



OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government and Communities Committee

Wednesday 10 February 2021

Session 5



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CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
SUBORDINATE LEGISLATION.....	2
Property Factors (Code of Conduct) (Scotland) Order 2021 [Draft].....	2
Homeless Persons (Unsuitable Accommodation) (Scotland) (Modification and Revocation) (Coronavirus) Order 2021 (SSI 2021/10)	6
BUDGET SCRUTINY 2021-22 (LOCAL GOVERNMENT SETTLEMENT).....	19
SUBORDINATE LEGISLATION.....	40
Proposed Statutory Guidance (Sports Club Relief).....	40
Town and Country Planning (General Permitted Development) (Coronavirus) (Scotland) Amendment Order 2021 (SSI 2021/29).....	40

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
6th Meeting 2021, Session 5

CONVENER

*James Dornan (Glasgow Cathcart) (SNP)

DEPUTY CONVENER

*Sarah Boyack (Lothian) (Lab)

COMMITTEE MEMBERS

*Keith Brown (Clackmannanshire and Dunblane) (SNP)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

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

Annie Wells (Glasgow) (Con)

*Andy Wightman (Lothian) (Ind)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jeremy Balfour (Lothian) (Con) (Committee Substitute)

Martin Booth (Society of Local Authority Chief Executives and Senior Managers)

Marion Gibbs (Scottish Government)

Councillor Gail Macgregor (Convention of Scottish Local Authorities)

Eileen Rowand (Chartered Institute of Public Finance and Accountancy)

Kevin Stewart (Minister for Local Government, Housing and Planning)

Sarah Watters (Convention of Scottish Local Authorities)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

Virtual Meeting

Scottish Parliament

Local Government and Communities Committee

Wednesday 10 February 2021

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (James Dornan): Good morning, and welcome to the sixth meeting in 2021 of the Local Government and Communities Committee. Please ensure that all mobile phones are in silent mode.

Broadcasting will operate your microphone and camera as usual. After being called to speak, please allow a short pause to allow them to do so.

We have received apologies from Annie Wells, and Jeremy Balfour is here as here as her committee substitute.

Item 1 is consideration of whether to take item 9 in private. The item involves consideration of the evidence heard on the budget and local government settlement 2021-22. As we are meeting remotely, rather than asking whether everyone agrees to take that business in private, I will instead ask whether anyone objects. If there is silence, I will assume that everyone is content. Does anyone object?

No one has objected, so that is agreed.

Subordinate Legislation

Property Factors (Code of Conduct) (Scotland) Order 2021 [Draft]

09:01

The Convener: Under agenda item 2, the committee will take evidence on a draft order. I welcome Kevin Stewart, Minister for Local Government, Housing and Planning, and his Scottish Government officials. They are Mandy Callaghan, who is head of the private housing services unit, and Stephen Leetion, who is a senior policy officer in property factoring.

The instrument is laid under affirmative procedure, which means Parliament must approve it before the provision can come into force. Following this evidence session, the committee will be invited at the next agenda item to consider the motion to approve the instrument. I remind everyone that the Scottish Government officials can speak under this item but not in the debate that follows.

I invite the minister to make a short opening statement.

The Minister for Local Government, Housing and Planning (Kevin Stewart): Thank you very much, convener, and—*[Inaudible.]*—but we will do the best that we can.

Thank you for the opportunity to join the committee today as part of your consideration of the draft order to bring into force a revised code of conduct for property factors, which was provided for under the Property Factors (Scotland) Act 2011.

The code is one of three key elements in the property factor regulatory regime, alongside the register and the First-tier Tribunal for Scotland. It plays the important role of setting minimum standards of practice for registered property factors and providing protections for home owners who use their services.

I am grateful to those home owners, property factors and other stakeholders who have taken the time to respond to consultations and who have engaged positively with my officials to provide their views on the changes that we propose to make to the code. The process has been iterative, and we have been able to adjust proposals in order to make them more workable. Those revisions bring the code up to date and strengthen it in four key areas,

First, the changes help home owners to understand what to expect and whether the property factor has met its obligations. That includes clarification on the various situations of

where, when and how home owners should expect to be provided with a copy of the written statement of services and other documentation.

Secondly, they highlight that home owners have a choice in who they appoint and that they can change factor. That is done by requiring a property factor to provide clear information to home owners on how they can end their factoring arrangement and the arrangements that it will make to co-operate with another property factor for smooth transition.

Thirdly, the revisions will improve transparency—for example, by taking a broader approach to the requirement to declare financial interests and requiring the issue of an annual insurance statement.

Finally, they will improve consistency in how the code is applied—for example, by including standards of practice and a glossary of terms.

Property factors have generally received the code positively and see the potential for reducing the number of complaints that they receive. Implementation provides an opportunity for property factors to review their current processes, procedures and documents, which will drive improvement. The order that the committee is considering proposes that the revised code comes into force on 16 August 2021. We have engaged with property factors on the timing. Although businesses are understandably busy, that is sufficient time to allow them to assess and implement the changes.

I encourage homeowners to be proactive in maintaining the common parts of their property. Where they choose to engage a property factor, it is important that they know what they should reasonably expect and how to hold their factor to account.

The Convener: Thank you, minister. I would be grateful if members who have a question would type R in the chat box.

Sarah Boyack (Lothian) (Lab): Has analysis been done of the failures of the code—with regard to homeowners' feeling that they are not getting a proper service—which it is hoped that these changes will address? The big issues in my mailbag are common repairs, which the minister has mentioned already, and how cladding problems are remedied. Will these changes help homeowners to get the action that they need on those issues?

Kevin Stewart: I hope that the changes will make things much easier for homeowners. As a Parliament, we still have work to do with regard to communal repairs, and I am grateful to the cross-party working group on tenement maintenance. Work is also going on with the Law Commission

on how we move forward. All of that should make the process much more transparent.

Members will be aware of high-profile cases, which have been mentioned in Parliament, of property factors that have failed in their duties. Again, these changes would make the code more helpful to residents in holding their factors to account. Beyond that, as the Government, we will continue to look at what more is required, if that in itself is not enough. Rather than going into individual cases, I will say that Police Scotland is involved in work to deal with factors that are not dealing with this as they should. As the committee is aware, we have removed factors from the register recently.

Alexander Stewart (Mid Scotland and Fife)

(Con): Minister, I welcome the process, because, as you indicated, it will tighten up the process and support homeowners. It is robust enough to remove some of the anomalies that we seem to have had in the past, to ensure that factors fulfil their obligations and that they support and assist tenants in that process. If some factors are not up to standard, that will be highlighted in the process. My concern is whether the timescales are appropriate. You mentioned 16 August. Given the pandemic and everything that we are having to deal with, do you have any indication that that is a suitable timescale for completing everything?

Kevin Stewart: I think that 16 August is a suitable timescale, but, as always, we will monitor matters as we progress. Many of these changes should be simple to implement, to provide that greater degree of transparency for residents. None of what is proposed is overly onerous, but it provides a better service for residents and lays out the roles and responsibilities of all parties.

We now have 390 registered property factors and I expect all of them to comply with the changes by 16 August.

Gordon MacDonald (Edinburgh Pentlands)

(SNP): We do not have a history of using property factors in Edinburgh. The City of Edinburgh Council used statutory notices, and we know the problems that arose from that. Will the changes encourage property owners in Edinburgh to employ factors? The issues that Sarah Boyack raised are similar to issues in my constituency.

Kevin Stewart: I hope that more folk will be encouraged to use property factors. A cross-party group has been looking at communal repairs and other matters and has said that we must improve the system. We will look at all of that.

Folk must be willing to sign up to property factors, but must also trust the factors they sign up to. They must know what factoring means and what services will be provided. The revisions to the code help to spell out what the expectation

should be, which will be helpful in encouraging folk to decide whether it would be right for them to have a factor dealing with their building.

Gordon MacDonald and others should tell anyone who is not covered to look at the services that the code will provide and to consider whether signing up to a factor would be beneficial. I hope that we can do more to improve issues such as communal repairs.

I will avoid Mr MacDonald's reference to what happened in Edinburgh. If we start on that, we might be here all day.

The Convener: I would prefer not to be. We will move on.

Keith Brown (Clackmannanshire and Dunblane) (SNP): I was the minister responsible for bringing in the code and this is a sensible set of changes. My concern is that most issues in my constituency came about when people did not want a property factor but bought a house and found out that they were subject to a factor. Does the code address that, or is it addressed elsewhere?

Kevin Stewart: That is not addressed by the code. However, the code makes it far easier to change factors. Mr Brown may have experienced the sort of issues that I have: folk were happy to have a factor but might not want the one that had been imposed by the developer. The code makes changing property factor far easier and more transparent. That is important.

I have had instances in my constituency of folk not getting the level of service that they expected and having difficulty getting information so that they could change to a factor that they believed would provide better service. That should now all be ironed out so that people can make those choices. That is important.

