



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Local Government and Communities Committee

**Wednesday 17 February 2021**

**Session 5**



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**LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**  
**7<sup>th</sup> 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)

Hazel Black (Scottish Government)

Aileen Campbell (Cabinet Secretary for Communities and Local Government)

Aubrey Fawcett (Inverclyde Council)

Kate Forbes (Cabinet Secretary for Finance)

Councillor Steven Heddle (Convention of Scottish Local Authorities)

Silke Isbrand (Convention of Scottish Local Authorities)

Paula McLeay (City of Edinburgh Council)

**CLERK TO THE COMMITTEE**

Peter McGrath

**LOCATION**

Virtual Meeting



## Scottish Parliament

### Local Government and Communities Committee

Wednesday 17 February 2021

*[The Convener opened the meeting at 09:00]*

### Decision on Taking Business in Private

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

Broadcasting will operate your camera and microphone as usual. Please allow a short pause before being called on to speak to allow them to do so.

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

Item 1 is consideration of whether to take items 6 and 7 in private. Item 6 is consideration of the evidence heard on the budget and local government settlement 2021-22. Item 7 is consideration of the evidence heard on the climate change update plan. 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

### Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021 [Draft]

09:01

**The Convener:** Under item 2, the committee will take evidence on the draft Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021. I welcome from the Scottish Government Kate Forbes, Cabinet Secretary for Finance; Hazel Black, head of local authority accounting; and Colin Brown, senior principal legal officer.

The regulations are laid under the affirmative procedure, which means that the Parliament must approve them before the provisions can come into force. Following the evidence session, the committee will be invited to consider the motion to approve the instrument.

I remind everyone that Scottish Government officials can speak under this item but not in the debate that follows.

I invite the cabinet secretary to make a short opening statement.

**The Cabinet Secretary for Finance (Kate Forbes):** I am sure that we can all agree that local authorities have played a crucial role in supporting local communities throughout the pandemic. Providing that support has meant that they have incurred additional costs, which, coupled with lost income from closures, means that councils are under significant financial pressure. I will go into detail on that under the next agenda item.

During the past year, I constantly pressed the United Kingdom Government for additional funding to address our own budget pressures and those of local government. The UK Government was slow to respond, making it uncertain whether the additional funding would be sufficient to allow local government to meet those additional funding pressures without cutting vital services or raising council tax.

In the absence of that certainty and clarity, the Scottish Government worked closely with the Convention of Scottish Local Authorities to identify other ways for local government to address the funding pressure. The amendment being sought in the regulations will allow a local authority to reduce the amount of any of the statutory repayments it is due to make to the statutory loans fund in either the financial year 2020-21 or 2021-22, but not both.

Reducing the amount of any of the statutory repayments due to be repaid in either the most

recent financial year or the next one will reduce the expenditure of a local authority in that financial year, thus creating additional financial capacity to meet Covid-19 costs.

Under normal circumstances, ministers would not support that. Requiring the repayments to be made in the financial year that they are due is prudent financial management. It ensures that current and future taxpayers are charged for their share of the capital expenditure costs of assets being used to deliver services. These are not normal circumstances and it seems right to allow flexibility. However, I have made it clear to local government that that flexibility should only be used as necessary to address funding pressures arising from the pandemic.

The regulations also include a provision to replace the existing repayment provisions with a new one, which is repayments in accordance with proper accounting practices. That change is to allow future harmonisation between accounting standards and statutory arrangements.

Separately, the regulations also change the audit completion deadline for the local government 2020-21 annual accounts, as requested by Audit Scotland to address the knock-on effects from a delay in auditing the 2019-20 accounts.

I have gone on longer than I would normally, but it is quite a complex instrument. In summary, the regulations provide a financial flexibility that local authorities asked for, and which I hope that they will welcome. I am happy to answer the committee's questions.

**The Convener:** We now move to questions from members. Members should type R in the chat box if they have a question, and I will call people by name. Please allow a second for the microphone to be switched on before speaking. Cabinet secretary, please state clearly if an official is being brought in to answer a question.

**Andy Wightman (Lothian) (Ind):** I thank the cabinet secretary for her remarks. This is a complicated instrument containing some complicated policy areas for the committee to cover. Can the cabinet secretary clarify that the provisions in the instrument are one-off adjustments and that there is no plan to continue any of these adjustments into future financial years?

**Kate Forbes:** That is right. I will ask Hazel Black to come in, as the fount of all technical knowledge, but, yes, that is my reading of it.

**Hazel Black (Scottish Government):** Yes, that is correct: it is a temporary arrangement. The local authority can make that adjustment for only that one financial year, and there is no plan to do that again.

**Gordon MacDonald (Edinburgh Pentlands) (SNP):** I want to clarify by when the funds that have not been paid in any one additional year have to be paid. Is there a timeframe for the repayments?

**Kate Forbes:** Again, I will ask Hazel Black to come in, as that is a technical question.

**Hazel Black:** The regulations set out that a local authority must make the repayment within the next 20 years, at the maximum. In most cases, each individual loan can be spread over the remaining life of each of the individual loans fund advances. Where that advance exceeds 20 years, it is limited to 20 years, so it must be repaid within that period.

**Sarah Boyack (Lothian) (Lab):** On flexibility and forward planning, we might come to this later, but I guess that one of the drivers behind the instrument is loss of income. Have you done any work with COSLA on reasonable estimates for the upcoming financial year, given our current circumstances?

**Kate Forbes:** We have started that conversation. Given that it took evidence from COSLA, the committee will know that we spent a considerable part of last year trying to get returns from every local authority to understand the impact of loss of income, and we have that for the first few quarters. Looking forward, we will ask for that information from local government again, but it is fair to say that loss of income is difficult to quantify right now. For example, if we move out of lockdown more slowly, that will have an impact on arm's-length external organisations, community halls and how busy town centres are, which will affect income from parking charges. It is therefore difficult for local government to forecast loss of income for the upcoming year, but we have a relatively good handle on loss of income last year.

As members will have seen in my announcement on 16 February, we have allocated, in three instalments, additional funding for loss of income last year. Where local government is unable to use that money last year, as it were, it can carry it forward in reserves. However, that funding is specifically for loss of income last year.

**Sarah Boyack:** It is clear that future financial pressures are building up now.

**Keith Brown (Clackmannanshire and Dunblane) (SNP):** The measures will be extremely welcome for local government, especially the completion delay for accounts, because local government can get concerned about submitting those on time. Given what she said in response to Sarah Boyack's question, does the cabinet secretary have a feel for how many local authorities are likely to take up the

opportunity? Will take-up be uneven or will it happen right across the board?

**Kate Forbes:** The instrument is part of a number of different flexibilities. We designed it that way so that each local authority could make use of flexibilities as and when they needed to. The same applies to the flexibility for loss of income funding. For example, we know that four local authorities do not have ALEOs, so how they experience the loss of income is very different. [*Interruption.*] I deeply apologise. My home landline never goes off, but it has just started ringing. I do not know whether you can hear that.

However, it is for local authorities to decide when to make use of the flexibilities. We estimate that the flexibility given by the instrument could be valued at £541 million because that was the figure for repayments made in 2018-19. The estimated value of this flexibility is likely to be of a similar value, but there are other flexibilities that local authorities might want to make use of as well as the flexibility for loss of income funding. The provision is therefore very much designed as a package or toolbox, as it were, for local authorities to use any or all of the tools, as they see fit, to deal with their own challenges.

**Alexander Stewart (Mid Scotland and Fife) (Con):** You indicated that the flexibility is welcome and that councils and COSLA will feel secure about it because it will give them opportunities. You talked about a package or toolkit that will bring possibilities. What is your estimation of the facilities that will be required by certain councils? Do you have a scale of the extent to which you expect certain councils to be involved in the process compared to others? You indicated that some councils do not have ALEOs, so they will not be in such dire need, but others will be in a different and precarious condition.

**Kate Forbes:** That is right. I should put on the record that I do not see flexibilities as a substitute for cash. However, going back to my opening remarks, we worked with COSLA to design the flexibilities. We also had to work with the UK Government on them and receive support for proceeding with them. They were designed when the UK Government told us that the figure of about £4 billion was due to last us for the full year. There was no additional funding available for anything, never mind local government. The flexibilities are designed to relieve some of the pressure. They were very much proposed by COSLA, then we took those proposals and worked with COSLA and UK Government officials to see what we could do. Not all the flexibilities that we took to the UK Government were agreed to, but the package that we have is designed to offer support.

Since then, we have been able to go much further on issues such as loss of income.

However, at this point in time, we still do not have any confirmation from the UK Government about what the consequential funding will be from loss of income—that figure has not been confirmed. We therefore said that we will increase the initial £90 million to £200 million off our own back; then, yesterday, I added £275 million on top of that. That is us doing it off our own back with the funding that we have.

Each local authority will face different challenges, some local authorities have more ALEOs than others and some are more dependent on income than others. For example, last year, when we granted local authorities flexibility over early learning and childcare funding so that they could use it for other things, some were more advanced with early learning and childcare than others, so that was more of a resource for some local authorities than it was for others. It is not for me to dictate to local authorities what use they make of the flexibilities. However, I hope that the broader the package, the more that there will be something for everyone.

**The Convener:** We move on to item 3, which is formal consideration of motion S5M-24096, calling for the committee to recommend approval of the draft Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021. I invite the cabinet secretary to move the motion.

*Motion moved,*

That the Local Government and Communities Committee recommends that the Local Authority (Capital Finance and Accounting) (Scotland)(Coronavirus) Amendment Regulations 2021 [draft] be approved.—[*Kate Forbes*]

*Motion agreed to.*

**The Convener:** The committee will report on the instrument in due course. I invite the committee to delegate authority to me as convener to approve a draft of the report for publication. Is that agreed?

**Members indicated agreement.**

**The Convener:** I thank the cabinet secretary and officials for taking part in the meeting. I will now suspend briefly to allow a witness changeover.

09:16

*Meeting suspended.*

09:18

*On resuming—*

## Budget Scrutiny 2021-22

**The Convener:** Agenda item 4 is evidence from the Scottish Government on the financial settlement for local government, the third sector and housing, as set out in the Scottish Government's budget for 2021-22.

I welcome to the meeting Aileen Campbell, Cabinet Secretary for Communities and Local Government, and Kate Forbes, Cabinet Secretary for Finance. They are accompanied by Scottish Government officials, who are: Caroline Dicks, investment manager, more homes division; Shirley Laing, director for housing and social justice; Graham Owenson, team leader, local government finance, local taxation policy and business rates; and Ian Storrrie, head of non-domestic rates policy. Thank you all for being here. For information, we have allocated about 70 minutes for this session.

I have some brief technical information. There is a pre-arranged questioning order, and I will call each member in turn to ask their questions, for up to nine minutes. It would help broadcasting staff if members could indicate who on the panel their questions are addressed to. We might have some time for supplementary questions at the end.

As there are a lot of people on the panel, I ask members to ask short, succinct questions, and I ask the panel to answer in the same way. I invite the Cabinet Secretary for Communities and Local Government to make a short opening statement.

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

There can be no doubt that this has been a challenging year. Our spending plans have been, and will continue to be, crucial in ensuring that we can support people and communities in the face of the social and economic challenges that are presented by Covid-19.

