



OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government, Housing and Planning Committee

Tuesday 21 June 2022

Session 6



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LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE
20th Meeting 2022, Session 6

CONVENER

*Ariane Burgess (Highlands and Islands) (Green)

DEPUTY CONVENER

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

COMMITTEE MEMBERS

*Miles Briggs (Lothian) (Con)

*Mark Griffin (Central Scotland) (Lab)

*Paul McLennan (East Lothian) (SNP)

*Marie McNair (Clydebank and Milngavie) (SNP)

*Annie Wells (Glasgow) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Carol Calder (Audit Scotland)

Antony Clark (Audit Scotland)

Blyth Deans (Audit Scotland)

Lucy Jones (Audit Scotland)

Dr Bill Moyes (Accounts Commission)

CLERK TO THE COMMITTEE

Euan Donald

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament
**Local Government, Housing and
Planning Committee**

Tuesday 21 June 2022

[The Convener opened the meeting at 09:30]

**Decision on Taking Business in
Private**

The Convener (Ariane Burgess): The first item on our agenda today is to decide whether to take item 3 in private. Item 3 is an opportunity for us to consider the evidence we have heard from the Accounts Commission. Are we all agreed?

Members *indicated agreement.*

**Accounts Commission Local
Government and Financial
Overview Reports**

09:31

The Convener: Item 2 is for the committee to take evidence from the Accounts Commission on its recently published “Local government in Scotland: Overview 2022” and “Local government in Scotland: Financial overview 2020/21”. Our witnesses today are: Dr Bill Moyes, chair of the Accounts Commission; Antony Clark, director of performance audit and best value and interim controller of audit at Audit Scotland; Carol Calder, interim audit director at Audit Scotland; Blyth Deans, interim senior manager at Audit Scotland; and Lucy Jones, senior auditor also at Audit Scotland. I welcome witnesses to our meeting.

It would be helpful if members could direct their questions to a specific witness where possible, although I will be happy to bring others in who wish to contribute. I suggest that members direct their initial questions to Dr Bill Moyes and then he can direct them to the correct witness because he will have a greater understanding of who might have the answers that we need.

I open the session to questions from members. I will start by asking how councils use the reports that the Accounts Commission creates. As those reports are broad in focus and contain a significant amount of analysis from across local authorities, I am keen to hear more about how they influence local authority financial service and workforce planning. I am also interested in how the Accounts Commission tracks the impact of its reports and improves their usefulness to local authorities. I address that question to Bill Moyes. Good morning, Bill.

Dr Bill Moyes (Accounts Commission): Good morning, convener, and good morning, ladies and gentlemen. As you know, I was appointed at the beginning of January. I had quite a lengthy induction period, during which I had a lot of meetings with executives and members of local authorities. They all, to a person, remarked on how seriously they took the reports from the Accounts Commission and how thoroughly they read them and did their best to follow them, and that has certainly been my experience so far.

Given my relatively short length of time in post, I am going to ask Antony Clark, who has much more experience of this, if he could perhaps respond in detail to your question.

Antony Clark (Audit Scotland): We undertake a range of activities to promote our reports within the local community. We run joint sessions with

the Improvement Service, and with elected members. We have regular contact with the Society of Local Authority Chief Executives, and we also engage with the professional groups to make sure that the messages in our reports are well communicated and understood.

Another important point that I think is worth bringing to the committee's attention is the fact that the Accounts Commission appoints auditors—*[Inaudible.]*—and the appointed auditors do a great job of promoting the overview reports and getting feedback on them for the Accounts Commission, so that we can learn, reflect and improve their usefulness over time.

We also have quite a strong stream of engagement activity between publishing reports, to help us to ensure that the themes, priorities, and areas of focus that we select will be relevant to elected members and officers of local government. We regularly run focus group sessions with senior officials and we also have quite a lot of engagement with elected members through the Convention of Scottish Local Authorities.

In terms of impact, there are so many aspects to that that I could probably spend all day talking about it, but I recognise that you have other questions you want to cover. However, we have been very clear that, over time, in many of the areas where the Accounts Commission has made recommendations, such as on medium-term financial planning, we have seen improvements in the way in which local authorities have been adopting medium-term financial planning. Similarly, I think we have seen quite a big improvement in the extent to which local authorities have taken more strategic approaches to workforce planning themes during the past four or five years, so we are pretty confident that the reports are well used.

It is also worth mentioning a specific point about the financial overview. We have had quite a lot of discussions with local government about the timing of the financial overview that the commission prepares, and we are keen to make sure that it is useful for local authorities, including elected members, finance directors, and other senior officials, and for budget setting processes. We have been working hard to pull the financial overview report forward so it can be useful for local authorities for financial planning purposes.

I hope that that answers your question, convener, but if there is any follow-up I am very happy to have a go at that.

The Convener: Thank you, Antony. That is really helpful and I am sure, as you have said, that more will come out with other questions that we are going to ask you. I want to ask a bit about the

Accounts Commission and its relationship with the new cohort of councillors, so I will come back to Bill Moyes initially.

I am curious to know what engagement the Accounts Commission has had so far with the new cohort. For example, are training or seminars provided for new councillors, particularly those who have specific finance remits?

Dr Moyes: Yes. First, we have written to new councillors to introduce ourselves, explain what we do, and say what they can expect from us. That is an important starting point.

We are planning training programmes with other partners for during the early part of the councillors' appointment. I think that I am right in saying that we will then rerun parts of those programmes in a year, roughly, once the councillors have had a bit more experience. Could I bring in Carol Calder to flesh out the detail?