I realise that some folk out there do not want property factors, but this is the right way to go in order to deal with some of the difficulties that many of us have faced in our constituencies in relation to communal repairs. Even if we forget the code and other aspects, I hope that we will do much better at resolving difficulties that have been around for some time.

The Convener: Item 3 is formal consideration of motion S5M-23919, which we have just taken evidence on.

Motion moved,

That the Local Government and Communities Committee recommends that the Property Factors (Code of Conduct) (Scotland) Order 2021 [draft] be approved.—
[Kevin Stewart]

Motion agreed to.

The Convener: The committee will report on the instrument in due course. I invite the committee to delegate authority to me to approve a draft report for publication. I thank the minister and his officials for taking part.

I suspend the meeting briefly for a changeover of witnesses.

09:16

Meeting suspended.

09:18

On resuming—

Homeless Persons (Unsuitable Accommodation) (Scotland) (Modification and Revocation) (Coronavirus) Order 2021 (SSI 2021/10)

The Convener: Under agenda item 4, the committee will take evidence from the minister on the order. Andy Wightman has lodged a motion to annul this negative instrument, which will be considered under item 5. Item 4 provides an opportunity to take evidence from the minister and his officials before the formal debate.

I welcome back Kevin Stewart, the Minister for Local Government, Housing and Planning. With him from the Scottish Government's homelessness and housing-related social security unit are Marion Gibbs, team leader, and Myra Quinn, policy officer.

Kevin Stewart: I thank the committee for the opportunity to outline the work that led to the laying of the order. It is clear from the First Minister's daily updates that the Covid-19 pandemic is far from over. A variant strain of the virus has recently moved quickly through Scotland and caused a sharp rise in cases, which has considerably increased the threat to public health.

Lockdowns in response to the pandemic have had a significant impact on the availability of temporary and settled accommodation. Restrictions on local authorities and registered social landlords have resulted in a slower turnover of void properties and fewer allocations, which are not back to normal levels.

With that in mind, I agreed to further extend the temporary coronavirus exemptions in the Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2014. Members will see from the letter of 22 January from the Convention of Scottish Local Authorities to the committee that the decision was reached with the full support of local authorities, which have worked tirelessly since last March to keep people safe and

supported and to provide them with somewhere warm to live in this public health crisis.

Since the 2014 order was extended to all homeless households in May, we have worked in partnership with local authorities. Their intelligence, alongside data that has been collated by the Scottish Housing Regulator, has shown that although voids are now being turned over and allocations to homeless households are being prioritised, the impact of the additional pressures on the system continues to be felt. The result is that some councils would not have been in a position to cease using emergency provision in hotels and bed and breakfasts by January. That includes councils that did not use bed and breakfasts before the pandemic.

The decision to extend the exceptions until 30 June 2021 was made to take account of the enormous impact that we all face and of the impact that the on-going pandemic is having on the housing system and on councils. The extension will keep people safe from the pandemic and keep people off the streets, so that we know where they are. It will allow wider support to be provided, which includes setting up pathways to settled accommodation.

I make it absolutely clear that I am committed to reducing the number of people who stay in all forms of temporary accommodation, which we are doing through rapid rehousing and through improving housing quality. That is why I extended the order's scope in May 2020 and created legislation to respond to the pandemic. I made it clear that, when it was possible, we would not just return to our previous homelessness system.

Guidance on the order was published on 31 January 2021 to help local authorities to set parameters and ensure that the correct structure to aid recovery is in place. Local authorities will build on their rapid rehousing transition plans and exit strategies, which are part of the framework to deliver homelessness services and ensure that no homeless group is disadvantaged as a result.

I hope that the committee will recognise the efforts that are being made and will, accordingly, not vote to annul the instrument.

The Convener: We know that COSLA backs the extension, but what about front-line organisations that work with homeless people? Do they say that people are happy to remain in temporary accommodation? Do people feel safe or are they concerned about their accommodation? What do organisations say about what is needed to support people at this time?

Kevin Stewart: As the committee is well aware, I have regular meetings with front-line organisations, because I want to know exactly what is going on out there. I met a number of

those organisations last week to discuss all the issues that they are dealing with at the moment.

I will give you an example from Glasgow—*[Inaudible.]*—the front line and the voices of those folks with lived experience who are dealing with all of this. Examples were given to me of folk in Glasgow being moved on from hotels and bed and breakfasts to mainstream housing when everything was not in place in that mainstream housing. Folk were telling the people on the front line that they would rather have stayed in the bed and breakfasts and hotels until every aspect was sorted.

We must also understand that, for many of the most vulnerable folk, support is being provided in hotels by various agencies, and that support will not necessarily be available in mainstream housing. Although we are allocating some properties with that support under the housing first approach, we are not getting as much of that through as I would like.

In all of this, we have to listen to the folk on the front line and the folk with lived experience about what is going on for them. When folk say to me that a hotel might have been better for them than mainstream accommodation that was not quite ready for them, I have to listen to that.

Sarah Boyack: I draw members' attention to my entry in the register of interests about my former employment with the Scottish Federation of Housing Associations.

Minister, I found it useful to see the Scottish Government's feedback on the issue and the reasons why you want the committee to support the order. I also found the submission from the local authorities very useful, and I want to ask a couple of questions about that.

More homeless households are being given lets—the number has gone up from 308 to 960. There has also been an increase in homeless households being given temporary accommodation—that number went up to 3,195 over the six-month period of the survey analysis. However, the analysis says that there are now more than 14,000 households in temporary accommodation in Scotland. Do we have a breakdown of that by local authority? There has been quite a significant increase in the past few months. Do we have any analysis of the capacity of properties, given that it looks as if there is a gap, with 14,000 households needing permanent accommodation? That appears to be a massive issue to be addressed.

My second question is about the prevention of homelessness. I have constituents who are homeless and others who are worried about becoming homeless because they are living in inappropriate private rented accommodation. What

work is being done to help local authorities and homelessness charities to support people to get the right kind of housing and prevent them from becoming homeless? We know that, once someone is homeless, it impacts on their health and resilience. I cannot imagine what it is like during a pandemic.

Finally, Shelter has given us a useful briefing in which it asks for the Government to set up a national temporary accommodation task force. We have received useful information from local authorities, but it would be good to hear how that would tie together with the third sector organisations that are supporting our vulnerable constituents.

09:30

Kevin Stewart: There were a huge number of questions there, but I would expect nothing less from Ms Boyack. I will bring in Marion Gibbs to describe some of the detail of what we are doing.

During the pandemic, there has been a rise in the number of households that have required temporary accommodation. The number is beginning to drop again, but we need to keep a close eye on that. Sarah Boyack asked whether we are gathering data from individual local authorities, and the answer is yes. We get a weekly report on what is going on out there. I have to be honest and say that, at points, some local authorities have not managed to report because they have been dealing with cases. However, members can be assured that I look carefully at that. Marion Gibbs might want to say more about it.

Sarah Boyack is right to point out that prevention is immensely important. The work of folk on the front line and the actions of housing hubs are so important in getting this right for people. At various points during the pandemic, there has been much better multi-agency working than we have had before in order to get things right for people and protect them.

We recognise that, as we come out of the pandemic, local authorities will need to adapt. They must be given time to adapt, and we have provided resource to help with that. We have put in an additional £5 million for rapid rehousing transition plans, recognising that things have changed and that some of the things that local authorities are doing will need to be refined in order to get it right for people. A combination of things will be required: we will need to continue to look at the data to ensure that the numbers are going down, to provide local authorities with a resource to enable them to move to rapid rehousing transition, and to monitor all of that as we go along.

We are talking about the unsuitable accommodation order, but I have been keeping a close eye on the failure-to-accommodate numbers, which are just as important, if not more so. Members will remember that the numbers in Glasgow were high prior to the pandemic—I was in constant communication with Glasgow City Council about that. However, due to the flexibilities to enable us to get it right for people, in the most recent statistics that I saw, Glasgow City Council had accommodated everyone. There was no failure to accommodate at all, which is immense. I send plaudits to the folk in Glasgow for achieving that, because it is a big shift from where they were previously.

If you do not mind, convener, I will bring in Marion Gibbs on the data collection aspects and anything else that she wants to add.

Marion Gibbs (Scottish Government): Thank you for the opportunity to speak. Our data collection is comprehensive. I am sure that Sarah Boyack has seen the publications, but we can extract and cross-reference data so, if there are any particular areas that she wants to examine, she can get in contact with us through the minister at any time and we will get some information to her.

I back up what the minister said about the increase in temporary accommodation. It is interesting that applications did not increase during the early part of the pandemic, but a lot of people required to be provided with temporary accommodation because no alternative was available to them. For example, they might have stayed with family or friends, but they could not do that because of the way that lockdown happened. That is why we had a natural increase in temporary accommodation during that time, which does not correlate with the number of applications coming in. That is an important thing to consider in relation to people being helped.

