



OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government, Housing and Planning Committee

Tuesday 31 August 2021

Session 6



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Pàrlamaid na h-Alba

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LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE
2nd Meeting 2021, Session 6

CONVENER

*Ariane Burgess (Highlands and Islands) (Green)

DEPUTY CONVENER

*Elena Whitham (Carrick, Cumnock and Doon Valley) (SNP)

COMMITTEE MEMBERS

*Miles Briggs (Lothian) (Con)

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

*Meghan Gallacher (Central Scotland) (Con)

*Mark Griffin (Central Scotland) (Lab)

*Paul McLennan (East Lothian) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Carol Calder (Accounts Commission)

Antony Clark (Accounts Commission)

Kate Forbes (Cabinet Secretary for Finance and the Economy)

Brian Howarth (Accounts Commission)

Andy Kinnaird (Scottish Government)

Elma Murray (Accounts Commission)

CLERK TO THE COMMITTEE

Euan Donald

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Local Government, Housing and Planning Committee

Tuesday 31 August 2021

[The Convener opened the meeting at 10:01]

Decisions on Taking Business in Private

The Convener (Ariane Burgess): Welcome to the second meeting of the Local Government, Housing and Planning Committee in session 6. This is our first meeting together in person, as a committee.

Our first agenda item is consideration of whether to take in private agenda item 4, which will be an opportunity for members of the committee to reflect on the evidence that they heard earlier in the meeting. Do members agree to take agenda item 4 in private?

Members indicated agreement.

The Convener: Our second agenda item is consideration of whether to take in private agenda item 5, which is consideration of the committee's work programme, and to take in private future consideration of its work programme. Do members agree to take those items in private?

Members indicated agreement.

Local Government, Housing and Planning

10:02

The Convener: Agenda item 3 is an opportunity for the committee to take evidence to inform its understanding of what its key priorities should be for this session. It is also an opportunity for the committee to inform its pre-budget scrutiny. The committee will take evidence virtually from the Cabinet Secretary for Finance and the Economy and then take evidence from the Accounts Commission.

I warmly welcome to the committee for the first time in this session the Cabinet Secretary for Finance and the Economy. I also welcome her officials from the Scottish Government. Andy Kinnaird is a strategic engagement and planning reform co-ordinator, and Bill Stitt is team leader for revenue and capital, in the local government finance team.

I invite the cabinet secretary to make some opening remarks.

The Cabinet Secretary for Finance and the Economy (Kate Forbes): Thank you very much, convener, for inviting me to give evidence to the newly formed Local Government, Housing and Planning Committee. I warmly welcome each and every member of the committee. It is good to see the wealth of experience that members bring with them.

I apologise for not being with the committee in person, and am really sorry to miss what would have been my first in-person appearance since Covid struck. I was due to leave the Highlands last night to travel to Edinburgh but, unfortunately, within about half an hour of heading off to depart, I got notice from a close family member that they had tested positive, so I am now obliged to self-isolate. I am sorry for not being with the committee in person.

I welcome the opportunity to discuss the range of issues that fall within the committee's remit. That range of issues is quite impressive, from local government, planning and community wealth building to recovery from Covid, for example. I look forward to hearing the committee's views.

I acknowledge the pivotal role that the committee will play during these critical times, and I look forward to building a constructive relationship with it, as we continue our work to control the virus, protect the most vulnerable people, and ensure that we can recover as quickly and efficiently as possible.

As we look ahead over this parliamentary session, we need to combine efforts to deliver a bold and ambitious recovery and to ensure that we tackle the level of poverty in our society, engineer a shift to higher-value and fair-work employment, and deliver greater financial security for families.

I am sure that the committee shares my vision of creating an economy that delivers for families and citizens, and of a society that thrives across economic, social and environmental dimensions. The Government cannot—I certainly cannot—deliver that vision alone, so I hope that we will be able to work across the committee as we try to support the public, private and third sectors and deliver that vision of the best possible recovery.

I look forward to answering a range of diverse questions from members.

The Convener: Thank you, cabinet secretary, we have a range of questions. We appreciate your coming and confirming that we will work together during the session. I look forward to that work.

I am curious to hear what you have to say about the policy areas that are key to economic and community recovery. Will you talk about that?

Kate Forbes: That is a helpful opening question. Let me tackle it in two ways. First, we are mindful—as committee members will be, as members of the Scottish Parliament—that many people are still grappling with the immediate impact of Covid. I have just said that I am self-isolating; other families are self-isolating, too, and that will have financial implications. As we consider the long-term recovery, we cannot lose sight of the fact that many families are grappling with the here and now. Therefore, the first point is that we must try to support families as much as possible, and we must support the public, private and third sector organisations that are critical when it comes to dealing with the immediate impact of the virus—for example, in relation to insecure employment and children’s education.

The second part of my answer is about how we deal with the long-term economic recovery—I think that you alluded to that. During the pandemic, it has been said more times than I can count that we need to recover in a way that delivers for people. We cannot just recover the status quo; we must go further in tackling the inequalities that have been exacerbated by the pandemic and in ensuring that we deliver in the ways that we were grappling with prior to the pandemic.

Let me talk about the areas in which the committee has a direct interest. First, we have to ensure that there is warm, safe and secure housing for families up and down the country. That comes from our commitment in “Housing to 2040” and the significant spend on affordable homes.

Secondly, local government has been a key partner during the pandemic. We need to make sure that it is resourced with sufficient funding and sufficient levers of control and influence to enable it to respond.

The final part of the committee’s name is “Planning”. The fourth national planning framework, which will be a long-term plan that looks to 2045, presents an opportunity to ensure that we have the development and the infrastructure that are needed to support sustainable and inclusive growth.

I will stop there, rather than go on. As we look at the long term, we cannot lose sight of the immediate challenges, and this committee is one of the most essential committees of the Parliament when it comes to supporting and delivering for families and communities.

The Convener: I have a couple of supplementary questions. What role has local government played in the recovery? From your perspective, what has it done, specifically? Secondly, do local authorities have enough money to support communities through the period of recovery?

Kate Forbes: We would not have been able to get through the pandemic without local government and its employees. As the person who has overseen the financial support packages over the past 18 months, I cannot pay great enough tribute to local government staff and employees, many of whom sacrificed weekends, evenings and holidays, week after week, to get money out to families and businesses that were in need. Their names might never be mentioned in the committee or in Parliament, but they have been absolutely instrumental, and many of them have been doing their jobs from home in quite trying circumstances. Local government has been the means of distributing support directly to people in need; we could not have done it without it.

With regard to the financial requirements of local government, in every budget I deal with the funding that is given to me and cut it in a way that tries to protect every part of our funding needs. Local government has been largely protected, despite the fact that we have been dealing with very difficult financial circumstances over the past 10 years. I do not shy away from saying that the financial circumstances have been difficult, or that they are probably going to get harder in the light of the fact that the outlook for the Government’s own financial settlement is quite challenging.

Over the past year, we have, obviously, had substantial additional Covid consequential. They are now largely spent. My impression is, as we look ahead towards the United Kingdom Government’s budget and spending review, that it

will be tightening up quite considerably in order to deal with the implications of the increase in borrowing.

The Scottish Government's financial funding package in the upcoming budget is therefore going to be very challenging. Our responsibility will be to try not only to protect the health budget and local government, but to remobilise our health service and justice service. The needs, therefore, considerably outstrip the funding supply, if that makes sense.

The Convener: I thank you for your confirmation of what local authorities have been doing in recovery, and your recognition of the need for support.

My colleague Meghan Gallacher has a question.

Meghan Gallacher (Central Scotland) (Con): Good morning, cabinet secretary. Before I get to my question, I refer members to my entry in the members' register of interests: I am a councillor in North Lanarkshire Council.

Ring fencing is regularly debated between the Scottish Government and local government, as represented by the Convention of Scottish Local Authorities. Are there any plans to reduce Scottish Government ring fencing of local government allocations over the next few years?

Kate Forbes: I thank Meghan Gallacher, and offer her a warm welcome. As I said at the beginning of the meeting, it is great to have the wealth of experience that arises from the backgrounds of members, and I look forward to your bringing that council experience to the chamber.

I would like ring fencing to decrease further; it has substantially decreased over the past 14 years in particular. During Covid, there were specific pots of money for businesses, households and education recovery, for example, because the nature of the pandemic unfortunately required us to distribute money in that fashion. Opposition members in the chamber were certainly holding me accountable for ensuring that those pots of money went towards the purposes for which they were intended.

However, with the local government settlement, I made it clear that the bulk of the funding that we distributed was not ring fenced. With regard to additional Covid consequentials, the last thing that I did before Parliament went into recess was increase local government funding by more than £250 million, which was specifically not ring fenced in order to allow local authorities to tailor it to meet the greatest needs in their local areas.

I agree with the premise of the question, and confirm that my goal is to try to provide maximum flexibility for local government.

There will, presumably, still be areas where Opposition parties and the Government agree that there should be additional funding—for example, for education—but that funding will be the minority. The majority of funding is not ring fenced, so local government can use its discretion in how it is spent.