Carol Calder (Audit Scotland): Later this year, we will have a specific event hosted by the Improvement Service for newly elected members on the "Local government in Scotland: Overview 2022". The Improvement Service does a lot of induction programmes for new councillors and the councils themselves will have their own induction programmes. Generally, when we do a piece of work, we will try to engage with the Improvement Service and do some live events with newly elected members.

You will also see that, along with the local government overview, there is also a checklist for elected members that is designed specifically to help new members to ask the questions that they need to ask. We do as much practical engagement as we can with elected members, as well as creating reports and checklists that help new members as they get into the role.

The Convener: Thanks for that, Carol. Having been through the new member experience a year ago, I am grateful to hear that there is that level of support for colleagues working at council level.

We are now going to move on to questions from Annie Wells about skills shortages and workforce planning.

Annie Wells (Glasgow) (Con): Thank you, convener, and thank you to the panel for joining us today. I have a few questions to ask. I will try to make them as simple as I can and not too wordy. What are the main causes of the skill shortages within councils? What are the impacts of those shortages and how are councils attempting to address them? Is there any evidence of services being significantly reduced or changed as a result of staff shortages?

Dr Moyes: Perhaps I could ask Antony to pick up that question.

Antony Clark: Certainly. I do not think that there is a single answer to that question. The skills shortages in a number of local government services have been well publicised and rehearsed, and those in the social care sector are well known.

The reasons for the skills shortages and the pressures on the social care workforce are partly to do with rates of pay and remuneration, and partly to do with social care not being seen as an attractive profession. There has been a lot of activity at national and local levels to try to generate interest in joining the social care workforce. Local authorities have been working with colleges to promote the attractiveness of that and, as members probably know, a national scheme was run collaboratively between national and local government to draw people in to the social care workforce.

In other areas, there appear to be specific skills gaps around digital that are partly to do with the competitive pay rates in the private sector that local authorities struggle to meet. [*Inaudible.*]—there has been an awful lot of work through the— [*Inaudible.*]—the kind of capacity and skills that are needed to help local authorities to deliver on the digital agenda. That is very important in the provision of high quality and modern public services.

We also know that there are some gaps in planning and environmental services. If I am honest, I am not entirely sure that I know what the reasons are for those shortages. What we do know is that local authorities are working very hard with the professional bodies to find ways to plug those skills gaps.

You are asking whether there is any evidence of the gaps causing problems with service delivery. The evidence we are seeing so far suggests that local authorities are coping with that relatively well, but there are inevitably impacts on colleagues who are working where there is a shortage of staff. That puts additional pressure on individuals. We have also seen some good work done by local authorities to reskill people and draw them into areas where there are gaps. However, it is undeniable that there are quite significant challenges for the Government in workforce planning.

More positively, when we look at the best-value assurance reports that we write on local authorities, we have seen improvements in workforce planning at individual local authority level. One of the things that we are recognising is that, as local authorities move from the current phase of the pandemic to what might be called “the new normal”, there is still a lot of uncertainty about the shape of local government. Therefore, there is a real need—and we make a recommendation on it in the overview report—for

local authorities to review their workforce plans as they think through their future model of working and what the shape of local authorities will be. That is a particular area of uncertainty, especially given the way in which hybrid working is beginning to be developed, and there still appears to be a degree of uncertainty around how hybrid working will operate, not just in local government but across the whole public sector.

I hope that has answered your questions, but please come back if you want to follow up on any of those points.

Annie Wells: That has answered quite a few of my questions, so thank you very much for that, but I do have another question to ask. With the evidence of higher staff absence levels and some degree of burnout, how are councils attempting to improve staff wellbeing and promote fair work?

Antony Clark: May I come in on that one?

Dr Moyes: Yes, Antony. If you have the knowledge, on you go.

Antony Clark: We have better evidence on how local authorities are addressing the wellbeing issue than how they are addressing the fair work issue, so I will start with that, if that is okay.

During the height of the pandemic, we saw local authorities being quite thoughtful about how they supported their staff. There was lots of staff engagement and activity, and lots of staff surveys about health, stress and pressure and so on. That good approach to engaging with staff, often involving trade unions, appears to be being carried forward into future planning for new models of service delivery. We have also seen local authorities investing an awful lot in welfare and support schemes for staff. That feels like quite a positive story from the local government side about how it has been working with its staff through what has been a difficult period of the pandemic, and trying to build that welfare activity into future ways of working.

I am not sure we have encountered much evidence on the fair work aspect as part of our overview reporting, so I do not feel particularly well placed to answer that question. However, it is on our agenda for future work that we will look at how local government and other public bodies are addressing fair work, so I hope that, when we come back to the committee in future years, we might have more to say on that.

Annie Wells: Thanks very much. The pandemic has made workforce planning more difficult and more necessary. Do any of the other witnesses that want to come back on that?

Dr Moyes: Carol, do you want to contribute?

Carol Calder: I can come in. You will see from page 19 of our overview report, on senior posts, that there has been what has been called “the great resignation”, which has had a big impact. During the pandemic, people were taking stock of what they want from their work-life balance. It has reduced knowledge capital and it has increased the competition for people in senior posts with that level of skills.

09:45

Yesterday, I was speaking to the Improvement Service’s network of change managers across councils, and it said that the biggest issue in trying to facilitate change is capacity. That includes skills and numbers of people, so it is about recruitment and absences, but it is also about head space. When you have fewer people and you have more absences and you are under pressure, as we state in our report about the pressures that councils are under, there is just less head space to think about changing and doing things differently. It is not about a lack of motivation.