The work of the social renewal advisory board, and its call-to-action report, point towards the actions and changes that are required to help a fairer Scotland to emerge from the pandemic. With the budget, I am investing in actions that are designed to tackle deep-seated poverty and inequality, to support our communities and third sector, and to ensure that we have that fairer Scotland.

We are almost doubling our funding for tackling child poverty to more than £23 million, to deliver

on our commitment to spend £50 million over the four years of the tackling child poverty delivery plan. That is in addition to the resources that were announced in the social security portfolio for the first full year of the Scottish child payment.

We continue to alleviate the impact of UK Government welfare cuts, and my portfolio will be making £83.1 million available in 2021-22 for discretionary housing payments. We remain committed to mitigating the bedroom tax in full, and the budget will enable us to do that. As announced by the Cabinet Secretary for Finance yesterday, we will invest an additional £100 million in 2021-22 to help low-income households in the year ahead. More details of that investment will follow in due course, after discussion with COSLA and local authorities.

I know that the committee has raised views on support for adaptations. Despite a challenging budgetary environment, I am pleased that we have again protected the funding that is available to assist registered social landlords in delivering adaptations for older and disabled tenants, and that we have increased the budget from £10 million to £11 million for 2021-22.

Everyone should be entitled to a safe warm home, and that has never been more important than over this past year. Thanks to targeted funding and collective action by national and local government and the third sector, the number of people rough sleeping in Scotland has reduced dramatically during the pandemic. That has strengthened our resolve to end homelessness for good. As we enter year 4 of a five-year £50 million spending programme, the 2021-22 budget of more than £12 million will enable us to build on tremendous progress and to deliver on the actions in "Ending Homelessness Together: Updated action plan, October 2020".

With the budget, we are making available £190 million for fuel poverty and energy efficiency measures, contributing to a just transition and to our net zero ambitions. In addition, we remain absolutely committed to delivering more social and affordable housing.

High-quality affordable homes in good neighbourhoods lead to reduced poverty and inequality, better health outcomes and improved educational attainment. That is why we have now allocated a further £120 million for affordable homes in 2021-22, which brings the affordable housing supply programme for next year to £832 million. The five-year housing budget is now more than £3.5 billion. That includes more than £3.44 billion for affordable homes, which meets the housing sector's call for £3.4 billion of funding to allow social landlords to deliver homes to the required building and energy efficiency standards while keeping rents affordable.

However, it is not just about the homes that we live in; we want a fairer Scotland in which there are vibrant communities. Regeneration funding is increasing by £84.1 million, with £131.6 million for projects to support community-led regeneration, town centres and 20-minute neighbourhoods, in which people can meet their needs within a 20-minute walk from their home.

Our third sector has stepped up to play a crucial role in our response to the pandemic. Our budget recognises that, with more than £26 million of investment in local and national third sector infrastructure to support the capacity and growth of social enterprises and to ensure that the third sector can help people and communities to recover from the impact of the pandemic.

I hope that that gives you a summary of some of the main priorities for my portfolio. I thank the committee for its pre-budget scrutiny, which covered a range of issues, and I look forward to taking your questions.

**The Convener:** Thank you. I invite the Cabinet Secretary for Finance to make a brief opening statement.

**Kate Forbes:** Thank you again, convener, for letting me speak this morning. It is good to be joined by Aileen Campbell to discuss these matters.

I said this in my earlier opening remarks, but I want to say again that I have enormously appreciated the efforts and work of local authorities right across Scotland. Their continued support during these times has been absolutely essential in getting support to businesses, individuals and families. They have been a close partner in our decision making, and I meet regularly with Councillor Gail Macgregor to discuss those matters.

In coming to our decision to announce the Scottish budget on 28 January, before the outcome of the UK budget was known, we listened carefully to the representations that COSLA made on behalf of local government about the damaging impact of any further delay on the delivery of public services and the practical challenges that such a delay would pose for the setting of budgets and collection of council tax. It was a similar situation last year, but this year has additional layers of uncertainty.

The delay to the UK budget means that we do not know the total budget that is available to Scotland, which is precisely why I had to update the budget just a matter of weeks after the publication of the budget bill, because additional funding was made available.

We have had to make assumptions about consequentials, use provisional economic

forecasts and take decisions on devolved tax policy without knowledge of future UK tax policies. That situation is not of our choosing and creates unnecessary challenges for us, and perhaps even more for local government. Despite those challenges, the budget builds on the objectives that we share with local government partners on how to build a fairer, stronger and greener economy and how to continue to respond to Covid and emerge from the pandemic.

For next year, we have delivered a funding package for local government of £11.6 billion and provided an additional £335.6 million for vital day-to-day services, which is an increase of 3.1 per cent. The package builds on the pre-Covid local government finance settlement, which provided an increase in local government day-to-day spending of £589.4 million, or 5.8 per cent when compared with the previous year.

The settlement also allows councils to join us in financially supporting households that will undoubtedly be struggling because of the pandemic, with additional funding to councils that choose to freeze council tax to protect families who are struggling. That additional funding is equivalent to £90 million for councils or a 3 per cent rise. With inflation at 0.5 per cent, that should more than fully compensate local authorities that choose to freeze council tax.

Including the additional £275 million that I mentioned yesterday and the £200 million for the lost income scheme, Scotland's councils will receive £931.1 million in direct Covid support during 2020-21 through the local government finance settlement, with a further £259 million confirmed for next year. That funding is not ring fenced, but it is non-recurring, which is an important point when it comes to considering how it can be used. Taken together with the additional fiscal flexibilities that we discussed in the previous agenda item, the total value of the Covid-19 support package for councils is £1.8 billion over this year and the next.

In addition to those extra resources for councils, we have continued to provide them with funding certainty through our non-domestic rates policies. Including the enhanced retail, hospitality and leisure relief that I confirmed yesterday, the budget delivers an unprecedented reduction in the poundage and £1 billion-worth of relief. Those decisions will continue to protect businesses during Covid-19 and, unlike in England, we guarantee all NDR income for councils. We will see the value of that guarantee next year in particular.

I know that there will be questions, so I will come to a close. We will continue to support the work of local government and to work collaboratively with it. I do not diminish the

financial challenges that we all face, but we will do all that we can through flexibilities or funding to support the work that councils do on the front line of the Covid response.

**The Convener:** We move to questions from members. I ask both cabinet secretaries to state clearly if an official is being brought in to answer a question.

I will begin. Are you satisfied that the announcements that were made yesterday will deal with some of the issues that COSLA raised in evidence about the £205 million to award workers a 1 per cent pay rise next year and unprotected budgets such as those for leisure and culture? How much will the announcements that you made yesterday help local authorities to get through this difficult period?

09:30

**Kate Forbes:** I will answer that in two parts, on pay and the funding package. With regard to pay, I am of course hugely grateful for the heroic efforts of all key workers across Scotland, many of whom are in local government. Although I value and fully recognise their contribution, pay for local government employees will be negotiated between the unions and COSLA; we are not part of that process. I meet regularly with the unions, but they and I accept—as, I am sure, does the committee—that the Scottish Government is not part of that process.

With regard to the funding, the local government settlement provides an increase in day-to-day funding for revenue services of £335.6 million. I invite the committee to consider the small difference between recurring funding—which is baked in and is part and parcel of the settlement—and separate funding that is specifically for Covid pressures. For example, in the earlier evidence session, Sarah Boyack asked me about loss of income and Covid pressures. We have already provided £200 million—plus £49 million—as part of our efforts to deal with loss of income and Covid pressures and, yesterday, I announced an additional £275 million for the current year to deal with Covid pressures. That should deal with Covid pressures and put local authorities in a stronger position going into next year's budget.

Next year's budget has a further £259 million which, again, is not ring fenced, so local authorities can use it for the pressures that they identify. However, it is non-recurring funding, which reflects the way that we get funding. All the additional funding for this year is non-recurring, so we cannot assume that, next year, the additional £9 billion will carry forward. Therefore, the plans that we make for that funding have to reflect that it

could be a one-off, which is passed on to local government.

That is a long-winded way of saying that, as part of the settlement, there is an increase in day-to-day funding of about £335.6 million and, alongside that, there is non-recurring funding to deal with Covid pressures. Obviously, it is for local government to give a response to that but, from my reading of the pressures that local government is facing, it is a fair budget, with regard to the increase to core revenue as well as the substantial additional funds to deal with Covid pressures.

**The Convener:** Both cabinet secretaries will agree that local authority services are absolutely central to helping Scotland achieve its healthy and active national outcome. COSLA complained that there has been a real-terms cut in the Scottish Government revenue allocation to local authorities since 2013-14, while health board allocations have risen by more than 15 per cent. Does that demonstrate a preventative approach to spending? If you agree that there is an issue, how do you see it being resolved?

**Kate Forbes:** Again, that is probably a question for me. It goes back to the commitment that the Scottish Government has made—for which other parties often hold us to account—to pass on all health consequential funding from the UK Government. That has provided a degree of protection to the health budget but, alongside and despite that, we have continued to provide local government with a fair settlement.

I am not saying that coming through a decade of austerity has not been hard, but passing on that consequential funding to health has required us to take challenging decisions elsewhere and, through that time, we have prioritised and protected local government budgets. During the current parliamentary session, from 2016, local government has enjoyed a cash increase in its overall budget settlement of more than £1.3 billion, and last year's pre-Covid settlement of £11.4 billion provided an increase in local government day-to-day spending for local revenue services of £589.4 million or 5.8 per cent. That increase in day-to-day funding is carried forward into next year, with a 3.1 per cent increase.

I do not, in any way, underestimate the challenges that the public sector in Scotland has faced under a decade of austerity, but it should be noted that Scotland's local authorities have had a cash-terms revenue budget increase of 3.6 per cent during that period, despite a decade of UK Government austerity. English local authorities have faced a cash-terms revenue budget reduction of 14.7 per cent during the same period, which is equivalent to a real-terms reduction of 22.8 per cent.

It has been challenging but, with an ever-decreasing budget during the past decade, we have sought to protect local government while passing on the health consequentials.

**The Convener:** Thank you—

**Aileen Campbell:** Convener—

**The Convener:** I was just about to bring you in, cabinet secretary. Do you think that integration joint boards are the first step towards a preventative approach to spending? I hope that the Government will be able to take more steps toward it.

**Aileen Campbell:** I tried to interject, because I thought that you were going to move on, and I want to speak about joint working.

The question that you posed presumes that local government and health spend do not work together, but I point to IJBs as a place where there is collaboration. The other place that I would point to, in a policy sense, is Public Health Scotland. That body is jointly sponsored by the Government and COSLA to enable us to think, in preventative mode, about how to improve the health of the nation.

The other thing I will point to—this is off the top of my head, so Kate Forbes might want to correct me—is that there is significant investment in active travel in the budget, which enables us to think about how we increase activity, and that helps improve health and wellbeing. I think that around £100 million has been invested.

My plea to the committee is that you should not see health, wellbeing and activity levels primarily through the lens of a single portfolio; you should consider the whole piece of work that Kate Forbes presented to the Parliament a few weeks ago. I ask the committee to recognise that we are endeavouring to embed some of the good partnership working that we have seen in the past 10 months to recognise the benefits of partnership and acting preventively, and to support that approach. Mechanisms and structures are in place through IJBs and Public Health Scotland to enable that to have a bit more momentum.