On the point about failure to accommodate, Glasgow City Council was the main local authority that was unable to or did not provide temporary accommodation, but it has made a huge jump. From October, it has had no failures to provide temporary accommodation, which is really important.

With regard to information on the ground, our five housing options hubs throughout Scotland, of which all local authorities are members, had different frequencies of meeting before the pandemic. Because of the pandemic, we suggested that they meet more frequently, and they all took that up, so they are meeting fortnightly. That is an immense source for us to get information out to all local authorities very quickly, and for local authorities to tell us what is happening in their patches. Some local authorities

have been doing innovative things such as working with universities to get temporary accommodation in order to cope with the increase. That is really important, as is having different models.

An important thing to remember about the housing options hubs is that they are all about sharing experiences and learning from one other. They mean that we have a really good network of people in local authorities, who were all struggling with the main challenges that were coming to them and were having to cope in a completely different landscape. They have been able to share their experiences, learn from one other and respond innovatively at that point, which is really good.

The minister mentioned the rapid rehousing transition plans. Local authorities tell us that, if they had not had the transition plans, which were put to us in December 2018 and therefore had a full year of implementation, they would not be where they are now in relation to recovery. The figures for people in temporary accommodation might look high, but it is not because local authorities are not meeting their duties; the figures show the opposite of that. Local authorities are meeting their duties and ensuring that people are supported, safe and secure during this period.

I think that I have covered most of the points.

The Convener: I think that you have. Minister, do you want to come back in?

Kevin Stewart: I think that we have covered almost all the bases. If we missed anything, we are happy to come back to the committee on it.

The Convener: Sarah, are you happy with that?

Sarah Boyack: Yes. I also asked about the proposed national temporary accommodation task force, but I will come back to that later if the minister has not said anything about it.

Andy Wightman (Lothian) (Ind): Good morning, minister. It has been eight or nine months since the original order came into force in May 2020, and we are being invited to extend that again today. Will the minister explain succinctly why homeless households should pay the price for the failure to end the use of unsuitable temporary accommodation?

Kevin Stewart: I remind the committee that we brought in the change, early, in May; we were not going to do that until the tail end of this parliamentary session. However, as is right, I wanted to make sure that, as we moved out of the pandemic, that new structure would become the norm, and that is extremely important. When we laid all that in May, I hoped then that—*[Inaudible.]*—would not have been necessary, because I hoped, as others did, that we would be over the worst of the pandemic period by this time.

However, that is not the case, and we have to react to what is going on out there. Practical challenges have arisen in all areas as a result of Covid-19, and that decision to extend the legislation is a direct and continuing response to those challenges.

The Government's priority and the priority of folks in local authorities and on the front line is to ensure that people are safe, and to respond as best we can to the various health, social and economic harms that arise. That is why, throughout all this, I have spoken continuously to people on the front line and been involved in the housing options hubs meetings to hear at first hand what folk are saying and what is possible and what is not. We are not out of the woods yet, so we should still allow that flexibility.

I reiterate the point that I made to the convener earlier: we might shift folk on, but that might not be right for them at that particular moment in time, because not everything is necessarily in place. I have to take cognisance of what folks are saying and what those on the front line are saying. That is why I am asking for the extension, which is backed by local authorities and folk on the front line. The committee must understand that there are still major pressures on people, which have been caused by the pandemic period; our first priority is to keep them as safe as possible.

Andy Wightman: I challenge the notion that the people on the front line to whom you have spoken regard that as being of some utility. Shelter Scotland has told us that the services that it provides are getting feedback about

“cases of individuals being stuck in this temporary accommodation for significant lengths of time”

and suffering “Brutal”, “Horrendous” and “Soul-destroying” experiences. Have you heard that in your discussions with people on the front line?

Kevin Stewart: My officials talk to Shelter Scotland all the time. We have asked for examples of all such issues because I would follow them up. However, I do not have any examples from Shelter. What I have heard from my discussions with folks on the front line are experiences of what is happening out there. I am more than happy to look at what Shelter Scotland is seeing, and to follow up and investigate any issue that comes to its attention, as I would do for anyone else. Give us examples of where it is not going right, and we will investigate and try to resolve problems. I cannot, however, resolve problems if I do not know what the difficulty is.

Andy Wightman: Finally, I have a quick question about the rights of families and pregnant women to suitable temporary accommodation. Are they being fully met?

Kevin Stewart: I expect local authorities to ensure that pregnant women and families with children are suitably accommodated. That is essential. From what I am seeing, we are doing well on that front. I will bring in Marion Gibbs in case she has any recent data that I have not seen, but my expectation is that pregnant women and families with children should be in mainstream temporary accommodation.

Marion Gibbs: The unsuitable accommodation order still applies to pregnant women and families with children. We still have the normal rule that has been in place since 2014—when the time was changed from 14 days to seven days—so if a local authority has a household with children or pregnant women in unsuitable accommodation for more than seven days, it will be in breach of the order. We know that local authorities try hard to move people on from unsuitable accommodation as quickly as possible. It could be that, during an emergency or an out-of-hours situation, a bed and breakfast might be the only solution that a local authority can use, but it would then seek to move those people out as quickly as possible. Edinburgh was having the biggest struggle with that, and we know that it has definitely moved people out of unsuitable temporary accommodation as quickly as possible in order to minimise breaches.

09:45

The Convener: We now consider motion S5M-23878, in the name of Andy Wightman, which asks the committee to recommend that the Homeless Persons (Unsuitable Accommodation) (Scotland) (Modification and Revocation) (Coronavirus) Order 2021 be annulled.

Andy Wightman will speak to and move the motion, and there will be an opportunity for members to contribute to the debate.

Andy Wightman: There have been two extensions to the temporary exemption from the order—first until 30 September 2020 and then until 31 January 2021. The instrument would extend exemption further, until 30 June 2021.

There has been enough time to put arrangements in place to ensure that use of unsuitable temporary accommodation is no longer a lawful response to homelessness during the pandemic. The minister said that some homeless people prefer to stay in B and Bs or hotels because mainstream housing is not ready. That is no reason to deny them the legal right not to be housed in unsuitable temporary accommodation, neither is it a reason for homeless people to pay the price for the Government's failure to ensure that homeless people have a legal right to suitable temporary accommodation.

On 23 September 2020, the minister told the committee that he had asked local authorities and registered social landlords to ensure that 80 per cent to 90 per cent of housing allocations would be made to homeless people. According to the most recent statistics from the Scottish Housing Regulator, an average of only 39 per cent of allocations have been made to homeless households.

The promise that was made in May 2020 should be honoured, and there should be a pledge that the unsuitable accommodation order will be fully enforced by the end of this parliamentary session at the latest.

I move,

That the Local Government and Communities Committee recommends that the Homeless Persons (Unsuitable Accommodation) (Scotland) (Modification and Revocation) (Coronavirus) Order 2021 (SSI 2021/10) be annulled.

Sarah Boyack: I agree with Andy Wightman's comments. People are going through horrendous experiences. We are in a difficult position, but I cannot support Andy's proposal, although that does not mean that I do not agree with what he said.

The problem comes from lack of suitable housing and from vulnerability that has been exacerbated by the pandemic. We must keep up the pressure. We should support local authorities and the third sector organisations that work with homeless people so that those people get not only accommodation but wraparound support. That support would be essential at any time, never mind during a pandemic.

I highlight that prevention of homelessness must be given priority. More people are becoming homeless. We know that there is support for renters at the moment, but people are building up debt week by week, which will have an impact. People have lost their income and will not be able to afford rent in the social or private rented sectors. That must be addressed. Women have experienced domestic violence, which has increased during the pandemic. We face a growing number of challenges and do not have enough housing to go round.

A report from local authorities mentions specific issues that I would like the minister to comment on. They are trying to prioritise repairs to void properties and are working to reuse homes that are already empty. The City of Edinburgh Council has tried to turn short-term lets into long-term tenancies, thereby turning properties into homes.

The issue is that, if there are 14,000 households in temporary accommodation, we are rationing the housing that is available. I could name constituents who are living in inappropriately small

privately rented accommodation. A family of four living in a one-bedroom home is now more vulnerable than ever.

We must support people who are currently homeless and we must work now to prevent homelessness. The next few months will be challenging because of the economic and social pressures that people are under.

Fundamentally, we need to find a way to ramp up addition of new housing to the stock, so that we take pressure off people who are homeless and who are not getting the accommodation that they need. I hope that the minister will address those key issues in his comments.

Keith Brown: I do not agree with Andy Wightman's position. He does not seem to accept that local authorities have responsibilities in relation to how they manage their particular circumstances or that they have views on the order—or that there are people at the centre of this who are on the receiving end of temporary accommodation solutions and who also have views. I do not agree with the proposal to annul the order.

As has been said by the previous two speakers, the supply of good-quality social housing is at the root of the issue. For decades, councils have been obliged to sell off their social housing, and additional housing was not built to replace it. The Scottish Government has done a great deal to massively expand social and other housing, although it can do that only within its available resources.