10:15

Paul McLennan (East Lothian) (SNP): I refer to my entry in the register of members' interests. I am a councillor on East Lothian Council.

Given the possibility of continued one-year UK Government budgets, is there a way in which the Scottish Government could provide local government and the third sector with long-term budget certainty over the next parliamentary session, perhaps with indicative budgets?

Kate Forbes: Paul McLennan is another former councillor with a wealth of experience. It is wonderful to have you in the Parliament and on the committee and I look forward to working with you.

The UK Government had announced that it would be starting a spending review last year but, for understandable reasons, that was delayed. We hope that it will be delivered this autumn, but we will wait and see what the UK Government does. The Chancellor of the Exchequer signalled his intent to publish a comprehensive multiyear spending review later this year.

The challenge for us is that, because local government is such a substantial part of the Scottish Government's budget—more than £11 billion every year—it is very difficult for us to provide that long-term security without having long-term security ourselves. How the Scottish Government's budget works is that, although we are given funding, which is gratefully received, it can be revised up or down. You can appreciate that if, for example, we commit next year a particular amount of money for local government, the risk is that our budget might be revised down, which would leave a shortfall. If local government planned on the basis of that funding, we would have to deal with a gap.

We desperately want to provide that long-term security and we desperately want that long-term security ourselves so that we can make long-term plans, which we have been unable to do because of year-to-year budgets. My sincere hope is that we will get the spending review this autumn, which will allow us to embark on our spending review and provide multiyear certainty to local government.

Until we have that security, it would not be prudent for us to provide it, because there are too

many risks attached to our ability to deliver on the funding amount that we might confirm. We want to give that security because I know that local government wants to give security, for example, to some of the third sector organisations that it supports, which often appeal to local government for a multiyear settlement. It is a domino effect, but my hope is that that might change this autumn.

The Convener: Thank you for that response on multiyear funding and your intention to move in that direction.

Elena Whitham (Carrick, Cumnock and Doon Valley) (SNP): I refer to my entry in the register of members' interests. I am a serving councillor on East Ayrshire Council.

A vast amount of work has been undertaken over the past few years by COSLA, the Scottish Government and partners towards creating a new fit-for-purpose fiscal framework, and the Chartered Institute of Public Finance and Accountancy is calling for a rules-based approach. What do you think a functioning fiscal framework between the two spheres of government would look like and will it be taken forward as part of the local governance review?

Kate Forbes: At the risk of sounding like a broken record, I also welcome Elena Whitham, who is another councillor with a wealth of experience. This is going to be a great committee.

The member's point on the fiscal framework relates back to Meghan Gallacher's question, because if we have a rules-based fiscal framework to support future funding settlements, we can maximise flexibility for local government, and by doing that we can facilitate local government to use its discretion and tailor its financial support and its agenda to its local communities.

We had started that work prior to the pandemic, and we had committed to undertaking that joint work with COSLA. Unfortunately, the work was delayed during the pandemic, but we have recommenced those discussions to determine the scope of the work that is required.

I can tell you what a successful fiscal framework would not be: it cannot be something that is imposed by the Scottish Government on local government. For me, therefore, it is important that local government can bring forward for consideration its own proposals for such a framework. That could involve, for example, a two-stage process in which, first of all, we looked at some tangible asks such as—this brings me back to Meghan Gallacher's question—the approach to ring-fenced funding and how we consolidate local government funding as part of the settlement.

In the second phase of the process, we could look at the local governance review and questions

such as what wider fiscal powers for local government could be considered. Indeed, in the most recent co-operation agreement, we confirmed our interest in a citizens assembly to consider that very question. That is just one suggestion, but, returning to my earlier point, I think that success in this respect will be local government making its own proposals about what will work instead of the Scottish Government starting off by saying, "We think that this rigid and inflexible framework should be applied."

We started to see a little bit of that during the pandemic. When I took to the Treasury a series of asks from local government and COSLA on the subject of flexibility, it agreed not to all but to some of them, and we were then able to implement and provide those flexibilities to local government.

The Convener: Thank you for that response, cabinet secretary. I move on to a couple of questions from Miles Briggs.

Miles Briggs (Lothian) (Con): I bid the cabinet secretary and her officials good morning. After what we have heard this morning, I feel that I should first declare that I am not a councillor.

It is now a decade since the Government accepted the Christie commission's recommendations on a shift towards prevention. Notwithstanding Covid, can you give us some examples of where that shift has happened in practice?

Kate Forbes: As someone who was not formerly a serving councillor either, I have to say that it is good to have some company at this morning's meeting.

I can think of quite a number of examples. However, before I go through them, I have to say that one of the points that I frequently make about preventative spend is about the importance of Government and the Parliament going hand in hand on this. We are going to get into this again over the next few months, but I would simply note that, every year, Parliament scrutinises—and quite rightly so—those budget lines that go down as well as those that go up. As you will know from your years as health spokesperson, Mr Briggs, the problem with preventative spend is that additional spend in one area—in other words, prevention—means an equal and opposite decline in other spending areas. When I have come before the committee, previous members have asked me why, for example, I am not spending more on environmental measures to reduce future health harms. Mr Briggs will know as well as I do that, if we were to reduce spend in acute health areas and move that money into, say, more parks—I do not mean to be facetious, but you will understand what I am saying—there would be a bit of an

outcry. That is what we have to do with regard to preventative spend.

One example that I would highlight would be our spend on active travel and low-emissions zones, both of which have, as you will know, a direct impact on lung health. As a result, although that spend is part of the transport budget line and has to be accommodated there, the benefits are seen in the health budget. We need to start scrutinising overall budgets. Perhaps the committee could take up that matter, given its diverse range of subject areas, but we have to get into the spirit of looking at what is happening in one budget line versus what is happening in another.

Another area in which the committee might take an interest is community wealth building, which involves us investing in local economies and community economic development rather than in big national economic development, knowing that, when you invest in local communities and create jobs at a local level, that inevitably has a bigger impact on, for example, the amount of spend on welfare support. If we are spending on creating jobs, we are not spending on welfare support, because individuals will be earning sufficient sums of money to support themselves and their families.

Those are two examples, and there should be more. In order to get more, we need to take a more holistic approach to the way in which I set that budget and, more importantly, the way in which the budget is scrutinised.

Miles Briggs: One of the most pressing issues at the moment is pay settlements in local government. Going back to some of the questions about ring fencing that you have faced this morning, I would like to ask what the Scottish Government's position is on that. When it comes to the £188 million bill for that, in the agreement that has been put forward, the Scottish Government has provided £94 million of non-ring fenced funding for councils. Do you accept that that will mean that councils will have to make cuts or eat into their reserves?

Kate Forbes: No, but I will take those two issues in turn. I think that it is important that I talk about local government pay, and I will then go back to talking about flexibility and ring fencing. As you know—I have said this repeatedly to COSLA, I have said it in public and the First Minister has confirmed this to COSLA, too—our budget has been fully deployed and there is no additional funding available for additional spend.

I am hugely grateful for the heroic efforts of all key workers, including those in local government, but matters of pay are for local government itself. Those matters are negotiated by the trade unions and COSLA through the Scottish joint council. We are not a member of the SJC, we have never

taken part in pay negotiations and I do not intend to do so now. The point about managing budgets is a question for COSLA and local government.

On flexibility and the local government funding settlement, as I said a few moments ago, in last year's budget, I was explicit that we were maximising the amount of non-ring fenced funding for local government. At the moment, the vast majority of the £11.7 billion that local government gets is not ring fenced. That includes some capital—£617 million—but the vast majority is for day-to-day services, and is not ring fenced. There is a general uplift. The last thing that I did before Parliament went into recess was provide an extra £275 million of non-recurring funding for Covid-related matters, and that was not ring fenced. Essentially, the vast majority of the funding is not ring fenced, and it is for local government to make decisions about how to spend it.

The irony in your question is that, on one hand, there is a general request for us to intervene in local government pay and, on the other hand, there is a request for us to provide maximum flexibility and discretion for local government. I intend to provide that maximum amount of discretion for local government without getting involved in matters of pay and how local authorities spend their budget.

Miles Briggs: The SNP-Green co-operation agreement includes a point about council tax reform. What is your thinking around that? How might that affect the work of this committee? Will council tax reform be brought forward in this parliamentary session?

Kate Forbes: You will know that, over the past two years, I have chaired a cross-party group on the reform of council tax—again, unfortunately, that had to be suspended because of Covid. The commitment is to look at council tax more generally and, hopefully, to invite a citizens assembly to consider the reform of council tax. I think that the issue should be seen in the wider context of local government flexibilities and taxation, but the commitment is to conduct a review of council tax as part of a wider consideration of local government fiscal powers. To go back to Elena Whitham's question about what reform of the fiscal framework would look like, we need to see council tax as part of that wider conversation.

