities. I am not saying that there are no needs now in local town centres, but the fund was established with the understanding that I mentioned.

There was also funding related to early learning and childcare. We are continuing to ensure that we meet our commitment on early learning and childcare by the end of this year, but there was capital that was associated with that year.

**Graham Owenson:** The profile of the capital spend on early learning and childcare has reduced by £54 million. The £150 million on the reprofiling refers back to 2016-17, I think, when we reduced the local government budget by £150 million with a promise to repay that within three years. That promise was met in 2019-20.

**Andy Wightman:** So is the £334 million reduction accounted for by those three elements?

**Graham Owenson:** Not in totality.

**Kate Forbes:** I might need to come back to you in writing with the figures.

**Andy Wightman:** That would be useful, for clarity, because it is not clear from the budget lines.

**Kate Forbes:** Yes; that is fine.

**Sarah Boyack:** I follow up a climate change question that I asked of COSLA, CIPFA and the directors of finance in the earlier part of the meeting. I focused on some of the new funding that the cabinet secretary mentioned in the chamber when we discussed the statement. In particular, I have feedback that funding for community heat networks is only £50 million and is difficult to apply for, and that authorities do not have the staff or the expertise—the earlier panel talked about 10,000 full-time-equivalent posts having gone, and the challenge of climate change requires new knowledge and expertise that authorities do not currently have. There was quite strong pushback from Gail Macgregor on that point.

In their written submission in advance of today's meeting, COSLA, the Society of Local Authority Chief Executives and Senior Managers and directors of finance said, in relation to the conference of the parties:

“Actions at a local level to meet COP26 commitments are compromised”.

They went on to talk about really basic stuff, including locally-based energy generation, replacement of high-emission vehicles, investment in energy efficiency in the current estate, the

cessation of investment in active travel and targets on waste being missed.

That takes us back to the comments about non-core priorities. You are trying to transform councils in terms of climate change. Will you respond on the challenges that COSLA has identified?

**Kate Forbes:** I hope that it was not saying that it does not want the £50 million for heat.

**Sarah Boyack:** No; the comment was about the complexity of the process and match funding, and heat was used as an exemplar. I think that it was thinking about other centrally directed funds, about the process of going for them, and about what councils need before they even apply for those kinds of project.

**Kate Forbes:** In relation to early announcements, there is a lead-in time for next year—it is not very long, because of the late budget. Process questions should be dealt with, delivered and shaped by COSLA with the Scottish Government with regard to deployment. If more conversations need to happen about how to make that easier, I am very comfortable with taking that point away.

More widely, we would like to see a strong pipeline of projects with the green growth accelerator, to help local authorities to invest in the low-carbon infrastructure that they want to see. That might be a process question—how do we make it as easy as possible for local authorities to access the programme? This time next year, I would like to see that the innovative finance model has been able to support local authorities to invest in low-carbon infrastructure.

**Sarah Boyack:** We were given a stark warning that

“Actions at a local level ... are compromised”.

Climate change was one of the four priorities that COSLA mentioned in its opening remarks. Given all the lobbying that has happened and our sessions in the past few months, there is a stark contrast in relation to what COSLA and the Scottish Government are trying to achieve in terms of the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. Local government, as a leadership mechanism, is about communities; it is also about local authority services and investment in new ones. The evidence suggests that there is a gap between aspiration and reality.

**Aileen Campbell:** We continue to work with local authorities on how we overcome any challenges. There is a clear set of commitments from the Scottish Government, along a number of different lines and on a whole host of issues, whether we are talking about house building, the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019 or the aspirations around

climate change, which are backed up with additional funding, to enable us to try not just to meet the stretching targets but to deliver on the climate change ambition that we all share.

If the local authorities find challenges and barriers to doing that, we can have those conversations, which will be taken forward by not just one minister: Roseanna Cunningham will have an interest in doing so, as will Paul Wheelhouse and Kevin Stewart. As a group of ministers, we can work together and align our work in a sensible way, so that we do not create those barriers—if barriers are presenting themselves to local authorities. Such work already goes on, in the context of how we retrofit buildings; we commit to working with the wider public sector to raise the standard of low-carbon buildings and ensure that they are fit for purpose.

**Sarah Boyack:** There is a very big leadership issue. The Transport (Scotland) Act 2019 has a provision that allows local authorities to have their own bus services. The disconnect is between the start of that process—as an aspiration—and the actuality of it, in terms of staff, for example. We see that in the heat networks. One of the cabinet secretaries mentioned low-emission zones; there are councils' own vehicles, the bus fleet and so on. Scottish Government money is available, but how do local authorities access it? It becomes apparent that cross-ministerial work and cross-COSLA work are not embedded in day-to-day, core thinking.

**Aileen Campbell:** As Kate Forbes said earlier, this budget has had to look at climate change and rejig and refocus the priorities that have been attached to it in the past. How do we make the budget fit for purpose in order to reach our climate change ambitions? Part of the answer will be in the wider discussion that we must have and continue to have with not just COSLA but the wider public sector on how to gear up in order to make good on the ambitions that we have set out around climate change. Some of that will be uncomfortable—for the Government, for local government and for other parts of public life. We cannot declare a climate emergency without having some change and shift in what we do collectively.

**Sarah Boyack:** I just wanted to flag up that comment, which was such a stark one. It feels like the issue really needs to be picked up by a raft of ministers and then COSLA.

**Aileen Campbell:** In that spirit, we will certainly take that point on board and raise it with the suite of ministers who have a particular interest in the issue.

**The Convener:** I thank both cabinet secretaries and their officials for attending the evidence

session today. The committee will consider its next steps in relation to budget scrutiny in private.

12:39

*Meeting continued in private until 12:48.*



This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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