**Sarah Boyack:** I want to follow up on the Cabinet Secretary for Finance's point about a decade of austerity. One of the impacts of that was the huge pressures that she referred to. I ask the cabinet secretary to focus on the issue of unprotected budgets. We get pressure from local government, which tells us that, although core services are not funded sufficiently, there are also issues with unprotected budgets for critical issues such as economic development, employability services and leisure and culture services, which have seen huge pressure during the past year. If we want to move to Covid recovery, how should

those services be funded when they have had a decade of cuts and underfunding, and local government is struggling to provide investment in core services?

**Kate Forbes:** I will tell you the way that we should not do it and then the way that we should. I am often pressed to ensure that as much of the budget as possible is de-ring fenced. I wholeheartedly support that, because decisions on council budgets are largely for councils to make. Next year, ring fencing will amount to only £925 million, which is less than 8 per cent. That is largely due to pupil equity funding and the expansion of early learning and childcare. I strongly believe that our approach needs to allow local authorities the financial freedom to operate independently, manage their budgets and allocate the total financial resources available to them on the basis of local need.

In the earlier part of the meeting, I spoke about financial flexibilities. This year, what has come through loud and clear is that local authorities have used that independence and freedom to build their budgets in different ways. Whether it is the difference in the dependency on income replacement, or the different make-up when it comes to ALEOS, there is a wide variety of structures and set-ups for local authorities, which demonstrates that they are using their freedom and operating independently to manage their budgets and allocate the total financial resources that are available to them on the basis of local need.

On the specifics of your question, to ensure that we deal with the current crisis, it is important for us to help local government as much as we can to deal with the Covid pressures so that those are not eating into core settlements. The need to recover quickly and efficiently is why we have been so concerned about loss of income. If we can help to cushion local authorities against that loss of income, so that there is no detriment to their core services, they can continue to take such decisions as they go forward. We need to work with them to maximise the available resources, allocate additional funding and reprioritise existing funding to ensure that they are cushioned against the Covid pressures. It is difficult to cushion anybody against Covid pressures right now, such is the magnitude of the impact.

To build on the measures dealing with loss of income, it is about ensuring that, each year, local authorities have a settlement that deals with the pressures. This year, there has been a big focus on the additional funding that has come to the Scottish Government of more than £9 billion, but I repeat that that is not recurring funding, so it cannot, for example, be used for pay settlements or for on-going tax commitments. It has to be used

for Covid pressure. Alongside that, the Scottish Government's core budget has not increased to the tune of £9 billion. We have to work with local government to ensure that it has sufficient day-to-day funding. On that, I go back to the increase of 3.1 per, or £335.6 million, compared with last year's settlement.

**Sarah Boyack:** My question was about non-core funding and how local government addresses issues such as employability and economic development. Those are important issues for when we come out of the pandemic, although I would argue that they were important beforehand. There have been cuts and staff reductions in such services, because they are non-core services, yet that is where our inequalities issues are arising.

The convener asked about health and social care partnerships and integration joint boards. The feedback from councils is that they have not had the care funding that they need, and that is where all the pressures are that have led to calls for there to be national service standards for care.

The first half of your response did not really answer my question about how local government will be supported to build out of the pandemic. There is more money for town centre investment. How much of that will go to local government? How can local government have the staff to make the most of those investments, given the cuts that local authorities have had to make over the past decade?

**Kate Forbes:** When it comes to funding other policy areas, such as employability, a lot of that goes through local government, as does a lot of the funding for social care. Employability funding may not be captured in core settlements, but a lot of it goes through local government. I agree that that is where inequalities are tackled but, to go back to my statement yesterday, the vast majority of the funding for welfare, housing, employability and town centres goes through local government. You will not see it in the budget figures, but most of it goes through local government.

**Sarah Boyack:** My point is that the staff to deliver those services have been cut over the past few years.

You have just reminded me that I asked you yesterday about the funding of next year's council tax freeze. Many colleagues are concerned that, by funding only one year and not providing the core funding for future council tax freezes, you will leave councils potentially having to double the rate rise next year. Will you commit to a long-term freeze?

**Kate Forbes:** I have said this already, and I am not going to change it: I do not work on future years' budgets while we are in the throws of next year's budget. Clearly, however, I have heard the

concerns that have been raised and, when we come to next year's budget, we will take them on board—not least because it is only a matter of months before the local government elections.

09:45

**Sarah Boyack:** Could I get a brief comment from the Cabinet Secretary for Communities and Local Government about the issue of inequalities and the capacity of local authorities to respond, given that the preventive health approach often means that they have to put extra resource into IJBs and health and social care partnerships to fund core care services?

**Aileen Campbell:** I refer back to some of the points that Kate Forbes has made about the money and the resource that have been provided for the key areas that need attention if we are to tackle inequalities, which is largely routed through local authorities.

Employability is a key area in my portfolio through which we help to tackle poverty. We work in partnership with local authorities on our tackling child poverty delivery plan, ensuring that parents with particular needs in accessing employment are supported. We continue to work with local authorities on those key areas, because they are shared areas: they involve shared aspirations to create the fairer Scotland that we all want, regardless of whether we are a councillor or an MSP and regardless of political party, and we work jointly to deliver them.

If there are capacity issues, we will of course work with local authorities to address them. Indeed, we worked with them on the social renewal advisory board: local authorities were a key partner as we worked out what things we needed to do to avoid reverting back to the normal approach that had failed so many people in the past. What, instead, are the key actions that we need to take jointly? What are the changes that we need to make, regardless of how uncomfortable they might be for either party, as we try to ensure that we have the capacity and the appropriate support in place in the right areas?

We want and endeavour to act preventively. We support local government through funding and through that joint work. The social renewal advisory board points the way for delivering on that. That is the key test. The advisory board set out calls for actions to deliver on tackling inequality. We now need to make that happen in practice. That will require local government and national Government to work not only together, but with the health service, wider public life and the third sector. The commitment in the social renewal advisory board sets that out, and we need to respond effectively to that.

That might require us to rethink and rejig things, which would require a level of maturity in political debate. Some of that might be difficult, so we need to work collectively over the next session. A challenge for all the MSPs in the new session will be how members across the Parliament can focus on and support what are the right things to do in order to make progress. Again, we work in partnership with local government to do that, and we have provided substantial funding to enable that to happen.

**Alexander Stewart:** My question is for the Cabinet Secretary for Finance. There has been some criticism about the way in which the Scottish Government has managed the funding process. You have identified a number of small pots of different funding—I think that there are 30 in all—and local councils have had to deal with additional administration, reporting and monitoring in relation to that.

There has been some discussion about what happened in the United Kingdom when larger tranches of money were made available. You made a specific decision to ensure that smaller pots were used. Why was that the case? What are the implications of that?

**Kate Forbes:** That goes back to my answer to one of Alexander Stewart's colleagues, Murdo Fraser, during the budget statement yesterday. Over the past year, the funding that has been made available to the Scottish Government has come in tranches and, with each tranche, we are told that that is all the funding that is available until the end of the financial year. Therefore, we have to budget within that pot and we work with local government to determine how much of that we can give to it. We go through all the motions only to receive another tranche of money from the UK Government a few months later.

Our commitment is to pass on as much as possible to local government, but the UK Government's approach makes it very bitty. Yesterday, I talked about the funding coming in dribs and drabs, which I do not think the Scottish Tories liked very much. However, it is true that, when funding comes to us in tranches, passing that on to business, local government and the health service is done in pots, because we believe that to be the only money that is available to us until the end of the financial year.

It is a far from ideal situation but, due to the fast pace of change that is also facing us all, it has been necessary to allocate a number of additional funding pots as priorities have changed and the pandemic has unfolded. However, I agree with Alexander Stewart that that is not the ideal way to do it, and I refer him to my choice yesterday to distribute a much bigger tranche of £275 million, which is not ring fenced but has been allocated in

full to local government for it to determine how to spend.

Also, I have started next year's local government budget with an additional £259 million. That has been agreed with COSLA, and local authorities will have complete autonomy to allocate their agreed share, based on local needs and priorities. That is where I want to get to—giving much bigger tranches of money, with no conditions attached, for local government use as it sees fit.

**Alexander Stewart:** The money that is being distributed is to support and assist individuals and organisations to ensure that they can thrive and survive. However, there is no doubt that—we have already seen this; many of us receive daily messages from individuals and organisations telling us that this is the case—it is difficult for them to manoeuvre through the restrictions and fit the criteria of some of the funds. Many people fall between a rock and a hard place. We have a real difficulty in ensuring that the right funding gets to the right people at the right time, to make sure that they can support and facilitate their business or organisation to thrive and survive. That has been and continues to be a problem for many individuals and organisations.

**Kate Forbes:** I assume that you are talking about business support. If we did not take a sectoral approach and there was just a blanket approach—which, incidentally, is what happens south of the border; the strategic framework business fund is the only one with a blanket approach—it would be simple and straightforward to operate, but a lot of businesses would fall through the cracks, because they differ hugely.

Yesterday, for example, we launched the mobile and home-based close contact services fund—which is one of 30 sectoral schemes—for driving instructors and beauticians. They do not have premises and they do not look like a big manufacturing company, so the only way that we will reach them is by having bespoke schemes.

This Government is committed to trying extremely hard with the powers and funding that we have not to leave anybody behind, not to exclude people and not to stick our heads in the sand, as the Chancellor of the Exchequer would, when it comes to those who are not getting funding. However, our approach of smaller schemes to help people means that the picture is far more complex. I think that it is worth the effort and funding to help those who have been excluded and left behind, but I will not pretend that it is not complex or confusing.

Local government has done a tremendous job in opening the schemes in January; there have been 30 new schemes since Christmas to help those

who have been left behind, from outdoor tour operators and the marine sector to the newly self-employed. They have all been left behind, because they were not captured by the self-employment income support scheme or by furlough. We have tried to help them, but it makes the picture complex.

**Alexander Stewart:** I agree—local government has done a tremendous job in managing the situation and supporting individuals and organisations.

In her opening statement, the Cabinet Secretary for Communities and Local Government talked about the funding for social enterprise projects. It is another sector that is struggling to obtain the funding that it needs. Many of them are hanging on by their fingernails, waiting to know when that will happen. Once again, many who thought that they might fit some of the criteria have found that they do not, and they have had to source funding from other places to ensure that they can continue.

**Aileen Campbell:** We have had conversations with Kate Forbes and colleagues across the Government to ensure that it is understood that social enterprises contribute to most portfolio areas. Therefore, it is important that we recognise their specific needs, and we have endeavoured to do that.

Very early in the pandemic, we put support in place to help social enterprises and the wider third sector to cope with its impact. We have worked to ensure that the funding streams that subsequently came online during the calendar year were available to support social enterprises. Moreover, we have ensured that the infrastructure around social enterprise has been supported so that social enterprises across the country can be directed and given good advice. We will continue to look at what more we can do to protect and support the third sector and social enterprises in dealing with the effects of the Covid pandemic over the next financial year.

We have put finance in place. We were the first to work with social enterprises in Scotland to develop a fund-and-support scheme. Early in the pandemic, the funding streams that came online were flexible in order to support social enterprises. If there is a requirement to do more, we will work with social enterprises to enable that to happen. The support for the infrastructure around social enterprises is important, because it can provide good in-kind support and the right guidance.