That loss of knowledge capital and leadership skills at quite a high level across all councils, which has been very significant in the past year, has had a really big impact. Succession planning as well as workforce planning is also very important.

Coming back to the wellbeing question, a lot of work has been done across councils with the initiatives that Antony has mentioned, but there has also been mental health training for managers, so that they can recognise mental health issues in staff as well. There is a lot going on, but I would not want to underestimate the amount of pressure from all the factors including recruitment, absences and people who are moving on and out of the sector.

Annie Wells: Thank you, Carol. Thanks, convener, that is me done.

The Convener: We move to questions from Willie Coffey on the theme of inequalities and community engagement.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning. Could you give us a flavour of how the pandemic has affected things such as early intervention and preventative policies? There is a note in your report about that, but could you give us a flavour of how the impact is being assessed and what problems have been caused?

Antony Clark: That is a really important question. The commitment that—[Inaudible.]—was that shift towards prevention on the back of the Christie commission report; in fact, it probably predated the Christie commission report. That has been an important part of the way in which local

government has been operating for some time. However, the truth of the matter is that we have been critical about the extent to which there has been a shift towards prevention, even before the pandemic.

We have seen examples of small-scale projects and interventions that have had a good preventative aspect to them, but we have reported on a number of occasions on the challenges that local government and its partners have found in converting those good small-scale projects into change at scale across the whole system. There is absolutely no doubt that the pressure that local government and its partners were under at the height of the pandemic, when they had to deal with the immediate pressure of the health and wellbeing, as well as the economic, impacts of Covid-19 on their communities, has meant that there has been less time, space and focus on the shift towards prevention.

That is reflected in our “Local government in Scotland: Financial overview 2020/21” report, in which we highlight the fact that local authorities’ transformation plans were often paused during the pandemic. Many of those transformation plans were not just about more efficient services; they were about changing the focus and emphasis of services. There was a great deal of pausing of those transformation plans during the pandemic. That—[Inaudible.]—to which local authorities and their partners have been able to make that shift towards prevention.

However, there is a more positive story to tell here, because we have reported this year and last year in the overview on the way in which local authorities and their partners pulled together in a very collaborative and agile way to deal with the community needs that were identified at the height of the pandemic. If that collaborative working and agile response can be continued, that will give us hope that the shift towards prevention, through different models of service delivery, might be deliverable.

However, I guess that, at the moment, it is an open question whether public bodies will drift back into old ways of working or will be able to sustain the agile approach and innovation that we have seen so far. We hope that they will be able to sustain that, but as Carol Calder and Bill Moyes have said, there are many pressures on local government at the moment, which may make it more difficult for people to make that shift.

Willie Coffey: You mentioned the issues around digital exclusion. If anything decent has come out of the Covid experience, it is the fact that the application of digital technology could help us to overcome many of the difficulties that we have faced during this period. Could you give us a sense of whether councils are still providing

access to digital technology and solutions? Is that working well or is it causing accessibility problems for members of the general public who are perhaps not able to engage in the digital agenda as well as others might be able to?

Dr Moyes: I would certainly expect there to be some problems for people in, say, their 80s, who will struggle with digital technology. I am thinking about my own family's experience. Nowadays, things such as buying a parking ticket for a car require skills in digital technology that were not necessary three years ago. I think that councils and Government need to be alert to the fact that, although a large proportion of the population can handle digital services quite well, there are gaps. Those gaps must be identified and allowances and special arrangements made.

I will bring in members of the team, because they have more detail than I do. Antony, is this your area?

Antony Clark: I do not have specific expertise in this area, but I have gathered some insights from our work. Mr Coffey may know that the Accounts Commission blogged on the topic of digital exclusion—the interim deputy chair of the commission, Tim McKay, wrote a blog on the subject. It is an area that the commission is particularly interested in because, although we are very encouraged by the shift towards digital, we share your concern about digital exclusion.

As Bill Moyes said, local government is involved in a lot of activity to ensure that people who are at risk of digital exclusion are not excluded. During the pandemic, specific action was taken to get laptops out to schoolchildren, which, broadly speaking, was quite effective.

A lot of work is taking place—[*Inaudible.*]—groups that may be at risk of digital exclusion, and to identify ways of addressing that. The issue is very much on local government's radar. My colleague Lucy Jones might want to come in, because I think that she has some insights in this area.

Lucy Jones (Audit Scotland): The connecting Scotland initiative was a national initiative that provided devices, data and training to some of the most vulnerable people during the pandemic. A concern that came out of the independent review that was carried out of that in the past six months or so was about the future sustainability of the programme. I know that national work is under way to look at how it can be continued.

Digital exclusion is an issue that we are looking at very closely. We are just beginning to scope a performance audit on it, so we might be able to come back to the committee with more detail at a future date.

Willie Coffey: Thank you.

During Covid, many communities worked directly with local councils to help them to deliver urgent services in pretty desperate circumstances, and it was their experience that there was a fantastic level of community engagement during that period. As we look forward to recovery and recovering local council services, is that level of engagement with the community still there or is there a sense that we have lost the direct contact that we had with communities? How best can we take that forward to make sure that communities are directly involved in the recovery from Covid?

Dr Moyes: We are stressing very strongly to local authorities that recovery does not mean reverting to the pattern of services and the pattern of working that existed three or four years ago. We are stressing very strongly that councils should learn from the pandemic what is possible. We are also stressing very strongly the need for real engagement with communities and with bodies that represent the community on things such as budget setting, service planning, understanding how services can change and describing to councils what the population would like to see, so that services are driven by the views of the population rather than by what the council is prepared to do.

