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The Scottish Parliament
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20 March 2022

Dear Convener,

Thank you for your letter of 1 March 2023, in which you sought confirmation and clarification on a number of points, following my evidence session on the Budget 2023-24 on 17 January 2023.

I appreciate that the committee agrees that it is better that we get the New Deal right, rather than meet an arbitrary deadline, and we will continue to seek to work jointly with COSLA over the coming months to agree further substantial aspects of a New Deal for Local Government in Scotland.

Within the scope of the New Deal, the Scottish Government is working with COSLA to agree a new fiscal framework for local government in Scotland. This will aim to give councils more certainty and flexibility, with greater scope for discretionary local revenue-raising. This will include exploring new ways to raise revenue and reviewing existing local taxes and powers to make best use of all available and potential sources of local funding, but there are no current plans to offer a general competence. Such a power would run counter to the key tax principles set out in the Framework for Tax, but also critically would undermine the role of the Scottish Parliament and its Committee structure in ensuring legislative compliance and holding Ministers accountable for a key area of devolved fiscal policy.

Scottish Ministers have sought to deliver fiscal empowerment through undertaking to deliver progress on a Local Visitor Levy, and the newly created Workplace Parking Levy. In addition, the committee recently took evidence on an affirmative instrument which will empower local authorities to end non-domestic rates avoidance loopholes that reduce public revenues. In addition, from 1 April 2023, local authorities will have full discretion over Empty Property

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Relief alongside a £105 million annual cash transfer over three years. This will deliver greater fiscal empowerment and enable councils to administer any support for unoccupied properties in a way that is tailored to local needs.

Regarding your query in relation to the classification of funding, the Fiscal Framework is also seeking to embed collaboration between Scottish Government and Local Government on fiscal matters, including how Local Government is engaged in the budget process. As part of this it will seek to clarify some of the complexity associated with sources of Local Government funding. The New Deal is intimately connected with progress on a Partnership Agreement and subject to negotiation and agreement with COSLA and the whole of local government.

The Local Governance Review (LGR) remains an important opportunity for national and local government and the community sector to ensure decision-making is as local as possible. I was encouraged by the positive discussion on the LGR when COSLA leaders met at the end of January and look forward to continuing joint work to take the process through to its conclusion. Part of this will involve close work with Orkney Islands Council and Western Isles Council who submitted separate proposals for a move towards a Single Island Authority type model. I was joined by a small number of Cabinet colleagues at a meeting with Islands leaders earlier in March to discuss the opportunities this creates. I look forward to involving all relevant interests in a thorough exploration of how this type of model could improve outcomes for people in Islands settings and simultaneously generating valuable learning for other geographies. I have also had recent positive engagement with key representatives from the community sector about the role of communities in place-making and how best to build on the conversation we started through the Democracy Matters element of the LGR. The work we do next with all our partners and communities around the country will help us to conclude the LGR and bring forward legislation within this parliament.

I look forward to further discussions with you and the committee as we seek to progress this work.

Yours sincerely,

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