Also at the root of the matter is the fact that the use of resources on temporary accommodation is uneconomic. I realise that that use of resources in that way is essential—there is no other way to deal with the problem. However, I would rather see the money that is spent on the exorbitant costs of temporary accommodation being put towards a further major house-building programme. The solution is to get the right supply of housing. The Government is doing a great deal in that respect; it is also trying to cope with the pandemic, as are councils and providers.

I support the order and oppose the motion to annul.

Kevin Stewart: I agree with a great deal of what has been said by Ms Boyack and Mr Brown. Without doubt, as Ms Boyack said, vulnerability has been exacerbated by Covid. We all have a duty to ensure that we do our level best for folk. We have managed to do a great deal during the pandemic in partnership with local authorities and third sector organisations.

We have managed to get folk off the streets. The rough sleeping rate is very low in Scotland—

as of last week, there are two cases in Glasgow—and third sector organisations are doing their best to get people into accommodation. There is a huge difference between the situation now and the situation before the pandemic. In order to keep people in accommodation, we have to listen to them and meet their needs, which might not be met in mainstream accommodation. It is my duty and the duty of us all to listen to people on the front line about what is required.

Mr Brown talked about the Government's delivery of affordable homes since we came to power in 2007. Mr Brown played his part in ensuring that there were more affordable and social homes in Scotland, and this Government will continue to see housing as a priority. However, we have just lost £218 million in housing consequential from the United Kingdom Government and there has been a 66.5 per cent cut in financial transactions. Those unhelpful decisions will have a major impact on our delivery of affordable homes. I hope that everyone on the committee supports the Government's aim to get the UK Government to reverse those decisions.

Ms Boyack pointed out a number of problems that have been exacerbated during the pandemic, including domestic violence. We have a duty to ensure that we do our best for people who are fleeing such circumstances, and the Domestic Abuse (Protection) (Scotland) Bill, which has now been introduced, should be helpful in that regard.

As has been mentioned, it is also important to consider the stock and not just deal with things in the same old ways. The Cyrenians, Crisis and Streetwork are running a pilot in the PRS in Edinburgh to utilise good private rented stock, some of which has been empty, to get folk into suitable homes. I am more than happy to consider any suggestions that are made in that regard and to move forward accordingly.

Many other things have happened during the pandemic, and I pay tribute to those on the front line. We have seen a prisoner release programme, which—I will be honest—caused me some worry in relation to how it might pan out. The front-line workers in councils and third sector organisations managed to cope and deal with the situation and ensured that folks were accommodated appropriately. As I mentioned, we have also seen greater cohesion, with agencies working together to do what is right for people. For me, the most important thing is that folk have actually been listening to the people who are most vulnerable and have been doing the right things to move people on when it was right to do so.

Sarah Boyack and Keith Brown mentioned support for renters. At the moment, we have a package of measures in place to support renters. However, we all know that there will be strains on

folk as we move forward. That is why the furlough scheme has to continue and why the UK Government should not cut universal credit, which it looks likely to do.

Beyond that, the Chancellor of the Exchequer should be thinking more about what needs to be done for renters across these islands. This Parliament does not control housing benefit or the benefits system. We need to find a way to prevent future crises. The UK Government must stop cutting our affordable housing money through its budget, it must not cut universal credit and it must not get rid of the furlough scheme. Across these islands, we need to take cognisance of the real difficulties in which folk find themselves and find a solution for those who have had difficult times during the pandemic.

I ask the committee to vote against Andy Wightman's motion, because annulling the order would be extremely damaging for some of our most vulnerable people at this time.

The Convener: I invite Andy Wightman to respond to the debate.

Andy Wightman: Time is pressing, so I will be brief. I accept that local authorities have their view and that the minister has his view. Whether homeless people should have the right not to be housed in unsuitable temporary accommodation is not a question of the views of local government, central Government or front-line organisations; it is a matter of what the law should say. Homeless people should have the right not to be housed in unsuitable temporary accommodation. I moved the motion to annul the order in order to secure that legal right, and I will press my motion.

10:00

The Convener: The question is, that motion S5M-23878, in the name of Andy Wightman, be agreed to. Are we agreed?

I can see that we are not agreed, so there will be a division. We will vote by roll call. I will call committee members' names alphabetically. Please indicate your vote when I call your name.

For

Wightman, Andy (Lothian) (Green)

Against

Balfour, Jeremy (Lothian) (Con)

Boyack, Sarah (Lothian) (Lab)

Brown, Keith (Clackmannanshire and Dunblane) (SNP)

Dornan, James (Glasgow Cathcart) (SNP)

MacDonald, Gordon (Edinburgh Pentlands) (SNP)

Stewart, Alexander (Mid Scotland and Fife) (Con)

The Convener: The result of the division is: For 1, Against 6, Abstentions 0.

Motion disagreed to.

The Convener: The committee has agreed not to recommend to Parliament that the instrument be annulled, and has made no recommendation to Parliament in respect of the instrument. The committee will report on the instrument in due course, and I invite the committee to delegate authority to me, as convener, to approve a draft of the report for publication.

I thank the minister and his official for taking part in the meeting. I will suspend the meeting briefly to allow a changeover of witnesses.

10:02

Meeting suspended.

10:07

On resuming—

Budget Scrutiny 2021-22 (Local Government Settlement)

The Convener: Under agenda item 6, the committee will take evidence from local government representatives on the financial settlement for local government, as set out in the Scottish Government's budget for 2021-22.

I welcome Councillor Gail Macgregor, who is the resources spokesperson for the Convention of Scottish Local Authorities; Martin Booth, who is the executive director of finance at Glasgow City Council; Eileen Rowand, who is director of finance at Fife Council; and Sarah Watters, who is the chief officer for local government finance at COSLA.

I thank the witnesses for being present today and for their written submissions. For information, I point out that we have allocated about 70 minutes for the session.

I will provide some brief technical information before we start. There is a pre-arranged questioning order. I will call each member in turn to ask their questions, which will be for up to nine minutes. It would help broadcasting staff if members could indicate to whom their questions are addressed.

Because there are four witnesses, I ask that you indicate clearly when you wish to answer a question—by raising your hand, for example. Do not feel that you need to answer every question if your views are generally in line with points that have already been made. Please give broadcasting staff a second to operate your microphones before you speak.

We move to questions. I call Sarah Boyack.

Sarah Boyack: I thank all the witnesses for the evidence that they submitted in advance of the session. It has been incredibly useful.

I have a couple of initial questions about some of the figures. I am keen to get clarity on the extent to which witnesses think we have non-ring-fenced funding. What service pressures are of particular concern during the pandemic and in relation to what will happen afterwards? I want clarification about non-ring-fenced services, which I know are vulnerable to cuts.

Also, what are the financial implications for local authorities of the Cabinet Secretary for Finance's proposal to freeze council tax? What is your view on the principle of the proposal, given that council tax is a matter for local authorities? I ask Gail

Macgregor to lead off, and for the other witnesses to add any comments that they have.

Councillor Gail Macgregor (Convention of Scottish Local Authorities): I will defer to Sarah Watters on the specifics of ring fencing. However, in the past few years, we have seen a significant shift from funding that can be used locally with local decision making to funding that is ring fenced. This year is another prime example of that.

On the surface, it looks as though the overall budget is going up by half a billion pounds, which seems to be welcome. However, once we dig down into the additional money, we see that £160 million of it is ring fenced, and when Covid funding of £259 million is taken out, we are left with only an additional £95 million in the core budget, which represents 0.9 per cent of the budget. Therefore, there has not been a significant uplift in our core budget, and a significant proportion of this year's additionality is, again, already allocated and ring fenced by the Scottish Government for its policies.

I will quickly mention council tax, because I am sure that Martin Booth will have a view on that. Leaders have consistently said that council tax is a local tax and should be determined locally—they have maintained that position throughout. The current challenge is that there is, on the table, £90 million that is, in essence, being offered as compensation for freezing of council tax. The pressure will be on leaders to do that.

In the current financial climate, council leaders are very aware of household pressures and the pressures on communities and individual family budgets, and I very much doubt that they would penalise households in the first instance. However, we are obviously now being pushed down the route of having to freeze council tax and take the compensation, which—to me—is a somewhat political decision.

Our challenge on council tax is that our not raising the base this year will keep it artificially lowered. Then, as we go into next year, if that £90 million is not baselined in the budget, we could have to apply a much higher level of council tax—say, double what we would have increased it by this year—which, when we are recovering from Covid, would hit households.

Our plea to the Government is that it ensures that the £90 million is baselined to ensure that our base continues as it is and we do not penalise households in the future.

I defer to Sarah Watters on additional ring fencing.

Sarah Watters (Convention of Scottish Local Authorities): On the question about ring-fenced funding, the issue will probably be more acute in

some areas this year. As Councillor Macgregor rightly said, a lot of what has been packaged as an uplift—the £365 million—from the Scottish Government will go on specific purposes, which will leave about £94 million for dealing with pressures that are already in the system.