There is undoubtedly a danger that some councils will find it easier to revert to past patterns of working and service provision, and we will be doing a lot to discourage that and to show councils how they can benefit from learning the lessons of the pandemic.

I invite members of my team to come in because, again, they will have some detail to offer.

Antony Clark: I am happy to come in on that. As Mr Moyes has said, the commission has been very keen to promote the importance of sustaining that community involvement and community engagement. That will be critical to the future success of local government. The best local authorities see communities as assets, not as passive service recipients. The best local authorities work very collaboratively and constructively with local communities to understand and identify their needs and use them as a resource to help to deliver better outcomes for them.

We very much hope that that will be an important part of the Covid-19 recovery agenda. That certainly seems to be the case from the review work that we have done in looking at Covid-19 recovery plans. However, it is true to say that, for many local authorities, the recovery planning process is still at a relatively early stage. We are not out of the pandemic yet, so it is an area that we will need to keep a watching brief on.

There is a strong sense coming through that the future success of local government will depend on unlocking community action, and that local authorities see themselves as facilitators and partners with local communities. We are hoping that that will be an agenda as we move forward.

You will know from previous discussions on this topic that there are risks. There is a risk that the communities that already have great resources will be the ones that draw more resources to them, and that the communities that have fewer advantages and resources might be left behind. Local authorities face a real challenge in identifying how they can target their resources to make sure that there is fairness and equity in how they approach this work with communities in the future.

We know that working with communities is not easy—it takes effort and investment. It is a skill set that local government has been developing, but maybe it is an area where there is still scope for local government to develop its skills further; it is certainly one in which there is a need for a bit more leadership to be shown in some local authority areas.

Willie Coffey: That is really helpful. I am sure that all the members of the committee look forward to seeing how well that works in the years ahead. Thank you very much for your answers to my questions.

The Convener: Those responses are heartening. The committee has previously had discussions about local authorities facilitating and enabling communities, so it is great to hear that that appears to be developing.

We move on to the theme of Covid support, planned savings and usable reserves, on which Mark Griffin has questions.

Mark Griffin (Central Scotland) (Lab): I am sorry, convener, but I think that that is someone else's section.

The Convener: I am sorry; you are right. Marie McNair will ask those questions.

Marie McNair (Clydebank and Milngavie) (SNP): Good morning. In the past two years, a massive amount of Covid-related support—approximately £4.6 billion—was channelled through local authorities at impressive speed. How confident is the commission that that money has been spent effectively and transparently?

Dr Moyes: [*Inaudible.*]—to lead off on that.

The Convener: Bill, what you said was slightly clipped. Who do you want to lead off?

Dr Moyes: Sorry—I thought that Antony Clark might kick off.

10:00

Antony Clark: I will kick off and then hand over to Blyth Deans, who is probably slightly more familiar with the detail of the analysis of the accounts that we did for the financial overview, which we refer to in the wider performance overview.

The way in which local authorities worked with the Scottish Government and partners to get the money out to businesses and communities was a relative success story, although there are some questions about the pace at which some of the money got into people's bank accounts or pockets—whichever way you want to look at it.

However, we have raised questions about the transparency and the accounting relating to all those funds. The committee will know that a significant amount of Covid-19 funding is now sitting in local government reserves. Much of that is earmarked for the current financial year and the following financial year to deal with the on-going pressures of Covid-19.

In relation to how the funds are set out in local government accounts, there are headings for certain activities, but we have suggested that local government needs to be clearer about how that money will be spent over the next couple of years, so that we can be absolutely confident that it has been spent on the purposes for which it was intended. We make that point not just to local government but to the Scottish Government in the Auditor General's report on Covid-19 finances. We are highlighting the need for more and better transparency in how that money is spent.

I do not know whether Blyth Deans wants to add anything to my comments.

Blyth Deans (Audit Scotland): I can offer a bit more insight. The quick answer to the question is that it was really difficult to track that Covid support. As Antony Clark mentioned, the report "Scotland's financial response to Covid-19", which we published last week, is quite clear that improvements are required to the transparency of the funding.

As Ms McNair mentioned, there was a need to balance speed with good governance. That obviously had an impact on councils' reporting requirements for certain funding streams. In the early part of the pandemic, the vast majority of funding streams came with reporting requirements, so that made it a bit easier for the Scottish Government to track what was being spent and, ultimately, to evaluate and assess its impact. As we got further into the pandemic—through the second wave, for example—the reporting requirements diminished. That meant that there was less control over where the money

was spent, and it became a lot more difficult to evaluate its impact.

It is important to point out that it is quite difficult to disentangle Covid funding and spend from core spend. When it comes to support for loss of income or for general Covid recovery, for example, it is not quite as easy to demonstrate what the money was spent on, whereas it is more straightforward to establish what, say, funding for free school meals was spent on.

Antony Clark is right to say that, in our reports, we have been quite clear that we are keen that spending plans for the Covid funding that has been carried forward be agreed with council decision-making committees and become a bit more transparent, so that the public are able to assess what will be spent and are given the confidence that the money will be spent, because we can see from the report that quite a significant balance of core funding has been carried forward. That is what we expect to see when we reassess reserves.

Marie McNair: Can you say a bit about how the past two years have impacted on local government finances, particularly in relation to planned savings and budget gaps? For example, how have the new ways of delivering services that have been prompted by Covid led to savings for councils? Perhaps Bill Moyes can direct those questions to someone.

Dr Moyes: I will direct them to Blyth Deans initially, given that he probably knows the detail best in that area, but if other colleagues want to come in, they should do so.