10:30

Elena Whitham: I have another question, which touches on your earlier comments about community wealth building. As you will be aware, the Ayrshire growth deal included £3 million from the Scottish Government to directly support a regional community wealth building model. How

will the Scottish Government support councils and other anchor organisations to take a community wealth building approach in order to aid our Covid recovery and move to a wellbeing economy model?

Kate Forbes: There is certainly a growing understanding—although it is not yet universal—of the role of community wealth building. We in Parliament and in the public sector sometimes start to use such terms without necessarily explaining to the wider public what they mean, but there is a growing sense of the concept's importance. With regard to its importance in the Scottish Government, we have seconded Neil McInroy, who was previously chief executive of the Centre for Local Economic Strategies, to a part-time role as strategic adviser to the Scottish Government as we develop our community wealth building programme.

As members will know, there are currently five pilot areas in which we have worked with local authorities to produce individual community wealth building action plans that reflect both their economic challenges and where we think that there are opportunities. Three of those plans have been published, and two are still in draft. The five pilot areas are Clackmannanshire, the south of Scotland, the Western Isles, Tay cities and Fife and the Glasgow city region; Elena Whitham also mentioned the £3 million for the Ayrshire region.

There are a lot of good examples. The key with the pilots, and with what is happening across the Ayrshire region, is to take best practice and roll it out. We are working with COSLA, the Scottish Local Authorities Economic Development Group and the Improvement Service to use community wealth building as a vehicle to deliver more locally bespoke and unique inclusive economic solutions, rather than having me, as economy secretary, come in and say that one size fits all, which we know is blatantly not the case. It is good to see a bottom-up approach being taken.

Elena Whitham: Thank you for that answer—I will follow up on it. With the £3 million for Ayrshire, and in the other pilot areas that you mentioned, there is money to support local government through the creation of community wealth building officer posts and so on. When we are looking to passport learning and best practice across the country, will there be support from the Scottish Government to ensure that all local authorities will be able to avail themselves of the creation of such posts within their services?

Kate Forbes: Yes, there will be on-going support. If I can be a little tongue-in-cheek here, it takes us back to the core question for the committee, which is about ring fencing versus maximising local authority discretion, and I look forward to the committee's steer on that. We will

certainly provide on-going support—not only financial support but support in kind—as we develop the approach, and we will help to facilitate work and provide expertise and guidance. However, when we are developing new strands of work, the big question for us, and for the committees, is whether we ring fence funding for specific outcomes and purposes, and that includes community wealth building.

Community wealth building will play an important role in our wider economic strategy. I want that strategy to have a strong local dimension, which will require local authorities to think creatively about their role in helping to develop local economic strategies. We will continue to provide support and encourage local authorities to keep on doing what they are doing: working with local communities to develop bespoke local economic strategies.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning, cabinet secretary. As a member who has been in Parliament for a number of years and has served in local government but no longer does, I am delighted to be on the local government committee once again, and I look forward to the session ahead.

I want to pick up on an interesting point about the recovery process that you made in your opening remarks. You undoubtedly hope that our local government colleagues will drive us through much of that process. What did you mean when you said that we cannot go back to the status quo, or that we should not think that we are operating from the status quo? Could you expand on that point? How do you see local government leading the line in the recovery, particularly for town centres?

Kate Forbes: I meant that, for many families across Scotland, the status quo was pretty tough and grim. When it comes to recovery, we cannot be content just to go back to the way things were. We need to resolve some of the structural challenges in Scottish society and the Scottish economy. One example is that work needs to pay. We cannot expect families to make ends meet through insecure employment. The fact that so many children in working households are in poverty should be a huge incentive not to return to the way things were, but to do things differently.

Another example in the economic sphere is town centres, which you mentioned. Prior to the pandemic, we were already grappling with the way in which our town centres have changed, because people shop online and local town centres perhaps struggle to compete with some of the bigger urban centres. The pandemic has exacerbated those trends: more people have started shopping online, more people are digitised and our town centres are struggling more than

they were, even with the big emphasis on shopping local. Those are two examples of how going back to the status quo is not an improvement, which should be an incentive to act.

Your question about local government's role is important. During the pandemic, we saw that—homelessness is a good example of this—when there was an urgent need to act, because it was an emergency, we did not get sucked into process and bureaucracy but we focused on outcomes. Rather than get bogged down in the process of ending homelessness, we just decided, together, to end homelessness and to ensure that everybody had a home.

I go back to Miles Briggs's question about preventative spend. In thinking about our national performance framework, of which COSLA and we are joint signatories, we need to focus on outcomes rather than process to fix the issues. We need to take that approach to every problem—rather than get fixated on process, we need to have the outcomes in mind and deliver those. It is easier said than done, but there are no more excuses, because we focused on outcome rather than process during Covid.

Willie Coffey: We expect local government to be the recipient of the UK Government's levelling up fund as part of the recovery process, but we do not understand what role the Scottish Government has had, or will have, in that, or indeed what the committee's role might be in scrutinising that process. How does the Scottish Government view that process? What participation will we have in it?

Kate Forbes: I am concerned about the levelling up approach for two reasons. The first is the complete lack of clarity. It is doubly concerning that you, as a member of the committee, are not sure how the approach works and that I, who am responsible for appropriate funding of infrastructure and local government services, do not have much, if any, clarity on how it will operate. That is concerning, because we have to make decisions and we are trying to use our money as prudently as possible to make it go as far as possible.

The problem in my engagement with local authorities is that that process feels like a complete lottery: local authorities are bidding for funding but do not know whether they will secure it. They have to make decisions for the benefit of their communities, and it feels quite unfair that getting that money should feel like a lottery. The lack of clarity is concerning.

Just to give absolute clarity, we have had no input into the fund and we have no evidence of how it will meet the needs of Scotland's people and places.

My second concern is that I have had no clarity that there will not be an impact on the Scottish budget. My concern about the increased use of the United Kingdom Internal Market Act 2020 and the increased unionisation of spend—if I can use that phrase, by which I mean the UK Government leapfrogging the Scottish Government or normal processes—is that the money has to come from somewhere. That money will be taken from the Scottish Government's budget and used elsewhere. We saw that in last year's budget when, on the one hand, the chancellor talked about an increased capital spend while, on the other hand, the Scottish Government's capital was reduced by 5 per cent. That might sound like small fry, but that is money that goes on schools, hospitals and public infrastructure.

Those are my two concerns. On the one hand, there is no clarity for local government or for the Scottish Government and, on the other hand, the money might not actually be additional funding; it might just be money that is redistributed by alternative means.

Willie Coffey: On that point, members have talked about flexibility versus ring fencing. Has there been a discussion of those themes or topics within the levelling up agenda?

Kate Forbes: Yes and no. With the levelling up fund, local authorities are bidding for money with no clarity on whether they will receive it. One of the core principles of COSLA's distribution methodology is fairness. In other words, when it comes to methodologies, whenever we announce packages of spend, COSLA's constant and understandable response to me is that the money should be equally distributed across local government, as per the methodology.

The levelling up fund completely moves away from that. One local authority could, for reasons that are unknown to me right now, get substantial capital funding through the fund to invest locally, whereas other local authorities could be left behind. Where does the fairness that is inherent in COSLA's distribution methodology come in? Does that mean that the Scottish Government should give more to local authorities that have not received money through the levelling up fund? Is that fair? Alternatively, should everybody get an equal amount and should it just be up to the UK Government to decide who is and is not a worthy beneficiary of the additional funding?

That approach completely undermines the concept of fair distribution of funding.

The Convener: I will go back to Elena Whitham, who has a couple of questions.

Elena Whitham: I will shift the gears a little and move on to the planning system. How have regional planning issues been accounted for in the

development of the national planning framework 4, given that planning authorities have not yet had time to develop their full regional spatial strategies and that the pandemic has exacerbated that situation a little?

Kate Forbes: I will ask Andy Kinnaird to come in on that question, because it is about process and development. As I said, the national planning framework is long term and is a national plan—[*Inaudible.*—]in communities. In other words, it is about how we create liveable places, the wellbeing economy and better green places. It is about sustainability, places that can be invested in and places that can be inhabited.

If it is okay, I will ask Andy Kinnaird to talk about the process, the role of local consultation and local government's ability to feed in.

Andy Kinnaird (Scottish Government): The regional spatial strategies are a new provision that have come in through the Planning (Scotland) Act 2019. They are a key element that feed in to the national planning framework and to the local development plans that authorities produce. We have been working closely with authorities across Scotland, which have clustered into particular groups to produce indicative regional spatial strategies. A lot of work has been done in all those groups that has been feeding into the drafting of the national planning framework 4. That work will be recognised and represented, and I am sure that you will see recognition of it when the draft NPF4 comes to the Parliament towards the end of the year.

10:45

Elena Whitham: How will the spatial strategy and planning policies that are to be set out in NPF4 help to deliver the Scottish Government's emissions reduction commitments?