**Gordon MacDonald:** The lack of housing in Edinburgh is a major issue. Edinburgh's population has risen by 13 per cent over the past 10 years. Although the number of completions last year for affordable homes was excellent at 1,300,

the budget for 2021-22 will cut the housing budget, despite the additional funds announced yesterday. Given the pressures in Edinburgh, can the Cabinet Secretary for Finance give the committee some background to how she arrived at the decision to cut the housing budget?

**Kate Forbes:** I have been clear in the Finance and Constitution Committee and I can be clear here today that housing is a priority. The UK Government spending review last November is the main source of information for our budget. The UK Government might revise some of the figures in its budget, but we are going on the best available evidence, which is the spending review. It substantially cut our capital—by 5 per cent—and the vast majority of that was due to the cut in financial transactions of about 67 per cent.

Financial transactions have powered a lot of our building work and our work more generally on affordable homes. Therefore, with the financial transactions budget, in essence, decimated, we have tried to use it for our two top priorities, which are the Scottish National Investment Bank and affordable homes. We have not met the full request for affordable homes, but we have used as much of those financial transactions as possible, alongside capital, to meet the commitment on affordable homes. As I have said in the past, if more funding is made available in the form of capital or financial transactions, funding housing would be my top priority.

We received some additional funding, and you can see the truth of what I promised: with that additional capital funding, we prioritised affordable homes, which is why there is an increase of £120 million in capital in yesterday's budget announcement. If that figure is again revised in the UK Government's budget on 3 March, I will revisit the housing budget. However, for now, we have used all the resources that we can to protect the affordable housing budget not just because of the importance that it has to Gordon MacDonald's constituents, but because it is an important way of revitalising the economy.

10:00

**Aileen Campbell:** Housing sits in my portfolio, too, and we are grateful for having such thorough engagement with Kate Forbes and her team on the importance of housing. There is recognition across the whole of Government of the impact and reach of housing beyond my portfolio. Kate Forbes mentioned the positive impact that housing and housing investment has on the economy.

Previous questions in this evidence session have asked what we are doing around creating healthy and active communities. Again, I point to housing as a contributor to that agenda. Good

housing enables people to have an enhanced sense of wellbeing, and houses are currently places for working in and for children to do home learning in and feel safe and warm. It is important that we continue to invest in housing. That is why I referred in my opening remarks to the welcome announcement of further resource from Kate Forbes yesterday, which enables me to point out that the five-year new housing budget is now more than £3.5 billion. That is a sign of the importance of housing, particularly affordable housing, to this Government, which enables us to achieve many of the ambitions in our national performance framework.

I also point out that, because of the huge importance that we attach to housing, we are currently working on our policy document on housing to 2040, which will set out a longer-term strategy on housing over 20 years, to provide the certainty and clarity that the sector has told us that it requires. It also signals our long-term commitment to housing because of the wider policy impact and reach that it has.

It is also important to recognise that we have made that investment in housing despite, as Kate Forbes pointed out, the cuts to financial transactions and the uncertainty around the consequentials. We have endeavoured to work hard to protect housing because of its importance to the wellbeing of Scotland.

The other issue is around population shifts, which is another key area. We need to think through how we support communities that have seen population decline. There is also the issue, which Gordon MacDonald pointed to, of particular population pressures in the east of the country. Again, the housing to 2040 policy will look to tackle some of that, or at least point towards how we might tackle it.

**Gordon MacDonald:** The other aspect of housing, of course, is the existing housing stock. The budget document states:

“We will also act on the recommendations of the Parliamentary working Group for Tenement Maintenance, to help owners to work together to invest in their buildings, keep them in good condition, and make them safer and greener.”

Can you provide more detail on how the recommendations of the working group will be progressed in the next financial year?

**Aileen Campbell:** Again, I point to the housing to 2040 document, because there has been a recognition that the delivery of affordable housing cannot always just be about new build. It also has to be about ensuring that there is improvement of existing stock alongside—this will become apparent—the fact that town centres will be able to house more people if we use money creatively to

enable people to live in them. We also have commitments on the 20-minute neighbourhood and town centre living.

On Gordon MacDonald’s point about tenemental properties, we will endeavour to capture that in the housing to 2040 framework strategy and approach, which we will publish shortly. As I said earlier, that will enable us to point towards the clarity and certainty that the sector needs to do what is necessary and not focus solely on the delivery of new build. We need to recognise that it is important to improve existing stock not just because it is the right thing to do, but because we have stretching demands placed on us around zero carbon and energy efficiency targets. However, we need to recognise that tenemental properties pose some challenges in that regard, so the issue will require careful handling.

**Gordon MacDonald:** For my final question, I go back to Kate Forbes. Last week, we talked about councils’ usable reserves, which an Audit Scotland report suggests are between £2 billion and £2.5 billion. They have grown substantially in recent years. Has any analysis been done of the level of reserves that councils are using to keep services going? Do you take into account reserves when deciding the local government budget allocation?

**Kate Forbes:** The answer to your second question is no. I expect local authorities to use their resources as efficiently as possible and deliver services effectively to ensure that all of us as taxpayers and in our communities get the best value.

Decisions on the level and the use of reserves are rightly for councils to take. It is their responsibility to take prudent and sustainable decisions. How that is done is a matter for local authorities, which are responsible for managing their day-to-day business and are ultimately answerable to their electorate.

The reserves reflect decisions that local authorities took in prior years about their spending plans. They are not taken into consideration when the local government budget allocation is decided.

**Andy Wightman:** I have a quick follow-up question for Aileen Campbell. You said that the housing to 2040 strategy will be published shortly. Will that be before or after dissolution?

**Aileen Campbell:** I intend to publish the document before dissolution. I acknowledge that we hoped to publish something earlier, but I am sure that everyone appreciates that, because of the pandemic, housing officials have experienced challenges in ensuring that we have in place the right support in housing policy. That has taken priority, but we are working to publish the document before dissolution.

**Andy Wightman:** The Cabinet Secretary for Finance mentioned in her opening remarks that she regards local government as a close partner. Each budget is each budget, but the budgets fit into a pattern. Between 2013-14 and now, the Scottish Government's revenue has increased by 3.1 per cent and local government's revenue has decreased by 2.4 per cent. The gap between the two has grown. Is that intentional? Are you concerned about that? Do you intend to do something about it?

**Kate Forbes:** I refer Andy Wightman to my answer to Sarah Boyack. I assume that not all parties agree with the commitment to pass on to the health budget all health consequentials, but some do. Health consequentials have been a big driver of our budget. Once they are passed on to health, the Scottish Government does not have the increase that Andy Wightman referred to. We have protected local government budgets from the remainder once health consequentials have been passed on to health.

I do not think anybody would dispute that there has been a decade of austerity. We can put the Scottish Government protecting local authorities' budgets alongside what has happened elsewhere in the country, where English local authorities' budgets have reduced in the same period by 14.7 per cent, which is equivalent to a real-terms reduction of 22.8 per cent.

In straight-up maths, we have protected the local government budget with the budget that we have, plus passing on health consequentials. That is the straightforward answer to the question.

**Andy Wightman:** My next question is for Aileen Campbell, but maybe Kate Forbes could come in as well.

Following on from that answer about passing on consequentials for health, this June it will be 10 years since the Christie commission published its landmark report, which contained important recommendations on preventative spending. I understand that, in a pandemic, the health budget needs to be protected, but what progress is the Government making in this budget to advance the notion of preventative spending, which has potentially big implications for how much we spend on health?

**Aileen Campbell:** Thank you. That question is useful and it touches on some of the other themes that have emerged this morning.

In my portfolio, we have sought to change the narrative on housing so that, rather than being seen simply as bricks and mortar, it is seen as something that has much wider impact and reach. For instance, I also have policy responsibility for child poverty. The Joseph Rowntree Foundation pointed to the specific and tangible benefit that

has been felt and experienced as a result of our endeavour on child poverty; because of our investment in good and secure social housing, child poverty has declined. We are investing heavily in housing because we recognise that it has an impact on child poverty levels but it also has an impact on our public health and wellbeing.

If housing is safe, secure and warm, it enhances wellbeing, because people are more likely to want to contribute, so they become active and healthy. In my time in this post, I have seen many examples of the positive things that happen and the benefit that we get if we have good housing, good engagement and good tenant participation, and how that impacts positively on people's wellbeing.

We also continue to support the work on community planning partnerships and we have taken forward work on the local governance review to ensure that there is partnership working. Fairly recently, we published the social renewal advisory board report, which set out 20 positive actions and recognised that progress had been made since the Christie publication 10 years ago. It also pointed to further work that we need to do, using the change and significant shift in context that the pandemic has created, in the space around prevention, collaboration and partnership working.

In the space that you have asked me about, community wealth building is another area that will see real benefit. We have supported more directly the Ayrshire growth deal through investment in community wealth building, to take the work that North Ayrshire Council has been at the vanguard of and ensure that the approach benefits the whole of Ayrshire, including South and East Ayrshire. We had the commitment in the programme for government to support community wealth building in other local authority areas as well. Again, that tries to shift the balance of our economy to a less extractive economic model, in order to give communities more ownership of and agency over economic development in their communities. That also looks at what we can do with the resources that we have; it is about getting in about procurement and making sure that it does not become an extractive form of investment but enables the community to feel a sense of benefit from the resources that are invested.

We can point directly to a few areas in that agenda that are about ensuring that we meet the aspirations that we set out in our national performance framework.

**Kate Forbes:** I have two brief points about preventative spend. We need to get better at monitoring and demonstrating. The examples that Aileen Campbell has used are all brilliant, and it is important to demonstrate the knock-on impact and

preventative benefits of choosing to invest in areas that are not obviously health related but which have a preventative impact on the health service.

I often have good discussions with committees about preventative spend. This committee has often challenged me on that, but it can be difficult. Let me give an extreme example. We might talk about shifting funding away from acute services to parks, which would be an obvious example of an area where there is value in spending funds for preventative reasons, but any debate about that in Parliament would not work out in that way, because we are analysed, scrutinised and held accountable for funding increasing consistently in every line.

10:15

Parliament should have a careful debate about preventative spend, and we must all become more mature in our discussions on that subject. If we truly believe in preventative spend, we must be willing to free up funding in some areas and shift it to others. The political debate is nowhere near that. If we want to move to a more careful analysis and scrutiny of preventative spend, we must be willing to do that.

**Aileen Campbell:** That is the theme of the social renewal advisory board's report, which recognises that we cannot pile more on more without some recognition that change must come from somewhere. We do not always have the space for open and candid discussion. I hope that those who serve in the next Parliament will open up that discussion.

**Keith Brown:** I have two questions for the Cabinet Secretary for Communities and Local Government and then two for the Cabinet Secretary for Finance.

The Cabinet Secretary for Communities and Local Government has just made it clear that she will soon be released from the pressures of that job. I wonder whether I could tempt her—

**Aileen Campbell:** To go home?

**Keith Brown:** —to think more generally about the housing budget. If we consider all the different aspects of that, including housing benefit and the huge amount of money that we spend on expensive temporary accommodation, we spend between about £3 billion and £5 billion a year on housing. Does the cabinet secretary think that we should look at that in the round? We churn money round the system for rent payments, but it never touches the people who pay rent. Does she think there is a better way to organise that so that we achieve the things she spoke about, such as alleviating child poverty and providing a warm, dry, safe, appropriate home for everyone?