This year, the key pressure points with regard to Covid and coming out the other side of it with recovery during 2021-22 are in relation to areas including economic development, employability services, support services, community learning and development, and youth work. Those are the services that COSLA has, over multiple years, highlighted as suffering when the core budget is not funded properly. We know that the £94 million uplift will not cover the existing pressures on pay, for example. Councillor Macgregor is about to go into pay negotiations: money has to be taken from somewhere, so it will come from the types of services that I have just mentioned.

The latest available economic development figures are for 2018-19, when local authorities supported 15,000 unemployed people back into work. I imagine that such support will be crucial, as we move into next year. However, if we do not have enough to fund core services, those are the types of services that will, unfortunately, suffer. We have good data on those services and the impact over the years on their budgets.

The Convener: Eileen Rowand wants to come in.

Eileen Rowand (Chartered Institute of Public Finance and Accountancy): [*Inaudible*.]—look at the construct of the budget. We have talked about ring-fenced funding, but there is also protected spending. Items such as the pupil to teacher ratio and teachers' pay and pensions are protected, and money that we are given for social care has conditions set on it. About 60 per cent of our budget is now protected—it was about 40 per cent, in the past. The rise in the amount that is protected puts a lot of pressure on our unprotected budget.

10:15

Sarah Watters highlighted some areas that are important in trying to recover our position. There are big issues for local government to deal with—anti-poverty measures, economic recovery and community wealth building—so a reduction in our core budget, once the pay policy has been taken into account, puts pressure on our sector.

Martin Booth (Society of Local Authority Chief Executives and Senior Managers): Councillor Macgregor, Sarah Watters and Eileen Rowand have covered most of the relevant points, including on the services that will be under pressure.

Two services in Glasgow will be under most pressure. One is culture and leisure services. People's physical and mental health have been under severe pressure during the pandemic, so culture and leisure will be important in helping people to recover and get back to normal.

I am sure that Councillor Macgregor would confirm that local councillors' mail bags are busiest with issues around neighbourhood and sustainability services, such as refuse collection and street cleaning. Those are the other big services that are left, after the protected spend on social work and education is taken out. Those services will suffer as a result of the increase in grant not being enough to fund the public sector pay policy, never mind the demands of trade unions.

Sarah Boyack: That is all helpful.

On the point that Martin Booth just made about services such as culture and leisure, I want to ask about the gap between the income that local government normally expects and the income that it has been able to achieve during the pandemic. How much compensation has the sector been able to get from the Scottish Government? My understanding is that there is a significant gap. I am not sure whether Martin Booth, Sarah Watters or Gail Macgregor is the best person to clarify that issue.

Martin Booth: I am happy to start off.

In Glasgow and around Scotland, lost income has been a significant element—in particular, income that has been lost from culture and leisure services. The funding that has been provided—even with the uplift that is part of the Scottish budget statement, which lifted the funding from £90 million to £200 million—is significantly shy of the lost income for the first six months of the year. From memory, it is £227 million, so there is a £27 million gap, with another six months still to come.

In Glasgow City Council's case, the lost income from culture and leisure services alone is £38 million. That income will not be recovered quickly; it will not recover from 1 April or the first day after unlocking. We anticipate that it will take several years to fully recover, although I hope that it will happen as quickly as possible.

The Convener: I want to ask a quick question. Before I do, I point out that not everybody has to answer every question, because we have a lot to get through. I know that everybody will have opinions on the questions that we ask, but if a question has been answered, please do not feel that you, too, have to answer it.

What evidence is there that local authorities' priorities are not the same as the Scottish Government's when it comes to ring-fenced

grants, the bulk of which relate to the expansion of early learning and childcare, as well as to pupil equity?

Councillor Macgregor: We have acknowledged in the past, including at the committee, that a huge number of such policies have been developed with COSLA. Early learning and childcare is one example, but over and above that, we have ended up with lots of small ring-fenced pots of money that do not always align across the 32 local authorities. In some cases, it would be better if we were given that money and allowed to make local decisions. We are discussing that with the Government, at the moment.

The £259 million of Covid funding does not seem to have the same restrictions as have been applied over the past few months. That is very welcome, because it will enable councils to make local decisions. We work in partnership with the Government regularly to develop policies, but sometimes we are not fully consulted, then there is a fairly high-level announcement that does not always align with the individual priorities of the 32 councils, or with weighing up of urban and rural demographics. As the committee will appreciate, one size does not fit all.

Sarah Watters might wish to comment on that.

Sarah Watters: On pupil equity funding, for example, there is no way that local government would not agree with that policy intent. However, the scaffolding that goes around those types of services is necessary. There is a feeling that ring-fencing of pupil equity funding, for example, means that the services that sit around it cannot be utilised to best effect because they are among the services in which we have to make cuts. Pupil equity funding is very classroom focused. There is a place for that, but there is also a place for the scaffolding of support services that sit around it, including children's social work services, youth work services and other services that add value outwith the classroom and make a difference to the attainment gap.

The Convener: On the pupil equity funding, when I was convener of the Education and Skills Committee, we did visits from which it seemed to us that there was a great deal of flexibility in how schools used that funding. Does that differ from one local authority to another?

Sarah Watters: The funding is used differently, but there are restrictions around it in terms of how far it can go. For example, a child is part of a family, and family support might be required in order to get the most from pupil equity funding. It is used differently in different local authorities, but strict conditions and reporting requirements still come with it. That funding is not as flexible as

some local authorities would like it to be in relation to family support and support outwith the classroom.

The Convener: Okay. Thank you.

Martin Booth: The nub of your question, convener, was whether we are broadly aligned policy wise on the ring-fenced funds. The broad answer is yes.

The real challenge comes where we agree with a policy intent and funding is provided for it, but there is a cut to our core budget, which means that we cannot support the base. For example, Councillor Macgregor mentioned the expansion of early learning and childcare expansion to 1,140 hours. That expansion was funded, but the budget for the core 600 hours that already existed was not protected. We are therefore facing cuts in our core funding, but the bit on top is being funded, which means that the two aspects do not align. We must first have the core protected, then have the expansion. The core not being protected undermines the foundations of the policy.

The Convener: I am not sure exactly what you mean. If you were funded for the 600-plus hours in previous years, is not that funding still there?

Martin Booth: We have had real-term cuts in our funding. We had a cut in funding last year, but have a small increase this year. We appreciate our increase, but it is still lower than the amount by which our core costs will rise. Pay inflation, based on the public sector pay policy, will be just over 2 per cent, but growth in funding is less than 1 per cent, which means that money must come from somewhere else. Early learning and childcare, as a grouping, will probably have north of 2 per cent pay pressure, but the 600 hours in the core budget is not protected. The expansion to 1,140 hours is funded, but we have to make savings to balance our budget and are not getting enough resources to protect the core.

The Convener: So, it is really about the decisions that you make about the money that you have. What you are saying is that you do not have the option of cutting funding for the 1,140 hours and using those funds elsewhere.

Martin Booth: Yes. We have to cut elsewhere to implement the policy. In reality, the policy is therefore not fully funded.

The Convener: The issue is that you would like to be able to decide whether you want to continue to fund that policy or fund something else with the budget that you get.

Martin Booth: Yes.

The Convener: Okay. Thank you. Does Jeremy Balfour want to come in now?

Jeremy Balfour (Lothian) (Con): Yes, thank you. I have a couple of questions. We have been talking a lot about the revenue budget, but the capital budget has not gone up at all, as far as I can see. What effect will that have on local authorities, particularly in the longer term? I am happy to put that question to whoever wants to take it.

Councillor Macgregor: Convener, would it be easier if I flagged the question to whoever I think is best placed to answer?

The Convener: I am more than happy with that—we have done it that way in the past.

Councillor Macgregor: Okay.

The capital budget has not increased. The five-year plan that was announced last week basically sees our capital budget flatlining for the next five years. I will defer to Sarah Watters to give you some examples of the impact that that will have on councils.

Sarah Watters: We highlighted in our written submission the interrelationship between capital and revenue. For example, the ability to borrow is impacted by our revenue funding. I will bring in Eileen Rowand to provide more detail.

Eileen Rowand: The capital that has come to local government in the past few years has varied. There has been money for specific items such as early years education, but Audit Scotland's report suggests that there is a significant real-terms reduction in capital and highlights that councils are having to borrow more, so our net debt went up by 4 per cent in 2019-20. That puts into context the affordability of our investing in existing assets and ensuring that they are fit for purpose, and of our investing in new assets in order to deliver on the outcomes that are required. As Sarah Watters said, it is important that there is a level of capital that allows us to do that to meet life-cycle costs and have assets that are fit for purpose. Looking at our finances going forward, we hope that there will be an increase in capital, but we understand that that has to come from within the overall resources at the Scottish Government's disposal. However, we are seeing pressures in the system on our borrowing costs.