Kate Forbes: I will answer, but if Andy Kinnaird wants to add anything, he is welcome to do so. The climate emergency is the overarching priority for NPF4, so NPF4 will make a fairly urgent and radical shift in our spatial plan and policies to meet our targets and it will prioritise the reduction in emissions in a way that also responds to the nature crisis. NPF4 will play a key role in integrating land use and transport; it will focus on place-based outcomes when it comes to the climate emergency; it will support green economic recovery; it will promote nature-based solutions; and it will apply the concept of 20-minute neighbourhoods.

All those things are geared towards responding to the climate emergency. There are key themes but, if you want one overarching priority that brings everything in, it is responding to the climate emergency. Planning has such an important role

to play, because we have a choice with every planning application—do we improve how our communities live and work together or hinder that in a way that increases or reduces emissions?

Andy Kinnaird: One small point to add is that what NPF4 will do that its predecessors did not do is come with an enhanced place in the planning system as part of statutory development plans—the 2019 act added that. The policies and drivers that are behind NPF4 will have a stronger position in decision making on planning applications.

The Convener: It is great to hear that the importance of the climate emergency will be front and centre in the national planning framework. Over the summer, I and colleagues have heard about the challenges that our local authority and national park planning departments face. I am keen to hear how the Scottish Government intends to tackle the resourcing and workforce issues that the departments face.

Kate Forbes: Are you asking specifically about planning?

The Convener: Absolutely—about planning departments.

Kate Forbes: We need to ensure that planning departments in national parks and local authorities, as you mentioned, have the resources that they need to implement and deliver NPF4. There will be a programme of engagement with local authorities to understand the need for delivery and implementation and respond to that. We cannot divorce the policy from its delivery. Planning is one of the most obvious policy areas that will work only if it is delivered and implemented. Planning departments and policies are front facing as they engage with the public.

Andy Kinnaird might have something to add about the process, but I confirm absolutely that we will engage and are engaging with planning authorities to ensure implementation and delivery.

Andy Kinnaird: I will give some specifics. Pre-pandemic, we carried out a public consultation on the fees and performance of the planning system, with the intention of increasing application fees to planning authorities and implementing the provisions in the 2019 act that give authorities more discretion over what they can charge for. We had intended to implement all that by last summer, but the pandemic came along and we paused that work. We discussed that and it was understood by COSLA and other local government representatives, because implementation might have put more financial pressure on business when it was taking the hit early in the pandemic. That work was paused, but we appreciate that the pressures on local planning services continue and might have been exacerbated since that time.

We have recently restarted the work on increasing planning fees and are working on the back of the previous consultation to produce a set of regulations that will bring that increase through shortly. Of course, we are doing that in consultation with the planning profession, COSLA and Heads of Planning Scotland. We are taking further information from those organisations as we go on.

The issue will be discussed in a bit more detail in two weeks when the high-level group on planning performance gets back together. That group is chaired by the Minister for Public Finance, Planning and Community Wealth and the COSLA spokesperson. It is meeting in mid-September in an effort to finalise some of the thinking about the regulations that will be needed to increase the planning fees. We are looking to increase the finance that comes into planning services as soon as we can.

The Convener: Thank you for that reassurance and encouragement. We have time for one more question from Meghan Gallacher.

Meghan Gallacher: I have an interest in brownfield sites because they can regenerate areas and help to protect our greenbelt land. What is the Scottish Government doing to support the development of brownfield sites, including support for site mediation and land assembly when sites are in multiple ownership?

Kate Forbes: Thank you for that question; I will be happy to follow it up with a bit more detail. This is an area of focus in the economic strategy. You will know about our vacant and derelict land fund, which was announced as part of this year's budget to incentivise the use of brownfield sites and derelict land for economic development and regeneration.

I had the privilege of visiting a good example of that last week when I went to Ravenscraig, where substantial investment is being made by the private and public sectors to regenerate an area that is emblematic of a challenging time. That is the kind of thing that we want to do.

My question is about how we incentivise the use of such brownfield sites for the purposes of economic regeneration and development. I am always looking at things such as how we can use our tax system for that, although our scope there is limited, because we really only have a property tax in the shape of non-domestic rates. We are also looking at the funding that might be available to unlock the potential of such sites.

If I can provide more information that is specific to Meghan Gallacher's local circumstances, I would be happy to do that. If she thinks that we are missing things that would enable the use of those brownfield sites, I would be interested to

hear more, particularly in advance of setting this year's budget.

The Convener: I am going to slip in a supplementary question from Mark Griffin on local government pay.

Mark Griffin (Central Scotland) (Lab): There does not seem to be much tension between ring-fenced support and local discretion, given that COSLA, local government leaders and trade union representatives have called for Government intervention on this issue. Does the cabinet secretary understand the feelings of local government staff when they see public pay policy being disregarded to give national health service staff a welcome but more generous settlement, and when they see the Government intervening in negotiations with teaching staff? Does she understand why local government staff are on the brink of industrial action, which could have an impact on our schools and public spaces, which have already undergone severe disruption? Will the Scottish Government consider providing additional support to councils and getting involved in the negotiations to reach a conclusion that will mean that local government staff feel as valued as the cabinet secretary set out in her opening statement and we avoid the disruption to schools and other services that we have experienced in the past year and a half?

Kate Forbes: I absolutely take on board the point about valuing local government staff, and I am sure that all of us have been engaging with some of those employees day in, day out in case work. I could not have done what I have done over the past 18 months in relation to financial support without local government staff. They have been truly heroic.

However, there is a fundamental difference when it comes to pay. We are the direct employer in relation to the NHS, so it makes sense for us to have direct involvement there. Historically and currently, local government pay is negotiated between the trade unions and COSLA through the Scottish joint council. We are not a member of the Scottish joint council and we have never taken part in those negotiations, and I have been crystal clear that I do not intend to change that. We are not the direct employer; the local authorities—COSLA—are the employers.

I meet COSLA regularly to discuss all manner of financial issues. The First Minister has also met it. On each occasion, I have been explicitly clear that the budget is fully deployed and there is no additional funding. I am not sitting on central pots of funding. Right now, our biggest risk to the budget is the fact that, without the guarantee that we had last year, our budget can go up or down. It can be increased, but it can also decrease. Our budget is fully deployed and no additional financial

support is available. It is for COSLA to negotiate the pay deal for local government staff, who I agree have been heroic during the pandemic.

The Convener: As you have given such clear and succinct answers, cabinet secretary, we have a little more time. My colleague Miles Briggs has a short supplementary question.

Miles Briggs: I know that we have crammed a lot in this morning, but I want to ask a question about what is probably turning out to be the Government's flagship policy: the national care service. When the consultation was published, COSLA's president, Alison Evison, described it as "an attack on localism". I know that there are concerns about what it will mean for local authorities' budgets, with potentially 40 per cent of their budgets taken out of their control. What is your view on that? Are those concerns well founded? Will you ensure that local government is defended so that more is not taken off its budgets?

Kate Forbes: That is a very important question, which I think we will return to over the next few months, particularly in relation to the budget.

Every year, when it comes to budget negotiations and budget engagement with COSLA, the care service forms a key part of my interactions with it, as you will appreciate. I do not imagine that that will change. I imagine that, this year, COSLA will talk about the financial support that it needs to deliver that service as part of the budget process.

There is a much bigger process of consultation and engagement. We have had the Feeley report. That is not the end of the matter. There is still a process for considering the optimum way of delivering care for the users—for our elderly residents and those who need additional support.

I go back to an earlier answer that I gave—I cannot remember who asked the question. We can focus on either process or outcomes. We have to focus on outcomes for the person who requires care support, but we have to bring everybody with us to do that. My engagement with COSLA on the financial settlement will therefore continue. I am committed to continuing to engage with it on the financial settlement. A big process of work is going on in the national health service, too, led by Kevin Stewart, and the committee will need to have an input to that as well. It will need to be sighted on that work, and it will need to give a view on it.

I take on board the concerns that Miles Briggs has flagged up. I heard them from Alison Evison at the time. I think that all of us recognise that, after Covid, we need to improve the service that we provide holistically to the people who rely on it. My sincere hope is that we will focus on the outcome of improvement in care rather than on process, but

there are a lot of moving parts, and we all have a role and a duty to consider how we can take everybody with us.

The service has to be local. We have got to have a local service. Localism needs to be one of the central building blocks of a national care service.

The Convener: I am sure that members are glad to hear about the emphasis on local input for the national care service process.

I thank the cabinet secretary and her officials for their very helpful evidence. We have covered a lot of areas, and the evidence has given us a good foundation for going forward in our committee work. We look forward to working with you over the course of the session.

Kate Forbes: Thank you very much.

The Convener: I will briefly suspend the meeting before we move to our next panel of witnesses.

11:01

Meeting suspended.

11:07

On resuming—

The Convener: Our second panel of witnesses are from the Accounts Commission. I welcome Elma Murray, interim chair; Antony Clark, interim controller of audit; Brian Howarth, audit director; Carol Calder, interim audit director; and Blyth Deans, audit manager. I invite Elma Murray to make some opening remarks.