Blyth Deans: The point about savings is an important one. The way of the world over the past couple of years has meant that the emphasis on making savings has changed. Obviously, with the additional support that was provided to councils, there was less reliance on savings last year, but that requirement will intensify as Covid funding ends.

We note in our reports that, traditionally, there is variation in councils' performance against savings targets. I caveat that by saying that some councils are perhaps more ambitious than others when they set savings targets. Obviously, the targets are determined by what is included in councils' financial strategies.

It is important to say that the quick wins or the easier savings, if such things exist, have probably been made, so councils are now under a bit more pressure to make the difficult decisions and savings that perhaps have been put off until this point. I guess that it is now becoming a matter of necessity. That process will need to be carefully managed and, with the introduction of newly elected members and new administrations across

the country, it will need careful consideration and input from elected members and officers.

Our report in 2021 that looked ahead to the 2021-22 budget showed that the subsequent budget gap was a lot more difficult than it was in previous years. That was entirely due to the Covid funding that came to councils late in the financial year, so budgets were set before that funding became available. That meant that the budgets that had been set initially had not factored that in. You can see from the report that a significant sum of additional funding came through to councils, so the budgets had to be adapted for that reason. Some councils did that differently from others. Some councils set specific Covid-19 budgets, but with others it was more of an iterative process that involved various meetings and bringing back more information as it became available. That just highlights the challenges that councils faced at that stage in establishing, first and foremost, what the budget was and then what the gap was and how it would be bridged.

Our analysis showed that the way in which the budget gap was going to be bridged was pretty consistent with how that had been done in previous years. Identified savings were a major part of that, and the use of reserves contributed, too, but—[Inaudible.]—bridging actions that perhaps were not quite as available as they were in the past. Previously, councils might have looked at generating income through fees and charges, or council tax increases could have been a major contributor to closing the gap. It is not quite as easy to raise income, particularly through fees and charges, when services have changed or, in some cases, are not running. That reduces councils' ability to charge for those services and, ultimately, to contribute to bridging the funding gap.

There is quite a complex picture on the budget and savings, but we will certainly keep a close eye on the issue as part of our financial overview work.

Marie McNair: Does anyone else want to come in on that, or can I move on to my next question?

Dr Moyes: I think that Antony Clark wants to add something briefly.

Antony Clark: I will add a very brief point to Blyth Deans's comprehensive answer. Conversations are starting to take place across local authorities about collaboration and shared services, as that need has perhaps not been quite so pressing in the past. It appears that thought is being given to whether there are opportunities to create efficiencies and reduce costs through greater collaboration. Shared services and regional planning have been part of the local government story for quite some time, but, given the pressures on Government finances, we

anticipate that that will be a more significant part of the story in the future.

Marie McNair: Yes—a lot more services are being shared across East Dunbartonshire and West Dunbartonshire, which are the councils in my area.

I have a final question. The issue of reserves is covered in the financial overview. Given that the report was published in March, is there a more recent assessment of how much of local authorities' £3.8 billion in reserves has been used up since March 2021?

Dr Moyes: Can Blyth Deans answer that?

Blyth Deans: Yes, I can offer an answer. Unfortunately, we do not have an update at this point. That information will become clear when the unaudited accounts for 2021-22 are published. We will review that as part of our normal practice. We compile an accounts database and use that as our source to establish the position on reserves.

I think that the basis of the question—*[Inaudible.]*—somewhat inflated in comparison with previous years because of the nature of the funding that came late in the financial year. We have been quite clear in the report that we want to see clearer spending plans for the money that has been carried forward. I know that I mentioned that in my previous answer, but it is worth reiterating it. In councils' accounts, there is significant variation in the disclosure of reserve balances, in relation to both the earmarking of them and the purpose, intent and timing. It will be really important to see that, particularly when it comes to Covid reserves, because it will provide assurance that the money will be spent, and it will mitigate the risk that the money will sit there for longer than it needs to. As I said, there is variation at the moment, and the transparency of the accounts would certainly be improved if we could have a bit more information on the plans for the spending.

Marie McNair: Thank you.

The Convener: I will bring in Paul McLennan to ask questions on longer-term financial sustainability and the impact of budget changes on individual services.

Paul McLennan (East Lothian) (SNP): Good morning, panel. As the convener said, I want to ask about longer-term financial sustainability and the impact of budget changes. The first point is about the impact of rising inflation. Last week, we heard that it could go up to 11 per cent. In your view, what will be the impact on local authorities of rising inflation? It is projected to be high for about 18 months at least.

I ask Bill Moyes to say who is the best person to answer that.

Dr Moyes: I ask Antony Clark to kick off.

Antony Clark: We know from our discussion with directors of finance that they are very concerned about the impact of inflation, and cost pressures more generally, on local government services and finances. The obvious one that people are concerned about at the moment is the pressure on—*[Inaudible.]*—and the potential challenges that might arise from that. We are going through a tricky period of pay negotiations across a range of sectors, public and private, but that is an area of concern to directors of finance, human resources directors, chief executives and council leaders. Obviously, we do not know what the pay settlement for local government will be, but that is one area that could be challenging for local government.

In this overview and in previous ones, we have highlighted the inflationary pressures on capital spending and how those have created significant costs for building renovations, new build and so on. That challenge is not going to go away any time soon, and could cause issues for the pace at which local government can refurbish and develop its estate, which is an important aspect of providing high-quality services for people. It is about residential care homes, schools and the like.

Those are the two main issues that I would draw out. Directors of finance are pretty good at managing those things, but it will not be easy for them.