Jeremy Balfour: That is helpful, thank you.

I will change tack and move on to another area, which relates to councils with a growing population, such as Midlothian, Edinburgh and East Lothian in my region. How does the budget reflect the pressure on a local authority area that has an increasing number of people coming to live in it, particularly when it comes to services such as schools, which need to be funded? Does the budget take account of that? If not, how can that be dealt with?

Councillor Macgregor: Population is an issue, but the budget does not pay particular attention to population increase in areas such as East Lothian, where I am aware that there is an issue.

One of the things that we must do is pick up the work that we were doing at pace around the fiscal framework, which Covid halted. It is key that we pick that back up, probably after the Scottish Parliament elections in May, and begin to look at a medium-term to long-term structure for local government funding. I hope that we will look at multiyear funding, and then we can perhaps look at our distribution models and the process that we use to determine them.

There are areas of Scotland where the population is increasing sharply, which is not fully accounted for in much of our current distribution. There are pressures in those areas, and we must ensure that the fiscal framework is fit for purpose and serves the needs of all 32 local authorities.

10:30

Jeremy Balfour: In an earlier answer, you gave a little information about what happens in the next financial year if council tax is frozen this year. What sort of council tax increases might we see in the next year if your needs are not met by the Scottish Government?

Councillor Macgregor: That is a difficult question to answer as each council will make its own decisions about the next year's council tax, assuming that that £90 million is not baselined. It might be helpful to bring in Martin Booth, who has some examples of the impact that the freeze on council tax had first time round.

Martin Booth: Council tax was frozen several years ago for three years. The figure at that point was about £70 million per year. That was baselined, but not until the following year, which made planning more difficult.

If the £90 million is not baselined, the approximately 3 per cent of council budgets that that represents would have to be funded before we started next year, whatever the pressures were. Councils would need at least 3 per cent to fund a standstill budget, but we have not had a standstill budget for a long time.

Council tax is a small percentage of a council's total budget. The amount varies from council to council, and is about 14 per cent in Glasgow. If we have to use council tax to fund a 1 per cent pay rise, that will equate to a rise of around 5 per cent in council tax. We gave an example earlier about the difference between what is public sector pay policy in Scotland and the increase in our core resources. If that was all to be funded from council tax, it would equate to a 6 per cent increase.

We are too dependent on too many other factors for me to be able to give a more accurate answer.

Keith Brown: Most committee members are former councillors or council employees—in some cases, both. We are all keen to know whether the proposed budget is fair to and equitable for local authorities. We all accept that there is pressure. The information that we have been given suggests that there is a 2.4 per cent real-terms reduction in revenue since 2014-15. I am trying to work out whether that is fair, given the resources that are available to the Scottish Government.

In evidence to the Finance and Constitution Committee, COSLA compared the Scottish situation unfavourably with that in England. COSLA has talked about councils in England getting “tranches” of money from central Government to help them address problems. That jars with information I have had from colleagues down south, where councils are going bankrupt and there is talk of 60 per cent cuts. Could the COSLA representatives tell us more about the comparison between Scotland and other parts of the UK?

Sarah Watters: The comparisons that we made in our submission related specifically to Covid funding and the way in which Covid consequentials flowed through to local government. In England and Wales, local authorities were allocated four big tranches of funding that were awarded flexibly. The Local Government Association called that “general purpose funding”. It is the sort of funding that councils need for paying overtime or for extra vehicles or cleaning costs—all the extra costs that are in the system due to Covid.

The situation in Scotland has been different. We had one or two tranches of general purpose funding early on in the pandemic, but, after that, there have been more than 30 separate pots of funding for specific purposes. That has put a lot of pressure not just on Scottish Government officials but on local government, 32 times over, as those grants make their way down into councils.

We have welcomed a move by officials over recent weeks to look at some of those grants to see where money can be put into general revenue funding. That gives us flexibility: if a bit of money is left in one pot, it can be used to respond to some other local need. For example, there was little flexibility between our community food fund and the school meals fund. If that money was part of the general revenue fund and there was an issue with family food but not with school food, we could respond accordingly. We made that comparison in our submission. We would have preferred large tranches of undirected, general purpose funding,

as opposed to more than 30 pots of specific grant for specific purposes.

Keith Brown: That does not really answer my question, which was about the general situation. I mentioned the 2.4 per cent that is said to have been cut since 2014-15 and the general funding situation for councils in England, where we are seeing councils go bust. My question was about the general comparison between Scotland and England, rather than a specific Covid-related comparison. What can COSLA tell us about that?

Councillor Macgregor: I think that I have answered that previously. It is very difficult to make comparisons, because councils in England have different structures and different responsibilities from those in Scotland. I can speak only on behalf of Scotland. For us, the challenge is that we have seen an increase in the Scottish Government’s budget, as you have said—it has risen by more than 3 per cent in the past seven years—but our budget has decreased by more than 2 per cent. That brings challenges in and of itself.

As you are aware, my key focus is on ensuring that local councils in Scotland have sufficient core funding to continue to deliver services in social care, education and communities. However, we also need to be assured that all additional policy commitments are not just fully funded but, if they are to continue into the future, baselined into core budgets.

Covid funding requires to be fully funded at the moment. We have an allocation of £259 million. We do not know where that figure has come from and it is only a projection at this stage, but if we require additional funding as we go into the next financial year, I will expect to have a conversation with the cabinet secretary to ensure that that funding happens.

Over and above that is loss of income, which was mentioned briefly and which is one of our biggest challenges at the moment. We know that we have a £220 million-ish shortfall in this financial year alone, but we also know that community and leisure services are not going to reopen any time soon, so that pressure will continue into next year.

For us, coming from the fairly weak base of having had a reduction in our core budget for a number of years, the key thing is to ensure that that budget is protected as we go forward and that the additionality is covered. That will enable us to do exactly what we have done for the past 10 or 11 months: deliver the key services that we always deliver, but also pick up the baton and run, and really help our communities during a very difficult time—and that is before we even get into recovery.

Keith Brown: Thanks. For those of us who want to try to be supportive of local government, simply picking an example that suits from down south and professing ignorance of everything to do with the general situation is not helpful. It might be useful for the committee to get comparative information on England and Wales, if COSLA does not have that.

If COSLA's position is that local government has been unfairly treated because it has had a reduction and—according to the allegation that was made just now, which I am not sure can be substantiated—the Scottish Government's income has gone up, where does COSLA think that the Scottish Government money that should be coming to local government is going? For example, as far as I am aware, for the past five years, or for even longer, there has been no amendment to the budget from any Opposition party in the Parliament to say that money should come from elsewhere to go to local government. Where is that extra money—that bounty—going?

Councillor Macgregor: The figures that I quoted were produced by the Scottish Parliament information centre in its recent briefing, but I will bring in Sarah Watters on that point.

Sarah Watters: Actually, Eileen Rowand would like to come in. As Councillor Macgregor said, our submission quotes the SPICe figures.

Eileen Rowand: I will consider the wider question. I meet the directors of finance in England and Wales as part of my role as chair of the Scottish directors of finance group. It is quite evident that, given in-year funding received for Covid and concerns about the budget for the coming financial year, they are more optimistic than we are in Scotland.

The work that Audit Scotland has done in its overview report indicates that the Government has provided 60 to 70 per cent of the funding for Covid costs. Therefore, there is still a way to go and a number of councils are struggling. I am aware that councils are struggling down south as well—I have been in discussions with the Chartered Institute of Public Finance and Accountancy about that—but that is partly due to some of the commercial decisions that they have taken in the past, so it is a different issue. It is important to get more evidence on that.

On where the funding should come from, I think that that relates to the relative increases to different parts of the Scottish budget. What happened with the budget for health and sport is significantly different from what has happened with the budget for local government.

In local government, we would call for an appreciation of the role that we play when considering the importance of improving health

and wellbeing, for example. If we are to improve the health of the nation, local government will play an important part in that. It is about considering the consequential for health that are received and asking whether they could be used more widely. That is probably an area where there is agreement with the aspirations in the Government's medium-term financial strategy. We are asking for that to be followed through in the budget.

Keith Brown: I have a lot of sympathy with the point about better use, between local authorities and health boards, of the money that goes to health.

My final point is about what local government would like to see in indicative multiyear budgets. The Scottish Government says that it gets no information from the UK Government—its budget will not even be set until after local authority budgets are set. Is there more that the Scottish Government should do, despite the fact that it does not know what it will get, to give more indicative information to councils for future years?

Councillor Macgregor: We are having discussions about the fiscal framework and longer-term budgets—we have to do that. I completely sympathise that we do not always get clarity in multiyear budgets from the UK Government to assist the Scottish Government. However, we could perhaps be given a longer-term projection for parts of our budget—certainly around integration joint boards and health and social care funding. That is an element of councils' work where we could look for a bit more sustainability. We started to have discussions about that, but they have also been in abeyance.