Elma Murray (Accounts Commission): Good morning. On behalf of the Accounts Commission, I welcome the opportunity to discuss with the committee our recently published local government overview reports. We publish two such reports each year, and they provide a comprehensive view of our audit work findings. One report covers the financial position; the report that we sent you for today's meeting covers the 2019-20 position. The other report covers the performance of, and the challenges that are being faced and addressed by, councils and integration joint boards. We have made findings that cover a range of themes—funding and governance, inequalities, communities, and recovery and transformation. I will address my comments mainly through those four lenses.

However, first I want to mention that, over the past 18 months, the world has changed as a result of the Covid-19 pandemic. There is a need for a clearer focus on where and how we spend our

public funds in Scotland, and how we support and enable those who need it most.

The pandemic has created a unique and challenging set of circumstances for local government and will have a profound impact on everyone's life in the years ahead. We have seen clearly that public services have adapted—in some cases, they have transformed—and they will certainly continue to change. The financial impact of the pandemic on our public services has also been extreme.

We have seen the strength and resilience of many communities highlighted as they have worked with public service partners, including the third sector, to provide invaluable support to those who need it most. Local areas where partnership working was already strong and embedded were able to respond and react more quickly to the developing needs as a result of Covid-19. In many cases, individuals and groups of individuals in our communities have been heroic and their efforts during the pandemic cannot be in vain.

Our audit work over the past year has focused on local government's initial response to the pandemic, and we intend to move on to consider the impact and lessons learned in more detail in future reports as councils move towards recovery and renewal. That must recognise and build on what has been achieved in Scotland's communities so far.

The pandemic has laid bare, deepened and broadened existing inequalities across our communities, such as those in relation to health, work, income, housing and education. More people are affected and, for many, the impact is more extreme.

The intersectional nature of the inequalities is now better recognised, but the greatest effect is on the most vulnerable, minority groups and women. A risk remains that the on-going impact of the pandemic will have further negative consequences on inequalities in the months and years ahead. In order to build forward better, it is crucial that councils' recovery and renewal plans are robust and reliable and include clear detail on how inequalities are to be tackled. The early signs are positive, and it is clear that councils are trying to achieve that. However, there is recognition that much work lies ahead.

Pandemic restrictions and suppression measures, such as lockdowns, social distancing and working from home, have had a profound effect on key council services. Very few council services, if any, have been unaffected by the impact of the pandemic.

Councils quickly pivoted to new digital delivery models, and we saw many examples of change and innovation, including in relation to staff

flexibility, being introduced that were previously considered to be unachievable or almost impossible. The new ways of working need to be harnessed and consolidated, with lessons learned, shared and improved on. It is also vital that councils do not default to previous ways of working in areas where new approaches are having positive outcomes.

Recovery and transformation plans must be aligned and integrated, taking account of other critical areas such as climate change, net zero and supporting a green economy.

Effective long-term financial planning is vital for councils as they transition from response to recovery and transformation. Over a number of years, councils have worked with reducing funding and they face an increasingly challenging financial outlook, with little financial certainty beyond the current financial year. Those councils with strong, medium or long-term financial plans were in a stronger position to respond to the pandemic. The Accounts Commission has regularly reported on the importance of long-term financial planning for councils. They need the certainty of a multiyear financial settlement to do that.

Councils have experienced significant loss of income and additional costs as a result of Covid-19. Undoubtedly, that will have a consequential impact in the coming years. However, in 2020-21 and beyond, the Scottish Government provided substantial additional funding to support councils in their pandemic response. By April 2021, the total funding to local authorities and communities was more than £2.2 billion. Further support will be needed to allow councils to take a comprehensive and holistic approach as they look to stimulate economic recovery, address inequalities and empower communities.

Our reports set out that the context in which councils are operating is increasingly uncertain, complex and challenging, and that the strain on budgets continues to intensify. It is likely that the scale and complexity of the challenges that they face will continue to grow. Therefore, the role of senior officers and elected members in creating a strong culture of collaborative leadership is imperative. Our reports emphasise the importance of strong leadership, effective governance and good financial management from all councils. That will help to set the tone for the organisation and encourage effective and sustained partnership working, alongside clear alignment between vision, strategic priorities and the delivery of crucial services, as they look ahead to recovery and renewal.

As the committee determines its priorities and work programme, I would be happy to meet regularly in public to support you in your deliberations and, if you wish, in private.

The controller of audit, my Audit Scotland colleagues who are here today and I are very much looking forward to answering your questions.

The Convener: Thank you for laying out the Accounts Commission's perspective. In your opening remarks, you gave us a broad view of the various issues facing local government. I am interested to hear from you—we have spoken about this previously—what you think the highlights are. What are the biggest challenges facing local government in the new session of Parliament?

11:15

I may have to suspend the meeting briefly, because there seems to be a communication problem with our audio; I do not think that Elma Murray is hearing us.

She is hearing us now—we are okay. I will ask my question again.

Elma, in your opening remarks, you outlined a range of areas in which there are challenges facing local government. I would love to hear your perspective on what the biggest challenges facing local government will be in the coming session of Parliament.

Elma Murray: Thank you, convener—I will say a few words and then ask the controller of audit whether he wants to say a few words as well.

In my view, the first challenge is the fiscal framework within which local government works. It is increasingly difficult for local authorities to plan ahead and, if they cannot do that, they are unable to do the very best for the communities that they support.

The second issue is how communities can tackle inequalities. Throughout the pandemic, we have seen not new inequalities emerging but existing inequalities getting much worse. They have deepened in terms of how they affect people who were already affected before the pandemic. I heard the cabinet secretary's evidence earlier; she clearly recognises that. Inequalities have also widened, and many more people are now impacted by them. Councils need the ability to look with a local dimension at those inequalities and how they are affecting people, because the experience will not be the same across Scotland. They need that local flexibility to use their resources in different ways.

Another issue for local government is that it cannot return to the way things were. Again, as the cabinet secretary said earlier, for a lot of people in Scotland, the way things were before the pandemic was not nearly good enough. We cannot go back—we need to go forward and look

at how we eradicate or reverse many of those inequalities to try to give everybody in Scotland a much better quality of life.

I will pause there, and invite our controller of audit, Antony Clark, to add a few words.

Antony Clark (Accounts Commission): Good morning, committee. I agree with Elma Murray that the fiscal framework is an important issue as we move forward. The whole notion of local autonomy and the way in which local government works with central Government will be key to making effective progress against the Covid-19 pandemic in the longer term.

The issue of inequality is fundamentally important, and I agree with Elma that it has to be at the front and centre of how local government works with central Government, the third sector and communities to build back better. That will require strong and collaborative leadership. One of the risks in the next phase of the pandemic is that people may drift back into old ways of working and focus on their own services, be that the health service or police and fire, rather than on how they can better work together to meet the needs of communities.

I will add one further thing to the list, which is digital. The way in which local government has pivoted across to digital service delivery has been amazing. However, when the Accounts Commission reported in January this year on digital progress in local government, we were—*[Inaudible.]*—highlighting some quite important issues around digital leadership and capacity and skills in local government.

Finally, there is the challenge of bringing that all together. We heard the cabinet secretary talk earlier about the green economy and fairer work, but there is still more work to do to clarify what exactly the new models of greener, fairer work will look like and what role local government and its partners can play in that.

There is quite a lot to play for, but I am optimistic. Local government has done a fantastic job in the past 18 months and we should give credit to its staff and colleagues. As Elma Murray said, the issue of community involvement will be fundamentally important. If we can maintain the energy that we have seen unleashed through communities working with councils and the third sector, we will be well placed to move forward positively, but it will be hard—we are in this for the long haul.

The Convener: Thank you both for sharing your perspectives. We should absolutely celebrate the work of local government and every single person who works in it.

I call Elena Whitham.

Elena Whitham: Good morning. Touching on what you have just talked about, I think that we have seen a huge shift in focus from processes to outcomes, and we in local government have learned lots of lessons over the past year and a half. In fact, local government has significantly changed its practices and has responded and adapted very quickly.

Antony Clark has already highlighted the digital issue, but can you give us some more examples of how local government adapted and changed quickly? Will this spirit of innovation and partnership involving local government and other partners and sectors continue so that we do not slip back into the old ways of working?

Elma Murray: Thank you for that question, Ms Whitham. We worked together when I was at North Ayrshire Council, and it is lovely to see you here this morning.

I will ask Antony Clark to respond in a moment, but I would just say that another significant change during the pandemic was the speed at which councils moved to do things in a different way. As has been said, councils were able to implement a whole range of digital solutions not just to allow staff to work at home but to give communities access to services, but I would also highlight the speed and flexibility of staff in pivoting to providing different types of services with, for example, a whole raft of community hubs being set up right across Scotland. Staff who had never been in such a role before were providing support in very different ways to, say, local people who were shielding and required medicine or food to be delivered or others who were simply struggling to get by on a day-to-day basis. They did lots of different types of work, and that was the case not just with councils but with health partners, the third sector and, indeed, community volunteers, who played an absolute blinder during the worst of the pandemic's initial phase and then through the second wave. The efforts of those people were incredible and they must be congratulated, but we need to recognise that such efforts cannot continue and that we need to put more support in place for them.