Paul McLennan: One major expenditure is energy costs. Some local authorities will hedge their energy costs for a period of time, so they will know the impact. One of the main reasons for the rise in inflation is energy costs. Have you had any feedback from directors of finance in that regard? Obviously, energy costs were forecast to go up but not by as much as they have, and we have another rise coming in October.

Antony Clark: That has cropped up in our discussions with local government, so I should have mentioned that in my previous answer. As you say, some local authorities have hedged their costs, so they are managing the risk but, in the longer term, it could become a further important pressure point for local government.

Paul McLennan: The overview report mentions the levels of change in funding between 2011 and 2021. There have been big increases for pre-school, home care, looked-after children and primary schools, but there have been decreases for libraries, street cleaning and parks, among other things. Have you done any assessment of the impact of those reductions? The financial overview report states that councils need to accelerate

“progress with transformation programmes that have stalled”.

Will you bring that into the answer and say where you see local authorities in that regard?

Antony Clark: The best source of evidence is probably the local government benchmarking framework report that the Improvement Service prepares each year. That gives a good analysis of the relative performance of individual services, the cost of those services and levels of satisfaction. It is a good source of evidence on how the reductions in funding for services such as libraries and street cleaning have or have not impacted on customer satisfaction and the quality of services.

We are thinking about looking at that issue in the future, as part of our overview reporting. Before the Covid-19 pandemic, the commission’s overview report was very much a report covering all services. Over the past couple of years, we have been focusing much more strongly on the impact of Covid-19 on councils and their services and communities. As we come through the pandemic, we are keen to start re-emphasising the service quality and service performance aspects in our overview reports, so we will look at that in future years.

At the heart of your question seems to be a point about whether there are challenges for some of those services because of reductions in funding. That seems to be what you are getting at.

10:15

Paul McLennan: Yes. You mentioned benchmarking. The key thing for me is to look at outcome-based performance indicators. We can look at a service and see that the budget has been increased or reduced, but the key thing for the committee is to look at the outcomes. As you said, part of that is customer satisfaction. We need to measure the specific outcomes and the impact on outcomes, rather than any budget increase or decrease. That is a key point for the committee to look at.

Antony Clark: I completely agree with you. Now that I am more tuned into your question, perhaps the best way of answering it is to say that, in doing our best-value assurance reports on individual local authorities, we have looked at the extent to which councils target resources at their priorities. Some local authorities have got quite good at being very clear about their priorities for their areas—in relation to not just service performance but wider outcomes—and at shifting and targeting resources at those areas.

For example, the commission recently considered a report on Angus Council, which took a view that it wanted to reduce its investment in roads, because that was not seen as such a high

priority as things such as addressing inequalities. Over time, it became apparent that satisfaction with roads in the Angus area was diminishing in ways that were perhaps predictable but more dramatic than the council had expected, so it did a course correction and started to invest more in roads again. That is the kind of informed and evidenced-based thinking that the commission is keen to promote among local authorities but, as you say, that should be very much on the basis of outcomes rather than anything else.

There has to be targeting of resources and measuring of what difference councils and their partners are making for their area. [*Inaudible.*]—we know that, do we not? What is good evidence on outcomes? There are issues about attribution versus contribution and all that kind of stuff. However, we are keen to promote that way of working, and it will certainly feature as part of our overview reporting and performance audit work for the commission.

Carol Calder: I want to link back to the previous questions about staffing. Exhibit 3 on page 25 of our report sets out the reductions in spend across some of the smaller services over time. That trend predated the pandemic, but will obviously have been exacerbated by it. After the Covid money comes through, we will be able to see that a bit more. Reductions in funding for those services mean reductions in staff. That means more pressures on staff and focusing on the statutory specifics—the things that they have to do. It means that they have less head space and less time to look at transformation and doing things differently.

A couple of years ago in our “Local government in Scotland: Overview 2020”, we had a focus on planning, and we had a round table with senior planners from across the country. [*Inaudible.*]—their focus had to be on their statutory or regulatory function, whereas they wanted to look at the wider place-making agenda. I think that we can find out what the impact of the reduction in spend and pressures on services is by speaking to the people who deliver those services and the people who receive them.

The report mentions that we do not yet have a lot of data that gives us a clear picture of the impact of demand increases, unmet need and the backlogs across services. Another significant issue to think about when we are looking at spend on services is the impact on that service from the pandemic. Where are the backlogs and the unmet need? We cannot give a clear answer on that, because the data is not there.

Data is an important issue that councils need to grapple with, and it is not easy to get people with data skills and knowledge. During Covid, the Improvement Service did a lot of work on

developing the Covid dashboard. It is working with the local government digital office to develop that into a local government data portal, which will sit alongside the LGBF, which Antony Clark mentioned.

It is a complicated story. You can look at just the spend, but there is the impact on services and staff and doing things differently, and transformation, as well as the bottom line impact on the delivery of the service.

Paul McLennan: That is helpful.

My final point follows on from the point that Carol Calder made. One of the most important things as we recover from the pandemic is economic recovery. Funding for economic development and planning departments is key as part of that recovery. Do you have any thoughts on funding of those services and do you see that as part of the business recovery from Covid?

Again, I ask Bill Moyes to say who is the best person to answer that.

Dr Moyes: I will invite either Antony or Carol—whichever of them would like to answer that question.

Antony Clark: It is a great question. We are interested in the role of local government in supporting economic regeneration and growth. You may be aware that we have written a couple of reports on city region deals and growth deals. We are looking quite hard at how local authorities collaborate with their partners to help to generate those big-growth aspects of economic growth. That seems to me to be an important bit of the story, alongside specific investment in economic development teams.