**Aileen Campbell:** We will set out some of that thinking in our document about housing to 2040. We posed those questions during the consultation on that. We set out the total that is spent, in the broadest sense, on housing and we asked what people would do with that money if they had it to spend and were working from a blank sheet of paper. That suggested that there might be other and better ways to use the funding for maximum impact.

Some of the levers and tools are not in our gift, so we must do what we can with what we have. The document "Housing to 2040: a conversation" will, because it will take a long-term and strategic approach, enable some of those discussions, ideas and policy approaches to develop so that those changes can start to happen.

You are right. One of the frustrating aspects of my portfolio is discretionary housing payments, as a lot of that money is spent on fully mitigating the bedroom tax. Do we want to use our resources to mitigate actions that we disagree with and that were taken by another Government? I think not.

The housing to 2040 document will work out how we can take a whole-systems approach to improve the way in which we deliver housing and to ensure that people get the housing that they deserve, in the place where they want to live.

You are right that there are better ways to spend the housing budget, but we do not have all the levers. We could make better use of what we do have, so that we deliver more for people and communities in Scotland.

**Keith Brown:** I thank the cabinet secretary for that answer and congratulate her on getting the additional money for affordable housing from the Cabinet Secretary for Finance. A specific point that concerns me is whether the affordable housing targets and aims of the Government are undermined when local authorities, which can oblige developers to include a certain proportion of affordable housing in a new housing development, opt for a cash payment or something else in lieu of the absolutely vital affordable housing. I am aware of developments made up exclusively of houses costing half a million pounds. They do not help the situation at all or create mixed communities. Is the cabinet secretary worried about that? Can anything be done about it?

**Aileen Campbell:** Without giving too much away, one of the themes of the housing to 2040 approach is to enable much more mixed communities and ensure that communities are vibrant and thriving. That requires us to not let communities stagnate in the way that you described.

However, we would not be where we are, with the level of housing that we have achieved over

the time that we have been in Government, had it not been for the co-operation of local government. It has played a full, active and constructive role in the significant improvements in housing stock across the country. We will continue to work with local government to see what more we can do to eke out extra support, finances and whatever it takes to ensure that we can continue to build and create the communities that we want people to live in. The housing to 2040 approach will set some of that out.

I would not want to detract from the good and positive role that local government has played in creating our current housing stock over the time that we have been in Government.

**Keith Brown:** I wonder whether it is possible for the Cabinet Secretary for Finance to zoom out a bit, since we are on a Zoom call. We are all trying to work out whether what local government is getting is fair. The committee is obviously concerned about that. On the one hand, the question is whether it fair compared to the funding that the Government is giving to other things. You have pointed out how we have passed on health consequentials. Some of the nonsense from Opposition parties is debunked when we realise that they have not lodged any amendments to budgets, as far as I can remember, in the 14 years that I have been in Parliament. That suggests that there is a fair degree of consensus about how the budget is distributed around the Scottish Government's responsibilities.

The other side is comparison with budgets for local government in England, for example. We had evidence from COSLA last week that compared Scottish funding unfavourably with England. The Cabinet Secretary for Finance just said that we have a 3 per cent plus increase in funding for local government in Scotland, whereas down south it has gone down by 14.7 per cent. It struck me as odd that COSLA could draw an unfavourable comparison, albeit in relation to Covid funding, because the reality seems to be very much in the other direction. We regularly hear about English councils going bust. COSLA seemed unable to answer the question about the comparison between funding for local government in Scotland and in England, so will the finance secretary say a bit about that?

**Kate Forbes:** I think that it was last year when I answered questions from the committee after it had taken evidence from COSLA in which it had said that, unlike English local authorities, which had been decimated—that is a synonym, rather than a direct quote—local government in Scotland had not been. Therefore, COSLA must be referencing this year's funding for 2020-21, and not the funding for any years prior to that, because the figures speak for themselves.

Andy Wightman quoted figures for 2013 to 2020 from a Scottish Parliament information centre report showing that, in that period, English local authorities faced a cash-terms revenue budget reduction of 14.7 per cent, which is equivalent to a real-terms reduction of 22.8 per cent. In this session of Parliament, local government in Scotland has seen a cash increase to its overall budget settlement of more than £1.3 billion. Therefore, I absolutely refute any notion that English local authorities have been treated more favourably in that time period. Under a decade of austerity, they have been treated anything but favourably in England, while here we have tried to use our budget to protect local government budgets, as far as possible.

In the approach that we have taken to next year's budget there are three sources of funding. The primary source of funding is core settlements, where there is a 3.1 per cent increase. There are two other sources of funding over and above that. First, there is replacement of lost income. As I have said already, there is £200 million, plus £49 million and £275 million to help deal with the lack of income. The third source is de-ring-fenced funding of £259 million for local government to use as it sees fit to deal with Covid pressures next year. I have separated out the sources of that funding for the benefit of the committee, but collectively, it is all cash funding. No one can look at that package of funding and not conclude that we have delivered a fair settlement to local government in this year's budget.

In my job, everyone can tell me that they want more money. I am not disputing that there will be calls for additional income for a host of different things. However, the overall package for local government next year represents a fair settlement. We have had to build this budget on partial information, so it is not unthinkable to assume that after 3 March, when we have more information about our own budget, I will be returning to Parliament to update it on budget changes again.

**Keith Brown:** That leads in nicely to my last question, if I may ask one final question, convener.

**The Convener:** You must be very brief. The response will also need to be brief.

**Keith Brown:** On that last point, cabinet secretary, you mentioned receiving funding in dribs and drabs and that you might have to come back to Parliament again. Is not the whole system in danger of being discredited, given the additional tranches being announced and the fact that local government is asking for more certainty by having three-year budgets? We have moved so far away from the devolution ideal of having some certainty around budgets. Does the announcement of dribs and drabs and new tranches of money not make

the fiscal framework system untenable in its current form?

**Kate Forbes:** Absolutely. It is not just the Scottish Government complaining—the approach does a disservice to taxpayers, local government and households that rely on that funding and need certainty. We are going to be in a position where our budget is confirmed on 3 March, a mere week before local government has to set its council tax rates. Even if one ignores the concerns of the Scottish Government, waiting until the UK Government announces its budget in order to set our budget would be impossible for local government, which is why we are going ahead with our budget. However, we can only go ahead on the basis of partial information.

That is why I will keep going back to Parliament with updates. I am not doing that because I did not know how I wanted to spend the money in the first place—I did. However, I can only spend what I am given because I cannot overspend my budget. I agree that the fiscal framework has been found wanting in the pandemic.

**Jeremy Balfour (Lothian) (Con):** Good morning, cabinet secretaries. I have two questions for Kate Forbes and one quick one for Aileen Campbell.

My first question is for Kate Forbes. You have given the money to local government to freeze council tax for this financial year. I know that you do not like to do budgets looking ahead, but what conversations will you have with COSLA in respect of keeping the differential the same so that there does not have to be a massive hike in council tax in the next financial year?

**Kate Forbes:** I have extensive conversations with COSLA. In advance of any budget, I will have many conversations with COSLA. I meet regularly with Gail Macgregor, with whom I have a constructive and productive relationship. We will replicate that next year—subject to the election and whoever is in my post.

**Jeremy Balfour:** In order for local authorities to plan ahead and for people in Scotland to make their own personal financial decisions, when would you see that decision being made? Will it be towards the end of this calendar year or will there be an earlier indication?

**Kate Forbes:** It will be part of next year's budget. I am not being pressed right now on any other tax—you are not pressing me to determine what income tax rates will be in next year's budget while we have yet to pass this year's budget. I do not think that anyone expects me to set next year's council tax before we have got through this year's council tax.

10:30

**Jeremy Balfour:** Okay. We have talked a lot about revenue this morning. There has been no increase in the capital budgets for local authorities. I am interested in your thinking around that, particularly as we come out of the crisis and need to look at capital budgets and builds. Why is there no increase in capital budgets for local authorities?

**Kate Forbes:** When we adjust for one-off funding provided in 2020-21, support to local government for capital investment through the settlement has increased by about £10 million—for flood defences. Other support for capital investment for local government outwith the settlement has increased by £44.5 million. The overall increase in support for local government capital is £54.5 million.

Capital is an area that is really challenging for us at the moment. I have a strong suspicion that the UK Government will revisit capital on 3 March. It has said that it wants to build and invest in infrastructure, but the figures in the spending review did not back that up. The UK Government may well revisit that and if so, I will revisit the capital element.

**Jeremy Balfour:** My final question is for Aileen Campbell. Earlier this morning, you touched on the issue raised by Gordon MacDonald, which is that the areas that he and I represent have populations that are growing, yet the amount of money that has come in is not as much, in comparison, as that for councils that have seen a decrease in population, which are perhaps getting proportionately more. What conversations is the Scottish Government having with COSLA to rectify that in future years?

**Aileen Campbell:** Is that question largely around the distribution formula? If so, that is kept under constant review and is agreed with COSLA on behalf of local authorities. In relation to what you describe, the Scottish Government is always open to suggestions for improving the formula, although that must come through COSLA in the first instance. If COSLA and councils want to engage with us on whether we need to look at how council budgets are reflected in population terms, that is something that would have to come via COSLA.

On some of the issues that Gordon MacDonald raised, we are looking at population challenges in the context of housing to 2040. My colleague Fiona Hyslop is more directly responsible for issues around population and the challenges that we face as a country as a whole. She is responsible for policy in that area and is continually developing our response to some of those challenges. There are other local authorities that are facing declining populations and, more

generally, an ageing population is a challenge for Scotland, too.

**Jeremy Balfour:** I accept that engagement has to come from COSLA, but would the Scottish Government recognise that the current formula discriminates against councils that have a growing population, such as Midlothian, Edinburgh and East Lothian?

**Aileen Campbell:** That is something that is kept under constant review by COSLA and the Scottish Government. It is agreed by COSLA on behalf of all local authorities. If there is an unhappiness around that, it should be articulated via local authorities and through COSLA in order for the Scottish Government to try to work with them to respond to any challenges that are presented. That is the dynamic in the arrangement.

**Kate Forbes:** Could I come in on that briefly, convener? I just want to emphasise two points.

**The Convener:** Yes, of course.

**Kate Forbes:** The distribution formula uses the most up-to-date population estimates. That is important. I do not dismiss the argument, but every local authority can tell me why it feels uniquely discriminated against by the funding formula. As Aileen Campbell said, if we were to revise the formula—there is an openness to doing that—that would need to come from COSLA.

**Jeremy Balfour:** Thank you. I will leave it there.

**The Convener:** That completes our questions. I thank both cabinet secretaries and their officials for attending today's meeting and providing much needed additional information in advance of debates on the budget bill.

10:35

*Meeting suspended.*

10:42

*On resuming—*

## **Climate Change Plan (Update)**

**The Convener:** Agenda item 5 is an evidence session with representatives of COSLA on local government's perspective on climate change and the green recovery.