There is now a five-year capital plan, which is quite an ambitious plan for the Scottish Government. If it can do a five-year capital plan for the next parliamentary session, it is not inconceivable that it could give us a little bit more certainty. The reality is that the sooner councils know what they can project to spend, the easier it is for us to make decisions about long-term investment in capital and sustainable services on the revenue side.

Any certainty is better than none, and that must form part of the work on the fiscal framework.

Andy Wightman: I want to follow up on that answer from Gail Macgregor. What progress is being made on the development of the fiscal framework? Where are we with the talks on that? What elements, if any, have been agreed and what is the timescale?

Councillor Macgregor: As you know, we were engaged with the work on the fiscal framework prior to Covid, but I have to say that it has been completely put in abeyance since last February or March and has not been picked up again. There is

probably an aspiration to do that fairly quickly after the May election but, obviously, given the crisis that we have been in, there has been other work to focus on.

In the past few months, COSLA released its local government blueprint, which gives a clear aspiration for local government for the next few years. It is a sort of medium to long-term plan. We need to pick up those discussions with Government at the earliest opportunity.

10:45

Sarah Watters: To reiterate what Councillor Macgregor said, we got to a good position with our leaders, in that we had an agreement on scope and had shared that with the Scottish Government. There has not been a huge amount of progress on the entirety of the local government review, although we are doing some work on that now that we have a little capacity that is not dealing with the huge amounts of Covid funding and grants. We are now looking at local taxation and the innovative financing elements of the fiscal framework.

That is challenging, given what we have come through. Covid has thrown risks into the mix and shone a light on them, and we have to be cognisant of those. Our members want us to pick up the issue again, although they recognise the capacity issues at the moment. We are starting to do some preliminary work on that.

Andy Wightman: My next question is for Gail Macgregor. What impact will the proposed reduction by 0.8p in non-domestic rates poundage have on the local government settlement? Was COSLA consulted about that proposal? Have there been any further conversations between COSLA and the Scottish Government about handing back rate-setting powers for non-domestic rates?

Councillor Macgregor: I personally have not had any such discussions, so I will defer to Martin Booth on that.

Martin Booth: The reduction in the rate poundage will mean that councils will make a small saving on the rates that they pay. That is a small positive—for Glasgow, it will save a few hundred thousand pounds—but it does not have an impact on our overall settlement, because the rates that we collect are netted off from our settlement from the Scottish Government, which means that the risk for that sits in the Scottish Government budget, not in local government's budget. Other than the small benefit in relation to the rates that we pay, the reduction in poundage has no impact.

Andy Wightman: Audit Scotland has found that long-term financial planning is not well enough developed in many councils. Does COSLA agree with that? What steps are being taken to ensure that longer-term financial planning is better developed?

Councillor Macgregor: I suspect that Eileen Rowand will probably want to come in on that.

Eileen Rowand: Longer-term financial planning is important and is something that we, as directors of finance, strive to do.

Many councils have revenue plans that look five years ahead. We have to make assumptions in those plans, because we do not know about items such as grants or pay, but we must look at factors such as changing demographics and how we plan to respond to them.

Councils are in different positions, but long-term planning has been improving. In Fife, we have a 10-year capital plan and we look three years ahead for our revenue budget. It is difficult to have revenue budget solutions for two or three years ahead, but we can make planning assumptions. We should do more of that.

The Scottish Government faces the same issues with its long-term financial plans. The report that was published recently mentions more clarity about capital aspirations; we would ask for more clarity about revenue aspirations.

Sarah Watters: For most councils, longer-term financial planning also involves huge transformation programmes, and those programmes have been impacted this year. The programmes were intended to create in-year savings. Some of the pressures that councils face come from the fact that those savings have not been released this year. That may recur.

As Eileen Rowand said, councils are looking to carry out long-term financial planning, but Covid has caused so much instability. Transformation planning is a key part of that, but it is having to be transformed as we speak to cope with the situation that we are in this year. Martin Booth articulated the situation with regard to leisure services not recovering into next year, the following year or potentially the year after that.

Gordon MacDonald: Before I ask my questions, I want to go back to the point that Jeremy Balfour raised about capital expenditure. I am not sure whether I picked up the witnesses correctly, but the Audit Scotland report that was published last month for the past financial year says in the key messages:

"Councils had the highest level of capital expenditure of the last five years."

Is it correct that the expenditure was substantially higher in 2019-20 than in previous years?

Sarah Watters: If we look at the settlements back to 2013-14, we find that 2019-20 had one of the highest capital settlements, not least because the expansion of early years provision was included. As that expansion goes on, additional capital has gone into local government budgets. There was a particularly high capital settlement in 2019-20, which was contributed to by the activity in relation to early years expansion and the on-going school building programmes.

Eileen Rowand: I think that I covered that in a previous answer. I have the Audit Scotland report in front of me, and it shows that, between 2013-14 and 2020-21, the capital funding jumped around a lot. Between 2019-20 and 2020-21, there is a 30 per cent reduction in funding, but that is because of investment in things such as the expansion to 1,140 hours of child care—it is to do with specific items that have been funded. The figure has changed significantly over the past six years; it has not been a smooth line.

Councils' borrowing is increasing and there is more pressure to maintain assets and meet life-cycle costs. That is a challenge, and at the same time our revenue budgets are under pressure.

Gordon MacDonald: The Audit Scotland report is quite plain in relation to capital budgets. In point 6, it says:

"Councils had the highest level of capital expenditure of the last five years",

at £3.6 billion. The Audit Scotland report of 2006-07 shows that the capital expenditure budget was £1.9 billion, so there has been a substantial amount of capital expenditure on councils for things such as the early years provision, which you mentioned, upgrading councils' housing stock—we are now building substantially more than before—and increasing the number of schools that are in good or satisfactory condition. The reality is that councils have had substantial amounts of capital expenditure over the past 14 years.

Eileen Rowand: I do not disagree with that. The figure has increased in specific years to do specific new things, such as the early years expansion, but I flag that the figure has dropped for 2020-21, and that has been baselined into the budget for 2021-22. We are seeing real pressures from maintaining our existing assets and life-cycle costs.

Gordon MacDonald: I will move on to the questions that I wanted to ask. Can somebody tell me how much usable reserves councils have and when you use those usable reserves?

Councillor Macgregor: I will pick up on that first, and Sarah Watters or Eileen Rowand might wish to come in.

The levels of reserve that local authorities have vary, and the issue depends on what is in their committed reserves and what is uncommitted. There is a lot of variation across the councils.

The question about when to use the reserves is key. Everybody has always said that we should use them on a rainy day, and it has been chucking it down for the past 10 months. However, we do not want to exhaust reserves and put councils under even more pressure in the next financial year. That is why we have worked constructively with Government on fiscal flexibilities that might assist councils to plug a budget gap this financial year and next financial year.

That work has been constructive, although it has not provided a perfect solution or a replacement for cash. There is a general understanding that some reserves will require to be used in this and the next financial years, alongside the flexibilities and additional cash that we get for Covid funding over and above that.

The challenge will come in future years. We do not want to reduce reserves to a point at which Audit Scotland is not comfortable with them. The situation varies a lot, and I cannot give you an exact figure for every council.

Gordon MacDonald: I appreciate that, and the Audit Scotland report is helpful in that regard.

I am sorry, convener: I should have declared that my wife has been a councillor in local government for 14 years. I am well aware of the issue, as I get my ears nipped on a regular basis about council funding.

How many councils increased their revenue reserves in the last financial year?

Councillor Macgregor: I will bring in Sarah Watters on that. Where they have done so, there are specific reasons for it.

Sarah Watters: I think that Eileen Rowand and Martin Booth want to speak about reserves.

Eileen Rowand: The Audit Scotland report highlights that 22 councils increased their reserves in 2019-20, to a scale of £65 million. I think that the largest increase was in Glasgow, where there was a significant equal pay claim.

Reserves are there to deal with one-off shocks in the budget; they are not there to deal with on-going costs. All councils carry a number of risks. The reserves in my council have significantly reduced in recent years. The Audit Scotland report flags that up and says that, if the situation continues, there will be issues of sustainability. Obviously, I will ensure that that is not an issue,

but it is important to have a level of reserves, because there are things that councils must deal with that are not funded by the Scottish Government, given our autonomous nature.

We need to hold a level of reserves. That is even more important in times of uncertainty. I actually expect to see an increase in reserves at the end of this financial year, which is partly because of some of the funding that is coming from the Scottish Government—we are being asked, potentially, to carry that forward to next year to deal with Covid, education, health and social care and so on.

We are also considering fiscal flexibilities for dealing with Covid costs in future. If councils access those flexibilities, the reserves will increase in the short term so that councils can deal with the medium-term impact of Covid, which will be substantial and wide ranging.

Martin Booth: There is a mixture of earmarked and unearmarked reserves. On the reserves that are earmarked for specific purposes, Glasgow had a significant reserve built up to deal with its equal pay challenge and how that was to flow through the accounts. Glasgow's policy is to have unearmarked reserves of 2 per cent of net expenditure. We are below that target, albeit not by very much, as we are at about 1.9 per cent. In Glasgow's case, that is about £30 million.