It is difficult to look at the issue in isolation, because local government works in collaboration with central Government in the area. We have a range of national and local agencies working together. We have had some useful discussions with leaders working in the field, and we are thinking about doing audit work in the area in the future. If we do so, that might give us a better sense of, and a better insight into, whether there is sufficient funding at local level to support the national and regional drive for economic growth.

It is pretty clear that many council areas are going through tough times. The Covid-19 pandemic has hit city centres badly and it has also hit the more rural areas. We do not know how long that impact might last and whether we are going to dip into recession in Scotland. There are lots of questions about how the situation will pan out.

Paul McLennan: I am glad to hear that you are considering an audit. From my 15 years of experience in a council, I think that one of the key questions is about councils' role in economic

development: is it as a facilitator or an enabler? I hope that that question would be picked up in an audit. I do not know whether Carol has anything to add, but I think that Antony Clark has made an important point.

Carol Calder: I simply point to the examples in the report of councils looking at a wellbeing economy. That is about joining everything up and trying to talk about wealth building alongside inequalities, rather than seeing them as separate things. I think that we give a couple of examples of that in the report.

Paul McLennan: As the convener of the cross-party group on wellbeing economy, I totally agree. Thank you for your answers—they are much appreciated.

The Convener: That is a nice note on which to end your questions, Paul.

I will now bring in Mark Griffin, who is going to ask about the recent spending review document.

Mark Griffin: The Accounts Commission and, to be fair, other organisations have highlighted issues relating to the lack of multiyear financial settlements, including issues that that has caused for long-term planning and financial management. Putting aside the impact of some of the drastic cuts in the resource spending review, does the five-year plan give local authorities the certainty that they need to plan services over the next five years? I will go to Bill Moyes first on that.

Dr Moyes: I will bring in Blyth Deans, as he has been looking at that issue for us recently.

Blyth Deans: I can certainly offer an answer to that question. Colleagues might want to come in afterwards.

I absolutely understand the question. The Accounts Commission has been pushing for more longer-term certainty for councils for a while to allow them to produce robust and comprehensive medium-term and longer-term plans that give them the chance to plan ahead for what will be a challenging period.

On the spending review, it is to be welcomed that that longer-term position is available, but the fact that it is at level 2 and does not go down to individual council level makes it a little difficult for councils to use that as the basis to plan ahead over the longer term.

It is important to recognise that we are currently living in quite a dynamic environment and that things can change pretty quickly. There was a question earlier about the rise in the rate of inflation. That is one assumption that councils will need to build into forward-looking plans. Obviously, as things change, councils need to be

as dynamic, adaptable and flexible as possible to build those things into what the future will look like.

Having the resource spending review over the next four years is helpful, but there is potentially still more work to be done before councils can plan ahead with full confidence.

I think that Antony Clark wants to add to that answer, convener.

Antony Clark: I would like to add something to Blyth Deans's very helpful response to that question.

I agree that the approach is a step in the right direction, but there still seems to be further work to be done, particularly in relation to agreeing and finalising the fiscal framework between central Government and local government, which will perhaps provide greater clarity on how the longer-term planning between national and local government will work moving forward. Although it is good to have the longer-term envelope of overall funding for the local government sector, there are still concerns in that sector about the extent to which it has full fiscal autonomy and the extent to which local government priority setting is constrained by national Government priorities in areas such as early learning and childcare. I guess that the development of the national care service will be another issue that will require careful thought.

The approach is a step in the right direction, but it feels like there is still some way to go to finalise a full and comprehensive fiscal framework that includes a partnership agreement between local government and central Government.

Mark Griffin: That is very helpful. It gives us a basis to interrogate the spending review and to flag up to the Government the lack of detail that would give local councils more certainty about the individual figures that they will get.

Leaving aside the principle of the spending review giving local authorities longer-term or medium-term stability, I want to ask about the content of the spending review. The five-year review is a flat-cash one, which means, with inflation as it is, significant real-terms reductions to local authority budgets. That is on top of cuts that go back over the past 10 years, probably. What is the Accounts Commission's view on the ability of local authorities to continue to provide the services that are needed, based on projections of real-terms reductions of upwards of £700 million over the next five years?

Dr Moyes: Does Blyth Deans want to come in on that?

Blyth Deans: I will pass the initial response to that question to Antony Clark, if that is okay.

Dr Moyes: Okay. Antony Clark can come in.

Antony Clark: I am happy to take that question.

The commission has been quite clear in its overview reports for a number of years that local government needs to change to address the demographic and financial pressures and to meet the rising expectations that local people have about—*[Inaudible.]*—services and the resource spending review. There will need to be changes in how local authorities operate. We have seen some great examples of local authorities transforming services and working collaboratively with communities and partners to deliver efficiencies and new ways of working, but the pace of change will have to accelerate.

In responding to an earlier question, I talked about the need for greater collaboration across local authority areas. There is probably a need for local government to be a bit more agnostic about what models of service delivery are appropriate moving forward, and there is certainly scope for local government to tap into communities' capacity and expertise to support themselves. However, this stuff is going to be really difficult, and nobody could sit here and honestly answer your question about what it will mean for the level and range of services that councils are able to provide. Whether or not the full range of services that councils provide at their current level and with their current quality will be available is an open question.

If there must be reductions in services, it is fundamentally important that councils engage on those changes with their communities and work with them. We have seen examples of councils getting themselves in hot water when they have tried to reconfigure or reduce services. Conversely, we have seen some councils manage changes very well through engaging effectively with communities. For me, the whole issue of engagement, consultation and working with communities is more important now than it ever was.