We have seen some of those things in our audit work. In fact, our most recent report, which was published at the end of May, highlights a whole range of examples across Scotland, and we spent a lot of time identifying lots of good practice that can be shared across the country.

Do you want to add anything, Antony?

Antony Clark: Not much. I think that you have captured very well the main spread of the innovative things that we have seen over the recent period.

One observation that I would make, though, is that we have seen people asking themselves some searching questions about governance and accountability, the acceptance of risk and what those faced with exceptional circumstances are willing or able to do. As auditors, we are obviously very interested in governance and accountability, but over the last period we have seen people being more pragmatic about those things, and we hope that, as things move forward, people will be able to have more agile decision making and think in a bit more depth about their appetite for risk. Exceptional times call for exceptional approaches; we want to keep the exceptionalism but have a degree of structure, too.

Meghan Gallacher: Good morning. I have a specific question about arm's-length external organisations. For quite some time now, councils and their ALEOs have been under financial strain because of budget pressures, but their situation has been exacerbated by the pandemic. Has the panel carried out any research on the impact of the pandemic on ALEOs? For example, we have seen with Glasgow Life that, sadly, jobs have been cut and venues are set to close. I can imagine the devastating impact that that will have on local communities. That is just one example, but local authorities are now in a very difficult position, so we would be interested to hear your views on that.

Elma Murray: Thank you, Ms Gallacher. We have not done a lot of detailed work on that, but it is one of the areas that we picked up on in our most recent report, because we recognise the extent to which ALEOs depend on income to ensure their financial sustainability from one year to the next as well as on the grant funding that they receive. Certainly, the loss of income for ALEOs is projected to be about £39 million in 2021, which is significant.

There are different ALEOs across Scotland, ranging from Lothian Buses and Edinburgh Trams to Glasgow Life and a range of cultural and leisure facilities. We plan to undertake more review and audit work on ALEOs, but an interesting question about services that are provided by ALEOs, whether they are to do with transport, culture or leisure, is how we view them in terms of the overall approach to economic recovery and to health and wellbeing in communities. We will look to see a more holistic view being taken in the coming months and years to all those services to ensure that the communities that most need and rely on them do not receive fewer of them in the future.

Antony, do you want to add anything to that?

Antony Clark: Only to let the committee know that we are in the process of auditing local authorities' accounts for this year's set of financial statements. As part of that process, we will look at

how ALEOs feature in those statements. We know that many local authorities have issued letters of comfort to ALEOs to tide them over the financial disturbance that they are experiencing at the moment and that many other local authorities have given additional funding to ALEOs to ensure that they can sustain themselves through what is a transition period as we move through the pandemic.

Next year's local government overview is likely to comment on the role that ALEOs have played in the period that we are going through and on the longer-term issues, which Elma Murray talked about, to do with the contribution that they make to social wellbeing and economic growth. We will report on that in the future and will be happy to speak to the committee once we have done that work.

The Convener: Thank you for your responses. We look forward to hearing about the outcomes of the work that you will be doing.

Mark Griffin: We have touched on this issue already and Elma Murray covered it in her opening statement, but I want to ask about how the pandemic has had a greater impact on certain communities and sections of society. Elma Murray talked about women and minority ethnic communities, but are there any other sections of society or communities that the pandemic has also had a greater impact on? What evidence do you see of local authorities directing funding resources to support such areas in particular, rather than the funding going to the areas or communities that shout the loudest?

Elma Murray: You are right that specific groups of people have been impacted. For example, women are impacted in a number of ways because many women are in low-paid or fragile work situations and they also tend to adopt caring responsibilities in their families. Managing and juggling all that has been particularly difficult for women and it remains so, and many women will have lost their jobs. Ethnic communities have also been impacted significantly in relation to the type of work that they have, whether it is local work or work as part of a large organisation. We have heard anecdotal evidence of many people losing their job or not being able to be furloughed. It has been extreme.

11:30

It is important to remember that children and young people have had an incredible 18 months. The structure of their week was entirely upended as schooling stopped and they had to work from home. If they did not have appropriate digital facilities or a place to work—some did not have a table to sit at to use a computer—their schooling

will have been significantly disrupted. That could have an impact for years to come.

Young people and young adults looking for work have also been significantly impacted as there has been very little work available.

The other aspect, which has become much clearer through the pandemic, is the way in which all the issues interrelate and become almost personalised. A range of women might be affected in a particular way but, depending on their ethnicity, whether they have caring responsibilities and what type of work they did, that impact becomes very personalised. Local government has a good role to play in supporting those people, because they are closest to those communities and understand the impact on them, including who needs support and the type of support that they need to build a better future.

Antony Clark might want to add to that.

Antony Clark: Elma Murray alluded to the impact of the pandemic on young people and their education, which has been greatly disturbed. We know that local authorities have done a great deal of work to address challenges relating to people's mental health and wellbeing. We are already seeing an increasingly strong emphasis in local authorities' recovery plans on mental health and welfare in relation to the impact of Covid-19 on young learners.

Carers have been quite badly impacted by the pandemic. Their caring responsibilities have often become more significant because of the challenges that local authorities have had in providing care and support during periods of lockdown. Elma Murray made the point about the interconnectedness of such things. As local authorities turn their minds to longer-term recovery planning, we are seeing them try to draw those connections together. There is great scope for place-based planning and community engagement to play an important part in helping to address those inequalities.

Elena Whitham: I will follow on from Mark Griffin's question. Is there any evidence of councils using their equality impact assessments to look through a gendered lens at the decisions they make that affect women? We know that women are, by and large, in precarious employment and are often the most affected—as Elma Murray outlined—by such decisions. Looking back over the last little while, are we seeing evidence that councils are taking that proactive approach?

Elma Murray: If one of my colleagues wants to come in, I will let you know, convener.

At this stage, as far as I am aware, we have not looked at equality impact assessments in that

light. However, we are very focused on our role in relation to inequalities and how we can report more substantially on that. We are also mindful of the forthcoming human rights legislation that will come into effect in due course. I would expect to see more of that in future work. We are planning to do a lot more audit work on inequalities. My colleague Carol Calder might be able to say a few words about that, but Antony Clark wants to come in first.

Antony Clark: We have been thinking very hard about how we embed equalities across our audit work. We are very conscious that the change in legislation means that we probably need to adopt a human rights-based approach to our work. We have done quite a lot of thinking about it. It is not a straightforward or easy thing to do and we do not want to approach it in a mechanical way. We anticipate looking more closely at things such as equality impact assessments and the processes through which local authorities use them.

I will hand over to Carol Calder, who has more to say on that.

Carol Calder (Accounts Commission): I just wanted to add that our next local government overview report for 2022—as Elma Murray mentioned, we produce two each year—will be focused very much on councils' recovery plans and the progress that has been made on them. One of the big themes that we will consider will be the progress that councils have made on inequalities in relation to women and other disadvantaged groups. We will also look at how all of that links to economic redevelopment and climate change. We will try to pull in all of those links to see how they affect and improve circumstances for people in local areas.

We will specifically be looking for evidence that the response has been targeted and that councils have good independent evidence that tells them what the issues are in which communities in their areas.

Elena Whitham: What is the commission's view generally on the mainstreaming of participatory budgeting and community empowerment? Also, what are the risks around the transparency, accountability and resourcing of these important workstreams and policy areas?

Elma Murray: Thank you, Ms Whitham—that is a big question. We have seen that councils are taking steps towards participatory budgeting. Some have done more than that and have advanced it quite a bit, to the extent that it is something that they now do as a matter of course and have built into the way in which they work with communities. Our best-value reports, which we produce for each council every five years, examine that issue in some detail, so we have

quite a bit of evidence now about how councils are doing that. They do not all do it in the same way, and that is okay, because every local authority area is different and they work with their communities in slightly different ways, but they are all advancing the issue.

Could councils do more? Absolutely. Through the pandemic, we have seen more empowerment of communities and more support for communities as councils have removed some of the bureaucracy that had been in place before and have let communities step forward and do some work themselves. We think that there is scope for that to grow and become more widespread across Scotland, so that is something that we will continue to examine in our audit work.

On the second part of your question—which was a good addition—we have not identified transparency in governance as a problem in the approach that councils have taken so far. I do not know whether that is because councils are just getting used to the process and are therefore being quite careful about their approach. If that is the case, it might be an issue for us to consider as it becomes more widespread and commonplace, so that we can ensure that it is taken forward in a clear and transparent way. That is a good addition to that question.

Antony Clark: The only thing that I would add is that I do not think that, for us, the issue is to do with transparency; it is more to do with visibility and impact because, as Elma Murray says, local authorities have been taking forward this agenda for some time now. Covid-19 has shown that there is scope to increase the pace and scale of this type of activity and, therefore, if that happens, we might expect to see greater impact and visibility of the work.