Our pressure from Covid, prior to the allocation of the lost income of £200 million, is sitting at about £80 million so, as Councillor Macgregor said, it has been raining pretty hard this year, from that point of view. That is the scale of the problem. Our reserves are not big enough to deal with the current issue. That figure will reduce, with the lost income figure and other issues that we are dealing with, but we are not awash with reserves, and I think that that is pretty common across local government.

11:00

Gordon MacDonald: On that point, what is the total value of councils' usable reserves? I accept that each council is in a different place, and that there is fluctuation year on year, but where are we when it comes to usable reserves, which can be used either to fund specific projects or general expenditure or to reduce council tax?

Eileen Rowand: —[*Inaudible.*]

Gordon MacDonald: Your microphone is muted.

Eileen Rowand: I cannot give you that answer here and now. We would have to gather the information and I do not have time to look in the Audit Scotland report and respond.

However, the position on reserves varies significantly across councils, as do their risks. There is no one-size-fits-all position. I do not think that we would say, "This is the level of reserves that councils require," because that changes with the risks that each of them carry. We need to look at reserves in that vein.

Gordon MacDonald: I have another question—

The Convener: If you have another question, make it short.

Gordon MacDonald: I will.

Depending on which year is taken, councils' usable reserves across Scotland amount to between £2 billion and £2.5 billion, which I would say is substantial. Now that it is absolutely pouring out there, given Covid and the Brexit situation, is it not time that councils were using reserves to support services?

Councillor Macgregor: I cannot disagree with that. I said at the start of my earlier answer that it is pouring, and that councils will use their reserves. Absolutely.

Alexander Stewart: I thank COSLA for its analysis, which is very useful. It has been made evident today that councils are suffering. They have suffered over the years when it comes to funding, but Covid has added even more pressure. Witnesses have talked about a loss of income, a reduction in core funding, and how Covid has exacerbated those pressures.

Many questions have been asked already, but I want to talk about how councils are having to adapt and adopt new ways of working to support their service delivery. It has been evident for nearly a year that councils have had little opportunity to do anything but adapt to new ways of working. That puts some pressure on what is taking place.

I ask COSLA, how likely are those new ways of working and service delivery that are being looked at to continue, as we move into and come through this pandemic?

Councillor Macgregor: The answer to that comes in a number of parts. As you are aware, we have been firefighting for a number of months, and I cannot commend our staff enough for the tremendous effort across councils—indeed, across all the public sector—in the past few months. It has been incredible.

As we touched on earlier, some of the transformation programmes that were going through the process within councils have had to be put in abeyance, up to a point. Obviously, different ways of working have meant a lot more of our staff having to work from home, and pressures have come with that. There have also been massive

challenges in digital connectivity, support and mental health.

You will be aware that I am just about to launch a new digital strategy in conjunction with the Scottish Government. From a transformational point of view, having good digital connectivity as well as ensuring that all our communities have the right devices, will assist us. The world is not going to get back to the normal of customer-facing services in person.

Councils have been incredibly good at adapting, but we have been firefighting. We are now just trying to take a breath—I say trying, because it is challenging—and look at what services we will need to deliver. For instance, we have talked about the challenges around loss of income. We do not know how the public will feel about going back into community centres and leisure facilities, so we might need to look at what offer we have for them in the coming months. Obviously, we will need to reprofile some of the work in transformational ways.

At the moment, we need to protect our communities and ensure that they are looked after, but we will then look at how we deliver key services to get us out of the current situation. After that, we will go into economic development and recovery. Councils will be at the heart of that in supporting people through employment and skills teams, and easing our recovery.

The councils' role has three parts: we have been in a crisis and we are now in a holding pattern and keeping going, but we will be going into a phase of looking forward to ensure that the services that we provide down the line for the recovery are what our communities need, which I think councils are brilliant at.

Alexander Stewart: I concur with all that. I believe that people have gone the extra mile and I commend them for that. Audit Scotland talked about the possibility of changes and of looking at workforce planning, and said that much more of that needs to be addressed. How can that be achieved during the pandemic? Things will not be the same. We cannot expect people to switch from what they have done during the past year to where they will need to be in the next year or two, as if just switching on a light.

The funding crisis that you have identified today, whereby your core funding is being reduced and there is a 21 per cent reduction in capital expenditure, will have an impact on the effective running of councils and how they support their communities.

Councillor Macgregor: I agree. I do not know whether anyone else wants to come in on this point. I do not want to monopolise the discussion, but fortunately, in my brief, I also have the

employers portfolio, which cuts across finance and the whole of local government. We have been doing significant work with the unions in the past 11 months and I have met them regularly to ensure that their members and our employees are supported. We also want to ensure that we get the right guidance out to heads of human resources and to line managers to ensure that staff are supported.

Going forward, however, we will need to look at workforce planning, because the landscape will not be the same. We will have a higher proportion of people who might choose, if it is possible, to continue to work part time from home or part time in a face-to-face situation. We will need to look at the challenges around that in respect of mental health, isolation and supporting our staff. Certainly, the one positive that has come out of Covid is the use of digital, such as in this meeting. It might not flow as well as in-person meetings, but it is manageable. The way that we work will therefore have to change. As part of my employers brief, we are working with the joint trade unions across the piece on that, particularly in schools and with teaching and non-teaching staff. It has been a massive effort and a very different way of working. As I said, though, there is much more to be done.

Alexander Stewart: My final question is for Martin Booth. He has identified the potential devastation to culture and leisure services, given that facilities are unable to support services at present, and what those services are likely to look like after Covid. My take on what is being said by Martin Booth and others who have a role in that area is that support mechanisms will be much reduced and many of them might disappear from communities because the financial strain that they are under will not be sustainable.

Martin Booth: Yes, it is a really challenging area. My expertise in the area is that I was previously finance director for Glasgow Life, which is the biggest culture and leisure trust in the country. The impact of lost income is potentially devastating. We must take a much more medium-term view, if not a long-term one, to rebuild the services and people's confidence in using them. As Councillor Macgregor said, we are not sure how the public will react and how long it will take them to recover that level of confidence where they are comfortable about visiting the services.

We are doing quite a lot of engagement in Glasgow around that. We have just completed a staff survey and found that our staff's confidence in visiting leisure centres as members of society rather than members of staff is still relatively low. We are also carrying out research through our household survey to gauge the public's level of confidence and assess what we can do to rebuild

it. However, as has been said, we anticipate that it will be a two to four-year programme and we will need the resources to rebuild that confidence. Leisure services are critical for the health of our citizens and nation.

Alexander Stewart: In reality, if that resource does not come into the services for the future, you will not be able to support or progress them.

Martin Booth: Yes, that is undoubtedly a significant risk.

Alexander Stewart: Thank you.

The Convener: That completes our question session. I thank the witnesses for taking the time to speak with us today and giving us some issues to ponder as the budget bill continues through the Parliament. We will hear from the Scottish Government on the budget next week.

The witnesses can leave the meeting by pressing the red telephone icon. I remind committee members that the meeting will remain in public session for the next agenda item.

Subordinate Legislation

Proposed Statutory Guidance (Sports Club Relief)

11:12

The Convener: Item 7 is consideration of statutory guidance on sports club relief. I refer members to paper 5, which contains further detail. The statutory guidance is not subordinate legislation but is subject to the negative procedure. That is as a result of recommendations that were made by the Delegated Powers and Law Reform Committee and this committee earlier this session when we considered the Non-Domestic Rates (Scotland) Bill, to which the Scottish Government agreed. That means that the guidance will come into force unless Parliament agrees a motion to annul it. No motions to annul have been lodged. The Delegated Powers and Law Reform Committee considered the guidance at its meeting on 26 January 2021 and determined that it did not need to draw the attention of the Parliament to the guidance on any grounds within its remit.

As no member has any comments on the guidance, I invite the committee to agree that it does not wish to make any recommendations in relation to the guidance. Does anyone object?

No one objects so that is agreed.

Town and Country Planning (General Permitted Development) (Coronavirus) (Scotland) Amendment Order 2021 (SSI 2021/29)

The Convener: Item 8 is consideration of a negative instrument as listed on the agenda. I refer members to paper 6, which contains further detail. The instrument is lodged under the negative procedure, which means that the provisions will come into force unless the Parliament agrees to a motion to annul them. No motions to annul them have been lodged. The Delegated Powers and Law Reform Committee considered the order at its meeting on 2 February 2021 and determined that it did not need to draw the attention of the Parliament to it on any grounds within its remit.

As no member has any comments on the order, I invite the committee to agree that it does not wish to make any recommendations in relation to the instrument. Does anyone object?

No one has objected so we are agreed.

That concludes the public part of the meeting. The meeting will continue in private on Microsoft Teams.

11:14

Meeting continued in private until 11:37.

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