I welcome Councillor Steven Heddle, environment and economy spokesperson, COSLA; Silke Isbrand, policy manager, COSLA; Aubrey Fawcett, chief executive, Inverclyde Council; and Paula McLeay, policy and insight senior manager, the City of Edinburgh Council. Thank you all for being here today, and for your written evidence.

We have allocated just over an hour for this session. There is a pre-arranged questioning order, and I will call each member in turn to ask their questions for up to nine minutes. It would help broadcasting staff if members could indicate who their questions are addressed to. I suggest that we make it our working assumption that questions are directed in the first instance to Councillor Heddle, and he can pass them to others if he wishes. We may have a short amount of time for supplementary questions at the end.

Witnesses should indicate clearly if they wish to answer a question—for instance by raising their hand—and should not feel the need to answer every question fully if their views are generally in line with points already made.

Finally, please give broadcasting staff a second to operate your microphones before you speak.

I invite Councillor Steven Heddle to make a short opening statement.

**Councillor Steven Heddle (Convention of Scottish Local Authorities):** I thank the committee, on behalf of COSLA and my colleagues, for the opportunity to give evidence on the Scottish climate change plan update, as set out in "Securing a Green Recovery on a Path to Net Zero: Climate Change Plan 2018–2032—update".

Climate change is a global emergency that will need a cross-Government planned response over many decades. COSLA is committed to rising to that challenge with an overarching objective across all our policy areas of a just transition to net zero by no later than 2045.

There is no precedent for what we are seeking to achieve during the next 20 to 30 years in decarbonisation of society and the economy. Although the pandemic response has given us a glimpse of what is needed, and, indeed, possible through co-ordinated effort. The just transition to a

net zero economy and society will take all our collective effort and ingenuity to achieve. It will require unprecedented co-operation between different parts of the public and private sectors, communities and all Scottish civic society.

10:45

Part of the reason why we are glad to be here today is that we cannot see a pathway to achieving our net zero goals fairly that does not include a central role for local government. That is recognised in the Paris agreement. We believe that that role must extend beyond being only a delivery partner for national programmes. We must build on the strengths and capabilities of local government, which have been exemplified during the Covid-19 pandemic response. That role must also build on the best examples of joint working between local government and its partners, including, notably, the Scottish Government.

In short, I believe that local government needs to be trusted to govern wisely and lead the carbon reduction response locally within the framework of the plan. That will require a positive decision to invest in local authorities, in addition to national programmes, if we are to make the biggest possible impact, with genuine co-ordination of local and national contribution being achieved through genuine partnership.

We fully support the ambition shown by the climate change plan update. Although many of the targets will be hugely stretching, they must be led by science and we should not settle for what seems achievable now.

We are also of the view that, while refining the climate change plan update is important, we must now focus on delivery and making important investment decisions that can take carbon out of our economy as quick and as fairly as possible. If there are barriers to achieving the targets, we need to talk about them honestly to identify what can be done to alleviate the constraints.

The update plan is a lengthy and detailed document, and we are still learning about its implications for local authorities. Therefore, there might be some questions that we cannot fully answer today. If that is the case, I am happy to commit to providing more detailed responses on specific points.

**The Convener:** We will now move to questions. I will kick off. Does the climate change plan update recognise the roles of councils in the climate change agenda?

**Councillor Heddle:** It is difficult to summarise the position in a few words. It is a 255-page document and makes copious reference to the

public sector, of which local authorities are part. However, I would say that it recognises the role of the public sector, although we feel that it could further develop the role of local authorities, as we are major employers and run vehicle fleets in the way that we do.

The main thrust of our evidence today is to convey the absolute belief that, when it comes to tackling climate change and achieving net zero in the timescale that is set out in the climate change plan—or, ideally, ahead of that timescale—we can achieve more by working more closely with the Scottish Government in developing the detailed response that is the next step than we can by simply being a delivery agency for it.

That was a yes-and-no answer, but the main thing that we are trying to convey is that we are up for tackling the existential challenge of climate change and are approaching the climate change plan update with open arms. We are saying “Come and work with us. We are happy to do our share in tackling this problem.”

**The Convener:** How well do you think councils take the need to reduce emissions into account in their spending plans? Are improvements needed in that area?

**Councillor Heddle:** Councils are being pulled in many directions with their spending plans. My colleague Gail Macgregor has given evidence to the committee and has explained that we feel that we are underfunded and that the funding that we get is ring fenced to the extent that we cannot innovate or maintain the services as we would like to.

We feel that we could do more to tackle climate change if we had more funds. However, it is likely that we will have to do less because services such as economic development, which are active in supporting innovation and activities around climate change, are non-statutory. We also fund areas such as public transport, which make a contribution.

Local authorities are committed to tackling climate change. I find that reflected in the attitude of the COSLA environment and economy board that I chair. Members have a good attitude to the issue and are very well informed.

**The Convener:** I can see that you are keen to do your bit. I also accept that it will sometimes be difficult to follow through on reducing emissions because of other pressures in your spending plans. Are those pressures taken into account when you look at those plans? Is reducing emissions part of your thinking about how you will spend money, even if, in the end, you cannot always do what you need to do?

**Councillor Heddle:** The internal reporting structures of local authorities, and the ways in which they deal with the issues that they face, vary across the country.

I am certain that local authorities are achieving a reduction in climate change emissions. That is statutorily reported, so I can tell you that there was a 23 per cent reduction in 2018-19 compared to 2015-16. There is awareness and enthusiasm. Many of our members set climate change reduction targets that exceed those set by Government. I could happily give you a list of them.

That is the high-level perspective. Aubrey Fawcett can give you a more informed picture.

**Aubrey Fawcett (Inverclyde Council):** You asked about council spending plans. Since 2015, my authority has reduced its carbon emissions by about a third. We have facilitated that by a range of activities: revamping and renewing our school estate; introducing electric vehicles, with the effect that, by next year, 75 per cent of our light vehicles will be electrically powered; and significantly reducing our use of oil to heat buildings.

A number of local authorities have moved towards net zero plans. My authority has set aside £100,000 to prepare for that. As you may know, we had a letter from Roseanna Cunningham requiring us to declare by November 2022 when we expect to achieve net zero. Glasgow City Council has set aside £1 million to prepare for that. Significant work has happened in the past five or six years and there is an enormous amount to do in the coming decades.

**The Convener:** There is obviously a lot of good practice in your local authority and some others. How widespread is that? Are all local authorities approaching that in the same way, or is there a range of strengths and weaknesses?

**Aubrey Fawcett:** As far as I am aware, the conversion to using LED lighting has happened across local government. Many local authorities are proactive in dealing with that.

We recognise—it is critical that local government, not only Government, recognises—the importance of that agenda and the huge task that lies ahead. My response to the question is that all local authorities are absolutely taking that approach. Steven Heddle might want to add to that.

**Councillor Heddle:** I chair COSLA's environment and economy board, in which the views of all 32 local authorities are represented. The views of various professional associations involved in housing, planning and transport are also fed back into the board. In preparing COSLA's submission to the committee, we

canvassed them all for their views. With that in mind, I would appreciate it if you could bring in Silke Isbrand from COSLA, who can summarise some of those views.

I mentioned that some local authorities are committing to targets in excess of the national targets. They include the City of Edinburgh Council, Glasgow City Council, Highland Council, Dumfries and Galloway Council and my friends in Comhairle nan Eilean Siar. Another example is Renfrewshire Council, which has committed £1 million in the current financial year to examine opportunities around that.

The answer to the convener's question is, essentially, yes. Of course, there are local authorities of different sizes, with different capabilities to respond to those issues. My local authority is investing in another climate change officer, and in resource for renewable energy projects. That is a big thing for us, but it would be a small thing in the context of other local authorities' work. Proportionately, however, it could allow us to decarbonise probably about 80 per cent of our current carbon excess in one project.

We believe that that approach is replicated across the country. Having taken Edinburgh's name in vain, I suggest that you ask Paula McLeay for a more detailed response.

**Silke Isbrand (Convention of Scottish Local Authorities):** On the back of what Councillor Heddle said, it is true, or fair to say, that the 32 local authorities are, across the board, very engaged in that area. As Councillor Heddle pointed out, we had an active debate on those issues with our 32 members at the last board meeting, and there is a clear commitment there.

It is clear that local authorities are doing things differently in different places. Rural authorities have slightly different approaches from those in urban authorities, because their challenges are different. Agriculture plays a different role in the Scottish Borders, for example, than it does in the middle of Edinburgh or Glasgow, where there will be other opportunities in areas such as congestion. Nonetheless, we can reassure the committee that we are working strongly with our 32 local authorities.

I am aware that, by the deadline for responses to the climate change plan update on 12 January, not many local authorities had fed back to the committee. I think that everybody is aware of the very short deadline. COSLA wrote to all the local authorities to actively seek their observations on the climate change plan update. For example, we asked them what they would need to step up their action, and so on. It is fair to say that there is

active dialogue across the 32 local authorities, and we engaged with them on those issues.

**Sarah Boyack:** I want to kick off by asking Steven Heddle about community renewables and the community co-operatives that local authorities can set up. You mentioned in answer to a question from the convener that your local authority is looking at that. There are obviously different opportunities in different authorities—for example, as we have heard, there are differences between urban and rural authorities.

What is your take on that? Work has been done in the past; I know that the Edinburgh Community Solar Co-operative, which is not for profit, has had a big impact, and Aberdeen Heat & Power has been operating since 2002. In addition, North Ayrshire Council is setting up a solar farm. Those companies all invest back into the local community. What is the capacity of local authorities to do that? We have spent the past hour or so talking to cabinet secretaries about finance and coming out of Covid, but it must be a green recovery. Where do such projects, which involve councils using their land and buildings but getting other people to invest in them, with the money being recirculated back to local communities, fit in? What is the appetite for that? What capacity do authorities have to do that?

11:00

**Councillor Heddle:** That is a very good question. The appetite is certainly there, but the capacity is variable. We have had a range of experience in that area. Initially—five or six years ago—we supported community development trusts to put up community wind turbines, which seemed to generate a return for the community. However, we realised that there were issues there, because some communities have greater capacity to do that, which can lead to inequality across our area. Therefore, our focus has shifted more towards an all-Orkney approach, whereby the local authority invests in a community wind farm. We are exploring the possibilities of wider investment by communities and community organisations, as well as the return coming straight back to the local authority.

Although I think that most local authorities would be keen to pursue such projects, financial capacity is perhaps the main obstacle. There is also the element of risk. As the committee will be well aware, the transmission regime is discriminatory for the more rural areas; there is a huge up-front cost in being able to access the grid. The ability to de-risk such investments would enable more local authorities to pursue community renewables, as, indeed, would the wider ability to de-risk investment in action to address climate change and move towards net zero across the whole

gamut of local authority activities, including, for example, the Hatston scheme and adaptations for changes of use from current carbon-intensive practices. Having that ability would be enabling for local authorities and would be most welcome.

**Sarah Boyack:** What would be the game changer in practical terms? Would it be kick-start funding or networking, for example? You are right that different local authorities have different geographies. The Heat Networks (Scotland) Bill, which Parliament is about to consider at stage 3, will not work for everybody. Whether in relation to heat or power, what would be the game changer to enable all local authorities to have a leadership role, and to ensure that they create green jobs and that nobody gets left behind?