Sometimes, it has felt as though participatory budgeting has been happening alongside other work rather than taking place as part of the planning and delivery of services. We would like it to be a bit more of a mainstream activity and we would also like to have a bit more evidence of the difference that it is making on the ground. I am sure that it is making a difference and that the communities are probably saying that they are getting a lot out of it. It is improving the outcomes and life chances of the individuals who are involved, but it feels like there is more to be done to make it more visible and to show the good practice.

The Convener: I hope that the committee can help to make the benefits of participatory budgeting more visible, too.

Paul McLennan: As we recover economically from Covid, councils' abilities to support that recovery are key. Services in areas such as

economic development, planning, environment and health are fundamental to that objective. Can you comment on spend levels on those services across Scotland and say whether there are divergences in that? What impact if any is that having on economic recovery?

Elma Murray: It is fair to say that there will be differences across Scotland. Local councils take different approaches to that work, depending on the needs in their local area, the range of businesses and the type of support that is required. The resources that councils have to put into that will differ between one part of Scotland and another.

Our local government overview report that was published last year—it was delayed a bit because of the onset of the pandemic, so we published it at the end of June 2020—included a service case study that was specifically on planning services. The audit work for that is now nearly two years old but, at that stage, we commented on the fact that councils had new planning responsibilities, that budgets had been reducing and that there were important roles in terms of leadership and partnership working for planning officers and councillors. There were a range of issues around workforce planning and encouraging new officers to come into planning. We also pointed out the importance of planning for regeneration and of the concepts involved in making good places for people to live. If the committee wants to know more about that, I would need to defer to my colleague Carol Calder, but that is an overview.

We have seen some interesting things in economic development. The cabinet secretary referred to some of them when she talked about community wealth building. I am familiar with some of that from the time that I spent in North Ayrshire Council, and I have kept an eye on how that is developing. The issue is definitely of interest to the commission. One area that the commission is interested in is a more inclusive approach to economic recovery and economic development, and an approach that has a local focus but which starts to look at some of the issues surrounding inequalities. None of those things is unrelated to the others.

I hope that that gives you a flavour of where the commission is coming from overall. I will pass on to Antony Clark, and we might want to ask Carol Calder to say a few words about planning.

Antony Clark: It is fair to say that services such as planning and economic development have been put under greater pressure in recent years because of the emphasis and focus on protecting services such as education and health and social care. We therefore have additional pressures and budget reductions—that is just a statement of fact, based on the analysis that we have done. We are

keen to focus on the role that planning and economic development can play in Covid recovery and renewal, and the Accounts Commission is committed to including that in its future work programme.

We have previously reported on things such as city deals, which have been an important part of supporting economic growth. We have also reported on the role of local economic development departments in local authorities. However, in the new context, particularly as we think about the new national planning framework and the new challenges that Covid-19 is presenting, now is a good time for us to step back and think about what role local authorities should play. You can expect that to feature in the Accounts Commission's work programme.

Carol Calder: As Elma Murray said, we did some work on planning in 2019 and reported on that in 2020, so it is a wee bit out of date and was pre-Covid. We had discussion groups with stakeholders from across the sector about the issues in planning departments across Scotland, and one of the fundamental things that came out was about the reduction in budgets over the past few years. We also heard that the focus in planning has moved to the regulatory function as opposed to the wider work of delivering outcomes such as a sustainable environment and sustainable economic growth.

However, there is enormous appetite among planners to be involved in that. The new powers in the Planning (Scotland) Act 2019 and the refocusing of what planning is about are very much welcomed, but there have been significant issues with resourcing and recruitment.

There are only approximately 100 planners per year graduating, and many of them go into the private sector, while 35 per cent of the current workforce in local authorities is over the age of 50. There is a difficulty with getting plans in, but there is a tremendous appetite to move from that focus on the regulatory function of planning to the wider, outcomes-based community empowerment-based approach.

11:45

The Convener: Thank you for that. We are all very encouraged by the idea that we move to that wider-outcomes, community-empowerment approach.

Miles Briggs: Good morning to the whole Accounts Commission panel. Ms Calder has just touched on the question that I wanted to ask, which is specifically on any analysis that you have done of local government workforce issues. You have already outlined the challenge that planning departments across the country are experiencing.

My key question is this: what assessment did you make pre-pandemic, and what assessment have you made post-pandemic, of the workforce challenges that are facing local government?

Elma Murray: In every best-value audit report that we undertake—we do one of them for a council on a five-year basis—we consider the workforce challenges and we comment on the extent to which the council has workforce plans in place. Our view, based on the research so far, is that more workforce planning needs to be undertaken. That was our view before we went into Covid-19, and it is still the same: there is more work to be done.

There are different challenges in different parts of the country. Some parts of the country will have workforce planning challenges around teachers and getting teaching resources, for example; in another part of the country, that will not be a specific concern. In some places, it will be very difficult to get environmental health officers or planning officers; in other parts of the country, that might be a little easier. It is quite different from one part of the country to another.

We ask councils to consider what their needs are and to plan out from that on a medium-term basis.

I will pause there. I do not know whether one of my colleagues wishes to come in.

Antony Clark: We have not done national analysis of workforce pressures across local government per se but, as Elma Murray says, it is something that we consider at an individual—*[Inaudible.]*—under pressure consistently. Social care is one area where we know there are potential pressures, and we have reported in the past on the difficulties that local authorities have experienced because of the competitive market around digital.

It is an area that we wish to examine more carefully as we think about planning for recovery. When we have written reports before on workforce planning at Scottish Government level, it has proved to be a useful exercise for identifying opportunities and challenges. That is something that we may wish to think about as we plan our audit work on planning for recovery and renewal.

Miles Briggs: Is it fair to say that there is a disconnect between the workforce that we need in local government and what our university and college sector is producing? I was struck by the comments that Ms Calder made on the 100 planners who are qualifying for both the public sector and the private sector in Scotland, with 35 per cent of the workforce being over 50. Is that something that you have considered with regard to what we will need in the future? It seems that, in the NHS, too, we have not got that national

workforce planning right, even though we know that people are heading towards retirement.

Elma Murray: Those are helpful observations about some of the issues facing local government and indeed the health service.

Another thing that occurred to me while Antony Clark was updating you was that council workforces were impacted specifically by the pandemic, either through large numbers of their staff having to shield and not being able to work, or indeed by being affected by the virus itself and becoming ill.

Whatever is happening in a local authority area to its population overall is also likely to be happening for that council, which affects its workforce planning and its current workforce, because, to a large extent, councils recruit from their local areas. In island communities, council recruitment will be pretty much 100 per cent from the local area, but councils across Scotland recruit mostly from their local authority areas.

As Antony Clark said, we have not done that detailed work. My colleague Blyth Deans has just reminded me to say that we have that work in scope for our local government review that will be produced in 2022. We always encourage councils to look at medium-term workforce planning as a minimum.

Willie Coffey: Good morning, Elma. What are your thoughts on the work that you planned to do in “Following the pandemic pound: our strategy”? What will the scope of that work be? In particular, will you look at the systems and processes that we have used to distribute support to businesses, communities, individuals and so on? I am sure that, during the pandemic, committee members around the table have heard stories about how difficult it has been for a number of organisations and businesses to access support. Was the system flexible enough? Did we get it right? Did everyone who needed help get help?

Elma Murray: Thanks for that question, Mr Coffey. We are still determining exactly what all that work will look like, but you are absolutely right that one of the key areas that we will be looking at is how funding was distributed. The commission has already had discussions about distribution of grants to businesses, groups and so on and how that worked in practice. We will look at how that developed. However, we will also look at how councils received their money. My colleague Brian Howarth might wish to say a few words on that.

Brian Howarth (Accounts Commission): Yes—thank you.

As well as coming to the committee about the reports, I am an auditor to five councils and five integration joint boards across Scotland. This year,

part of our audit work has been to respond to the differences that have developed during Covid. As part of the normal annual audit work, we have been looking at, for example, the controls that were put in place for the additional funds that were administered by councils, including a great deal of the business grants money that went out from councils to individual businesses. We have been looking at controls over disbursement of funds. We also participate in the national fraud initiative. The additional fund flows, under the grants that have been made for Covid, are part of that. Therefore, we are aware of the elements of those grants that might present additional fraud risk, so we are looking at some of the detail of that.

Elma Murray: Antony Clark can add a few thoughts on that.

Antony Clark: Thank you for that important question, Mr Coffey. A significant amount of funding has been allocated to support Covid-19 response and recovery work—not just in local government, but in healthcare and in the enterprise agencies. In that area, our strategy is multifaceted. We are gathering information to understand the flows of funding that came from the UK Government and the Scottish Government. We will then analyse how those funding flows went from the Scottish Government to the various agencies and local authorities. That is a specific piece of work that we will be doing, and we will prepare a report on that next spring.

In advance of that work, we have been doing periodic updates on how the money has developed over time. Our next Covid-19 tracker, which will be published in September, will update the Scottish Parliament on how the funding has shifted in-year because, obviously, the Scottish Government has had to make important decisions at different points in the year, outside the normal budget cycle. That will be an important piece of work. Brian Howarth mentioned that it will be covered in this year's overview; we will also cover it in NHS overview reporting.