**Councillor Heddle:** You have highlighted the two very important issues of equalities and green jobs. We have mentioned the issue of capacity. Local authorities need to have not just the financial but the organisational capacity; they need to have the right skills available. We are very aware of that, particularly when it comes to housing, planning and building standards. There will be a requirement for a fairly significant upskilling of staff so that they can look at everything through the net zero prism. My personal take is that the main enablers here would be access to finance and the ability to upskill our staff, but I would be happy for my colleagues to augment that perspective.

**Paula McLeay (City of Edinburgh Council):** I will briefly cover one or two of the previous questions before coming to Sarah Boyack's question about capacity and what would be the game changer for us.

On the budget issue, there was a question about the extent to which councils are taking seriously the net zero challenge and aligning their budgets and spend to address it. In the City of Edinburgh Council, we have made sure that it is not about the additional project funding that comes to deliver change; it is about how we spend everything that we have and how we align all our budgets, policies and strategies with the effort towards net zero. That reflects the fact that addressing the net zero challenge cannot be done by one project in one policy area; it is multidimensional across all that we do.

Whether we are talking about our city centre transformation plan, our city mobility plan, the local development plan, which will fundamentally shape the development of the city over the next 10 years, our housing investment plan or our capital programming, which includes the school building programme, all those budgets are now being driven by the priority of delivering net zero. What we spend in the round must be aligned with that, then we need to think about additional capacity to upscale in speed what we want to achieve. As a

council, we are developing capacity to inform our decision making in a much more meaningful way through the development of the carbon scenario tool, but I will not touch on that too much just now.

On what is a game changer for us as a council and whether we have the capacity to drive change to the required degree, the work that the City of Edinburgh Council is doing at the moment is supported by the council's reallocation of resource and by additional European capacity to enable the thinking and the planning that need to go into a complex sustainability strategy to take the city to 2030. It is not just about an approach to renewables for our buildings; it is about the deep retrofit of those buildings, the heat networks in those buildings, the active travel around those buildings, the development of green space, the sense of community beyond that and sustainable communities. Being able to think about all that and design it operationally, and then stitch together the funding to deliver it is a huge and challenging task.

We need to invest in the core capacity income source to do that work. It is not just about project delivery and individual projects; it is about planning the whole-system response to a net zero challenge. We do not yet have sufficient capacity and skills to do that at the speed and scale that are required to deliver our net zero ambitions, whether for 2030 or 2045.

My only other point on the capacity question is that although the Scottish Government has lots of projects and has put in a great deal of project funding, which is welcome, the onus is on local authorities to stitch that together. That is incredibly challenging for us to do at the same time as we are trying to innovate and drive the speed of change.

**The Convener:** Thank you. I will give Sarah Boyack an extra couple of minutes for questioning, because the answers have been pretty long so far.

**Sarah Boyack:** That last answer is dead helpful, because the issue is about taking a system-wide approach as well as doing projects. That is the challenge, is not it? You have your overall policy, but how do you get those extra projects up and running? I think that it took the best part of a decade to do that with the Edinburgh Community Solar Co-op. How do local authorities share knowledge and experience so that you can cut to the chase and use other people's experiences, whether good or bad, to move forward with some of the projects so that we get that change? Does Steven Heddle want to kick off on that?

**Councillor Heddle:** We share our best practice through COSLA and its boards and the professional networks. Mr Fawcett is a

representative of one of the professional networks, so I am sure that he can elaborate on that.

**Aubrey Fawcett:** I will pick up on Sarah Boyack's query about how we get new ideas and give an example. In Inverclyde, we took forward a hydro scheme with Scottish Water, but one of the challenges was that the level of return was not adequate from Scottish Water's perspective. Steven Heddle mentioned de-risking projects. I also help local community groups if they want to move into those territories, but we have a capacity issue in local government around the ability to hand-hold and provide guidance. In my many years in local government, the areas that have been most affected by the cuts that have had to be made have been on the environmental side. There is no getting away from that. All local authorities will need to explore how we can increase capacity in that area. Funding will obviously be an issue, but I will not reiterate that, because Steven Heddle covered it well.

In helping local community groups, it is critical that we are at the forefront in engaging with them and trying to stimulate ideas. We discuss good practice in our various networks; it is also important to work with civil servant colleagues to understand what is happening elsewhere, both nationally in the UK and across the board globally. We need to learn from those things. There is certainly an issue in terms of capacity and the ability to reduce risk. From working with other colleagues in the Scottish public sector network, I would say that the whole issue of taking on risk is something that the public sector should be looking at.

**The Convener:** Thank you. Before we move on to Jeremy Balfour, I ask for answers to be shorter. We have a lot to get through, so I ask the witnesses to curtail their responses a wee bit.

**Jeremy Balfour:** I will limit myself to one quick question. Local authorities provide key services to many vulnerable individuals—disabled people, older people and people with other health issues. As we roll out the programmes over the next number of years, what effect will climate change thinking have on those services? Will they have to be redesigned in the light of that? My concern is that in striving to reach the climate change targets, which are really important, people who are most vulnerable will be affected the most. Do the witnesses have any comments on that?

**The Convener:** Does Steven Heddle want to start?

**Councillor Heddle:** Yes. It is another very good question. The issue is one that should perhaps be more to the forefront of our thinking. Any policy that is brought through the local authorities is run past our equalities officers and considered in the

context of whether an equalities impact assessment is required. If so, that will be prepared and the impact will be assessed. Beyond that, there is perhaps not exceptional provision, and perhaps there should be. That is a question for national as well as local government.

**Silke Isbrand:** I am aware of the time, so I will just add that COSLA's support for the commitment to net zero is completely in line with the just transition. We absolutely have a focus and an eye on that.

11:15

**Aubrey Fawcett:** For the communities that have suffered worst because of Covid, there will be a challenge as we go forward in dealing with climate change areas. I can think of funding issues for those communities. There is a significant issue for properties that will be retrofitted and how residents will be accommodated because, in some instances, it might not be possible for buildings to be retrofitted without individuals having to be decanted. I can see challenges with regard to those communities; there will certainly be a need for substantial financial support for them.

**Jeremy Balfour:** Clearly, we want to reduce the number of cars on the road, and one of the issues around climate change is the way in which we provide public transport. However, as we try to limit the number of car users, my concern is that people who need to use their cars because of disability or old age might be caught up in that, with unforeseen consequences. When we do our thinking on the environmental economy, do we always think about the consequences that it will have for people who might not be able to vocalise their concern?

**Councillor Heddle:** Aubrey Fawcett did a useful service in widening the discussion to inequality in general. Absolutely—we are looking at the issue in terms of reducing inequality in the context of the just transition. As you know, we will return to that again and again, as we talk about issues around housing and how adaptations to housing will be funded. Do we singularly look at that to reduce inequality? Yes; laying on top of that is consideration of the impact on protected characteristics under the Equality Act 2010.

**Jeremy Balfour:** Okay; thank you.

**Keith Brown:** Councillor Heddle, you rightly mentioned the constraints on financial and organisational resources that local authorities have with regard to what they can do on climate change but, thinking about the high point of municipalism, when councils also owned power companies, do local authorities need further powers to help them with climate change action?

**Councillor Heddle:** It is difficult to single out a specific power. In the islands, we are in the perhaps fortunate position that, through the Islands (Scotland) Act 2018, the Scottish Government has committed to explore affording powers that would help us to deliver our activities and goals as local government. Perhaps that would be usefully extended to all areas of local government.

At present, the main obstacles to progress that we have identified are the obvious ones, such as finance and flexibility to deliver or develop our programmes. We can look at the specific example of heat networks. Heat networks are an extremely laudable goal but, to date, local authorities have a chequered past in developing heat networks for district heating. That also applies to authorities' ability to achieve the decarbonisation of housing with the resources that have been directed towards that. It would perhaps benefit us if those resources could be more flexibly adapted to meet the needs of different local areas.

For dispersed populations, district heating will not make a big impact, but it would be helpful if local authorities could apply their resource to air-source heat pumps, for example. That is an effective way of decarbonising heating and moving towards electrical heating, which can be wholly green. It has been adopted to a great extent in the northern isles but, for whatever reason, it has not been supported through any of the schemes. Those schemes are aimed more at ground-source heat pumps, on which, again, authorities in some areas have a chequered past.

With regard to more powers, flexibility around the way that we apply planning and housing rules would be useful. Whether or not it would stray into areas of legislation, I would not be averse to elaborating on that.

**Keith Brown:** Your last point, on whether councils could impose further constraints on developers to ensure that all the housing that they build has higher-level climate change qualities, is interesting.

I have one other question. It might be best if Aubrey Fawcett answers it, but I am happy to hear from any of the witnesses. How are councils' procurement policies helping to support the net zero ambition? Perhaps the witnesses could address that with regard to how procurement policies have changed since Brexit.

**Aubrey Fawcett:** Currently, procurement restrictions are probably more restrictive. That is not pre or post Brexit, but it has been the case with some of the tenders that we have done in recent times.

At times, we still face quite a challenge in going through very stretched-out arrangements. If

procurement rules and regulations were made less restrictive—if they were still open and transparent, but without the same level of restrictions—that would make it easier for local authorities to move faster with some of our projects, and it would allow local companies more opportunities to access work locally.

When we go out to the market, it is an open arrangement in comparison with the situation many years ago, when we were made to have select lists, which we are not now allowed to have. Government could look at certain areas in which it could be made easier for public bodies, in particular local authorities, to move forward with the climate change agenda and the projects that come out of that. That would be useful.

To go back to your question to Councillor Heddle, we probably have quite a lot of powers in respect of facilities around community wellbeing. Local authorities were involved in creating powers, and they ran with police and fire and so forth. From our perspective, we looked at the opportunities for doing hydro, and we will look at it again, as we think that there are opportunities there.

The critical point is that it all boils down to money, whether we like it or not. We will get more innovation if there is capability from a local authority perspective—if there are funds that we can work on, and if we can engage with the Government in that regard.

You can see from the climate change plan update that Government has provided a fair level of funding across the board in many areas. Whoever has to pay for it will have to pay for it, whether it is Government, local government or the man and woman on the street. There will be a significant burden on us all, whether we like it or not, and the challenge that lies ahead for us all will be seismic.

As Councillor Heddle said, local government is keen to work with central Government to ensure that we deliver on the agenda. We have done that with Covid. You heard from the two cabinet secretaries earlier—particularly the Cabinet Secretary for Finance—about how important that has been. I would say that we have a significant role to play.

I am sorry for going on again, convener.

**The Convener:** Councillor Heddle wishes to contribute, I believe.

**Councillor Heddle:** Yes—I might be more terse.

Keith Brown identifies a good point about planning. It would perhaps be useful to have more flexibility in the powers on planning, rather than additional powers. If we could embed net zero as

the central principle of the planning system, that would be beneficial. It would be useful to reframe planning performance, focusing on outcomes in quality development decisions and on addressing climate change, rather than on adherence to decision times.

That would all contribute to the additionality that local government can bring. To me, flexibility means additionality—doing things bigger, better, faster and more. That extends to the issue of local procurement. We have a great interest in community wealth building, which is primarily led by our colleagues in North Ayrshire, and procurement is obviously a key element of that.