We are doing another specific piece of work that is probably of interest to Willie Coffey. We are looking at how the Scottish Government supported the economic response to the Covid-19 pandemic. That work will include coverage of how the business support grants were allocated and spent. That will probably involve analysis of variability of use of business support grants in different local authority areas.

At the heart of the matter is that we want to learn lessons. The circumstances were exceptional; if we could learn about how we might do things better or differently in the future, we will try to do that as part of the audit work.

I hope that that is a helpful addition to what my colleagues have said.

Willie Coffey: Yes—of course. I thank all three of you for your responses.

Finally, I want to go back to Elma Murray. In your earlier comments, you said that we do not want to return to the way things were. Everybody says that; we are hearing it across the board. How realistic is the hope that local government and other agencies will not return to the way things were, and that we will embrace some of the new opportunities that have come our way—in particular, through digital technology—to change how we do things in Scotland in the future?

Elma Murray: I am quite optimistic that that can happen because, from our discussions and work with local government, we are aware that they see the benefits and outcomes that local people have seen or achieved as a result of different ways of working. In their recovery and renewal plans, councils are looking at how to transform, building on the work that they have already done. Their recovery plans are now part and parcel of their transformation plans; they are trying to build on what they have done better as a result of the pandemic. It sounds awful to talk about something being better as a result of something as horrendous as the pandemic, but some people have improved things and they want to build on that.

There is also an issue to do with political and officer leadership in councils and Parliament in developing an encouraging environment. I will give you a wee bit of reflection on what I have seen throughout my career, as well as what I have seen since I have been working with the Accounts Commission and Audit Scotland.

It is sometimes hard for councils to do new things, because the risk can be quite substantial if they get it wrong. Sometimes we are not very kind to councils when they do not quite get things right. There is therefore work to be done around leadership and holding true to doing things differently while learning from mistakes and recovering quickly, on the back of that. The Accounts Commission and Audit Scotland are also keen to see councils trying to do the right things. We are therefore open to their potentially making mistakes, learning and moving on. If we can see that happening, we will encourage it.

Willie Coffey: That is helpful. Thank you.

Meghan Gallacher: I want to pick up on issues that are being raised by integration joint boards—in particular, about their financial pressures. The majority of IJBs are struggling to break even and are facing instability in leadership. I am looking for more information about the Audit Commission's

assessment of the funding, financial planning and performance of integration joint boards.

Elma Murray: Thank you for a great question, Ms Gallacher. In successive years, we have reported on the financial difficulties that IJBs are facing and their leadership challenges. We have not seen a change in that during the pandemic; the IJBs continue to face financial challenges.

When I talk about leadership challenges, I am not saying that the IJBs are not trying to show leadership. It is about specific issues, including getting chief officers in place and them staying with IJBs for a time to allow them to get a bit of traction and direction.

12:00

The commission is about to do a significant piece of work that will formally commence next autumn when we go into a new five-year audit period. So that members know, I note that our current audit period has been extended by a year—to six years—because of the pandemic, so we will start a new audit period next year. As part of that, we intend to do best-value audit reports on IJBs; we have already started to pilot some of that work with them.

Again, the aim is to be supportive of improvement while highlighting the key issues that need to be addressed. I hope that we can bring matters to other parliamentary committees, but we will bring some matters to this committee, as well, because obviously what IJBs are doing cannot be separated from local government and housing.

We have also undertaken quite a bit of work with Health Improvement Scotland, which has a role in all this. We are trying to take a very joined-up approach to our auditing of IJBs, so that a holistic picture comes forward.

That summarises the position, from my perspective. Antony Clark has been leading a lot of that work, so he might want to add something to what I have said.

Antony Clark: The context is quite important. If we think about the recent Feeley report and the thinking that is going on around how we might need to transform adult social care—[*Inaudible.*]—demographic pressures that the IJBs have faced for some time. We have reported on the financial challenges that IJBs face, but there is also something about the challenges that they face in managing change within NHS territorial boards and local authorities. That is a difficult job—they are trying to manage change across a number of organisations. Which leaders are available to IJBs is, to an extent, constrained by the legislation.

As we look to the future, there are important questions about how we find a way of working that

allows outcomes to be improved in the way that the Feeley report highlighted, and about addressing the long-term financial pressures that those bodies face.

As Elma Murray said, when we talk about leadership challenges, I do not think that we are criticising the leadership of individual IJBs; it is just that we have seen a lot of churn and turnover at IJB chief officer level. It is a difficult job. That is very much on our radar, as Elma said, and we will look forward to reporting to this and other committees on the outcomes of our work on that.

The Convener: Many councils have declared climate emergencies and have climate officers or climate teams in place. Does the commission intend to assess the extent to which councils are contributing to Scotland's net zero ambitions?

Elma Murray: Thank you for that question, convener. That is work that we intend to take forward. We have been very interested in that question, and we have highlighted it as part of our best-value audit reports on councils. The most recent report, on Aberdeen City Council, highlighted some work on that that it has been doing, and last year's report on Aberdeenshire Council highlighted some of the innovative work that is being done there. We do that to let other councils see what is going on.

We are planning to do some climate change work before November, and we hope to bring out a short publication a wee bit later this year.

Other members of the team might have more to say on that.

Antony Clark: That is a very timely question. We probably have to acknowledge that we have come a bit late to the climate change emergency—I was going to say “party”, but that is not the right term—as a policy area. It has not featured heavily in our audit work in the past, apart from when we have done best-value audits of local authorities. We are very clear that it is one of the biggest issues facing the world, and it has to be given significant prominence and coverage in our audit work.

As Elma Murray said, we recently held a round-table event at which we brought together a range of stakeholders including community groups, academics and the United Kingdom Climate Change Committee to talk about the nature of the climate change challenges facing Scotland, and to ask them how audit can help. We think that there is a really important role for public audit in highlighting the performance of individual public bodies in discharging their climate change duties and in promoting transparent reporting around their climate change spending and CO₂ emissions.

There is also probably scope for us to do a bit of work with other parties to highlight the good practice that we see emerging. The committee can expect that to feature quite heavily in our work programme in the coming months and years. The document that Elma Murray mentioned a few moments ago will be our first step in setting out the likely elements of our work, and we want to spend a bit more time putting more flesh on the bones with regard to where we think we can add most value. The formal audit work will probably not start until earlyish in 2022, but it is currently very much part of our thinking.

I will say a little bit more. We think that there is probably more scope to do what I have described at national level, as well. We audit all the public bodies in Scotland, and that audit work can be used at local and national levels to maximise the value of the audit work that we do on climate change. That will be increasingly embedded in all the work that we do.

The Convener: Thank you for that response—it is good to hear that you are planning to take on that work. I have talked to various climate officers in councils across the country, and they feel that they need some feedback on what they are doing and the impact that they are having, so it will be important to do that work. It is also heartening to hear about the idea of a national scope, too.

We have time for one more question; I will give it to Miles Briggs.

Miles Briggs: Thank you, convener. What is the commission's understanding of the local governance review and how it is progressing? What are your views on the fiscal framework that will be developed between the Scottish Government and local government, and on how it will work?

Elma Murray: The local governance review, in terms of how it works, is a matter for local government. The ideal position would be that it encourages better outcomes for individuals and communities. That would always be where we want to see results.

I want to say a couple of words about the fiscal framework. The Accounts Commission—since before I was working with it—and Audit Scotland have consistently said that the funding for, and the financial position of, local government have not been great. For a significant period, local authorities have had reductions in funding, and it is only in the past year or two that they have had increases. Last year, most—or a large proportion—of those increases were one-offs to enable authorities to deal with the pandemic.

I am absolutely not here to argue a case for the Convention of Scottish Local Authorities, but it has made proposals to the Government on what a

fiscal framework might look like. There needs to be more serious discussion about trying to improve the fiscal position, because the need for councils to budget from year to year and to bid for funds and so on detracts from their day job of getting on with delivering better outcomes for communities and tackling some of the significant inequalities that we have discussed with the committee today.

COSLA has raised issues around the need for more flexibility around council tax and for more discretionary taxation powers. There is also a need for a degree of certainty around the funding settlement for local government. The cabinet secretary's earlier comments about the settlement were interesting.

My view, and the view of the commission, is that just because what happens between the Scottish Government and the UK Government happens in a certain way, that does not mean that that needs to be transmitted down to the relationship between local government and the Scottish Government. From my history in local government, I know that we have for a long, long time been talking about a different kind of financial model or fiscal settlement for local government, so we need collectively to do better to reach some agreement.

The Convener: I thank you very much for all your answers. It has been very helpful to hear your views in this evidence session, and we look forward to working with you in this session of Parliament. The committee has agreed to consider agenda items 4 and 5 in private, so we will now move into private session for the remainder of the meeting.

12:10

Meeting continued in private until 12:56.

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Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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