**Andy Wightman:** A couple of the questions that I wanted to ask have already been asked, so I have just one question. Experience across Europe with municipalities and cities that are doing a lot of work on mitigating the climate crisis suggests that, the more work we do with communities and with people in the places where they live, the better the plans and strategies will be and the easier they will be to implement.

Starting with Councillor Heddle, and then hearing from Edinburgh and Inverclyde, perhaps, what steps are you taking to engage communities in your plans and strategies for moving to net zero?

**Councillor Heddle:** It is good to bring in the European dimension. I should perhaps have said earlier that COSLA is engaged in European networks, which add value to what we are doing. That includes the Covenant of Mayors, Eurocities and my participation in the CEMR—the Council of European Municipalities and Regions—as the spokesperson on territorial development. I hope that it will be possible to add the local government day to COP26, at which we can emphasise the need for locally determined contributions to feed into nationally determined contributions.

To return to your question, engagement with communities is indeed key. We are acutely aware of the value that we can bring in terms of place, engaging with communities and facilitating the wider agenda. That includes 20-minute neighbourhoods and community wealth building, which I mentioned. We have already seen how we are moving towards different working practices, and we are in the fortunate position that we are able to test those practices. Perhaps that is the one good thing that has come out of the Covid pandemic.

We are working hard to engage with communities to create physically and digitally connected places in partnership with them. If we were enabled financially, we would be able to integrate things totally. We could have accessible and integrated cycling, walking and active travel

measures, and we would be able to adapt the road infrastructure to suit that—putting in and sustaining the fundamental infrastructure that creates a community, with the local authority placed in the community in a more granular way, rather than just representing a central office. I would also mention electric vehicle charging points and skills development in the areas concerned.

What you describe is fundamental to our thinking and to the offer that local authorities can bring to the Scottish Government, providing intelligence around place and additionality to the laudable aims of the climate change plan.

**Andy Wightman:** Would Aubrey Fawcett like to add something from Inverclyde Council's perspective, and does Paula McLeay have examples from Edinburgh?

11:30

**Paula McLeay:** Some 53 per cent of emissions in Edinburgh are generated by its citizens, so behaviour change and the choices made by citizens and communities will be at the heart of getting to our net zero target. Therefore, absolutely everything that we do considers how we can inform, support, build on and engage with our communities around the actions that they—and we—need to take if we are to enable change. We also need to maintain support for the more radical step changes that we will want to make in setting policy and strategy for the city. There is no getting away from the fact that citizen engagement and collaboration on climate change must be at the heart of any plan that the council needs to make on the issue.

The focus on 20-minute neighbourhoods will help us to deliver on place. It is about natural communities within the city and how we enable people to live there more sustainably. The 20-minute neighbourhood delivery mechanism to which City of Edinburgh Council recently committed in its council business plan will be at the heart of our engagement strategy as we move forward.

**Andy Wightman:** Does Aubrey Fawcett wish to add anything from Inverclyde Council's perspective?

**Aubrey Fawcett:** On engaging with communities, we prepare locality plans and have held a number of town-centre charrettes. However, funding will be critical to progressing ideas as we move forward. I am sure that the committee will have heard that said many times but, when we engage with communities and ask them what they would like to happen, sadly, they do not have a lot of funds, so we have to lead the way in that regard. There will certainly be a need to ramp up further engagement as we move on

with the agenda, but that is already being done through the existing networks that we have in place.

**Gordon MacDonald:** I want to continue Andy Wightman's line of questioning. I heard an awful lot of nice warm words there. However, apart from Aubrey Fawcett saying that Inverclyde Council has used the charrette process, I did not hear anything about how councils are engaging with local communities.

We have a prime example of that in Edinburgh, where the spaces for people programme is being rolled out across the city. My mailbag has been full of correspondence from people on both sides of the argument, who complain that they have had no opportunity to engage with the council to discuss those proposals. I have not declared on which side of the argument on spaces for people I stand, and I understand that the programme's aim is to encourage active travel, but local communities tell me that there has been a lack of engagement with them on that aspect. I am sure that the situation is similar in other council areas across Scotland. I am therefore keen to understand how you involve local communities in arriving at policies that are intended to enable us to hit our net zero target.

**Paula McLeay:** I can come back on that. There are two strands to the type of engagement that we need to carry out. One concerns the big picture of how we deliver climate action across the piece. As the committee might imagine, before lockdown, we were doing that in Edinburgh through carrying out surveys and holding focus groups with different types of citizens. We also have a dialogue website called "Edinburgh Talks Climate" and have been working on generating social media discussion and dialogue alongside that, so our approach is multifaceted. We also engage through schools and young people.

There is significant outreach in the round on the climate action that we will need to take as we move forward. Such an approach cannot be what we might call a one-hit wonder, or once and done; we must continue with it throughout the whole period of our work.

On individual policy areas, I will not go into spaces for people specifically but, because of lockdown, it is incredibly challenging to ensure that our outreach and engagement is inclusive, as it is confined to digital platforms. There are definitely things that we need to do to improve that, but at the same time we need to move with a degree of agility on climate action policies and change. Parliament and other democratic bodies might need to have further discussion about how we engage thoroughly and collaboratively and move at speed, because there is definitely a tension there that we need to address together.

**Gordon MacDonald:** Does anybody else want to come in on the background of lockdown and how they are contacting and engaging with local communities?

**Aubrey Fawcett:** I do not have to go too far in Inverclyde for people to engage with us or, indeed, the council members, because they are not backward about coming forward with news. Internal formal processes, such as charrettes, allow people to come along to community halls or town halls and have proper engagement.

We have done a number of things during lockdown. We have had comments back from both residents and businesses and have changed things to reflect those comments. I am not sure what specific area you have in mind, but I am clear in my mind that local authorities give opportunities for communities to engage with us, through things such as statutory processes, the development plan—if it is being developed—and traffic regulation orders. Certainly, you can be assured that local ward members are actively involved in engaging with their constituents and feeding back to officers.

I do not know whether that helps.

**Gordon MacDonald:** It is helpful to understand what is happening in other areas. I can talk only about my own patch, and I have been inundated with comments about one of the council projects because of lack of consultation, which is why I am keen to learn what other areas are doing, given the background of lockdown and the need to engage with the public and get public support. We cannot do anything without the public.

I have a final question before I pass over to the convener. What are councils doing to help shift public attitudes towards climate change? If we do not change public attitudes to climate change, we will not hit the targets that the councils and the Scottish Government have set.

**Councillor Heddle:** I will address the previous question first. Everybody asks me how I engage with the community and I just say “Come to Tesco for a walk with me and you will find out how quickly the community engages with us.” The more serious answer is that we are fortunate enough to stay in a relatively compact community and have been using social media quite a lot just to get out there what is happening with the recycling centres, the changes for schools and everything that has been happening. That has given us widespread coverage.

Spaces for people was about emergency measures to an extent, so inevitably the consultation was going to be scant for the first measures. Clearly, we will have to consult on the permanency of the measures. I can see that that is a bigger issue in Edinburgh just now.

I have forgotten your second question.

**Gordon MacDonald:** How do we shift public attitudes to climate change so that we can hit the national and local targets?

**Councillor Heddle:** It is a work in progress. That is where partnership between local government, the Scottish Government and civic society need to come together. We have seen an example of how that could work in the sustainable renewal advisory group that Roseanna Cunningham convened, which was a cross-party group with a wide range of representation. Following the Chatham house rule, I will not go into what was discussed, but it is fair to say that party political allegiances were parked at the door and the singular purpose of trying to tackle the problem and the importance of leadership across all areas of civic society was recognised.

COSLA is up for doing our part in this, in conjunction with the national Government and the rest of civic society.

**Alexander Stewart:** This morning, you have talked about the resources that you require to ensure that you can change plans and incorporate policies. You have talked about engagement and changing public attitudes. What is the role of councils in developing the green economy and the green recovery? Along with the resource and engagement to change attitudes, the council and its officials will still have a role in delivering the green recovery that we will need if we wish to bounce back from the pandemic and tackle climate change effectively across Scotland.

**Paula McLeay:** The role of councils in delivering the green recovery is twofold. We have to remember the level of investment that councils will be making in their area—for the City of Edinburgh Council, that is investment in the city. Our housing development and retrofit programmes are stimulating a market and creating a demand. That should be seen as an economic good as well as something that is delivering our emissions targets. It is about job creation, local supply chains, green jobs and green skills. When we understand that that brings multiple layers of benefit to a city, the business case for change is strengthened.

In Edinburgh, we have a role as an investor in the city and in a green recovery. We also have a role in supporting businesses in the private sector, which is largely behind us in lots of the activity that we need to take forward, to maximise the opportunity that a green recovery presents to businesses and work with partners to develop the right skills and supply chain of skills through our education and learning infrastructure. The role of local government in a green recovery is multidimensional and very important. A green

recovery brings opportunity to the city as much as it is a challenge to be overcome.

**Councillor Heddle:** It was entirely appropriate for Paula McLeay to lead on that answer because she made the point about the connectedness of everything that we are doing.

The key areas are transport, housing and the adaptation of heating in the estate that we manage. Those are the three key areas, along with the leadership that is associated with them. We are invested in transport and more peripheral things around the whole adaptation issue, like electricity production and even agriculture. At the board meeting last Friday, we heard from colleagues in East Lothian that they are suffering terrible run-off from fields that is damaging the roads, so the local authority has a role to play in integrating the response and adaptation measures. Local government must be front and centre in developing a holistic green recovery plan that is informed across all areas. We will work with the Government on doing that.

11:45

**Alexander Stewart:** You talked about COSLA working together to achieve some of those goals. What partnership working has there been between councils in different parts of Scotland? What has been tried or achieved? Together, a group of councils can achieve something bigger or better because of the economies of scale or the type of environment that they are working in and the goals that they are trying to achieve.

**Councillor Heddle:** There will be specific examples of that around waste where we have had a productive dialogue with the Scottish Government, which might be an exemplar. I will defer to my colleague Silke Isbrand to elaborate on that.

**Silke Isbrand:** We have strong partnership working on the waste agenda. We have a joint steering group to explore the most effective approaches and how we can link waste volume reduction and upping the recycling performance together with changing systems and how that leads into the wider circular economy and the job growth agenda through new technologies and so on.

A point that is pertinent to your earlier questions about what powers and changes to legislation councils would need to make a deeper contribution is that we are on a journey and we always knew that the targets were ambitious. We have not got all the answers at this time. Even in the climate change plan update, the detailed route maps behind the big targets are yet to be developed. We have gone back to ask the local authorities what they need at this time and what

the big challenges are. We hear that councils need to influence regulations, incentives and delivery programmes. They need enabling policy and want to be at the table early on to influence all those things. However, we are not sitting here with a finite shopping list. It is a journey and we are in the process of developing all those things. The green recovery is very much part of that.

We are committed to the just transition but we are all on a journey together to find out what powers, enabling legislation or resources we need to run the just transition and green recovery alongside every step in carbon reduction. We believe it is a journey and some of the local authorities' requirements will come out along the way.

**The Convener:** That completes our questions. I thank our witnesses for taking the time to speak to us today.

We will agree a letter on the climate change plan update at a future meeting.

11:49

*Meeting continued in private until 12:07.*



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

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