I am not sure that I can give you a clear and concrete answer to your question, but I hope that I have given you some insights into the commission's thinking in that very complicated area.

10:30

Mark Griffin: That is helpful. Thank you.

The Convener: Does Carol Calder want to come in on that? I see that Willie Coffey wants to come in on the general theme.

Carol Calder: Members will see in the report that we set out some key principles for leadership. Leadership will be really important. The short

answer to the question is that it is going to be tough, and difficult decisions will have to be made.

As Antony Clark was talking, I was agreeing with much of what he was saying, and I listed the things that I think need to happen. Those things include collaborative leadership with partners and communities, as Antony Clark said, and strategic decision making. Data is needed to underline and support decisions. Services need to look different, engagement with communities is needed—Antony Clark mentioned that—and management of expectations, shared services and more digital services are needed.

It is really difficult for newly elected members and cohorts coming in who might have been on doorsteps talking about an expansion agenda. There will be some really difficult decisions, and leadership—political and officer leadership—is fundamental to all of that, in coming back to induction plans and the work that needs to be done with elected members to support them in making those difficult decisions.

When Brexit was coming in, we said in the local government overview—probably in 2019—that that was fundamental, that it was a big change, and that it was the worst thing that would happen to councils. We then got a pandemic, and we thought that that was the worst thing that was ever going to happen to councils, and funding was going down. We then got a war and a cost of living crisis. Things will not get easier; they are going to get harder. Getting through that comes down to leadership. That is the fundamental point.

Dr Moyes: May I add one point before we move on to Willie Coffey?

The Convener: Yes, Bill.

Dr Moyes: Earlier on in the discussion, the point was made that a lot of the easy savings have already been made by local authorities, so things will be difficult. I have a lot of sympathy with the argument that the Government cannot just say that the arithmetic points to a 7 per cent reduction in real terms over a five-year period. We need a debate about what local authorities are for, what things the Government expects them to do, and what the Government would accept their not doing or doing much less of. I do not see that debate happening at the moment, but the question of what local government is expected to do is an absolutely essential part of the context of tackling that level of reduction.

The Convener: Thanks very much for raising that point. That might be a very good issue to do a bit more work on.

Willie Coffey wants to come in.

Willie Coffey: Thanks, convener. *[Interruption.]* There was quite a bit of feedback there. I hope that the sound is okay now.

Inevitably, the political parties will argue about and grapple with numbers when we are talking about settlements. On one hand, members might say that the settlement is a real-terms reduction and, on the other hand, we can point at additional funding for local government from various sources. In comparing the core funding against the totality of funding to local government, how can we get a clearer view of the whole picture of funding for local government to deliver services? That touches on the point that was made about what we are asking local government to carry out on our behalf. Is there a way, for the public's benefit, to clarify what total funding goes to councils to deliver services?

Dr Moyes: That is something that we can do. I ask Antony to comment on that.

Antony Clark: You are quite right that the resource spending review does not include transfers from portfolios that support local government. I will just check my figures here, so that I give you the right one. Bear with me for a second.

We know that £345 million was transferred from other portfolios to local government in 2022-23. It is possible to disaggregate the figures and to work amounts out; we can do that. Obviously, £345 million is a relatively small overall proportion of local government spending in Scotland, so I suspect that, even if we add in the transfers from other portfolios, it will not make a massive difference to the overall pot, although I am sure that it would be welcome to a local government director of finance, chief executive or council leader.

Blyth Deans wants to come in.

Blyth Deans: Thank you, Antony. I direct members to a briefing that our colleagues at the Scottish Parliament information centre produced in response to the 2022-23 budget. It gives a very good breakdown of the core position and the overall funding position, and it fills in the gaps. That is probably the best source that I can offer. Certainly, as Antony and Bill have said, there are other things that we can look at. That briefing is something for you to look at that will, I hope, explain some of the issues.

Willie Coffey: Do the figures include things like money that is allocated to the Scottish welfare fund, discretionary housing payments and health and social care? By and large, none of that is included in what we call core funding, but it is money that goes to local councils for them to deliver services—I think that Bill alluded to that—that we ask them to carry out on our behalf.

Blyth Deans: Yes. The figures obviously come through from the finance circular, so they are included in the SPICe briefing that Antony mentioned. The funding that comes through from other Scottish Government directorates is a big part of the picture, and lead us to ring fencing, directed funding and the flexibility that councils have to use it to meet their local needs.

The SPICe briefing is very helpful in setting that out and breaking down additional funding from other directorates to show the role that local authorities play in delivering services on behalf of those directorates. The information exists. Mr Coffey was right to mention that. The finance circular breaks funding down into the individual elements.

Willie Coffey: Thanks very much for that.

The Convener: Blyth Deans mentioned ring fencing, so I will bring in Miles Briggs on partnership between local government and the Scottish Government.

Miles Briggs (Lothian) (Con): Thanks, convener.

I want to ask a few questions about council finances, with ring fencing particularly in mind. Given the commission's familiarity with councils' and finance departments' annual accounts, what is your current view of the Scottish Government ring fencing funding, and what percentage of total government resources is currently being ring fenced?

Dr Moyes: I ask Antony Clark to kick off on that.

Antony Clark: I will hand this one over to Blyth Deans, if that is okay. However, my first response, before I hand over to Blyth, is to say that we have not set out in the financial overview or the wider overview a specific analysis of the percentage of local government funding from the Scottish Government that is ring fenced.

We have made a more general point about the extent to which significant amounts of local government funding—[*Inaudible.*—]—authorities in support of national priorities, such as early learning and childcare expansion. That money is not ring fenced in a technical sense, but local government would probably argue that it must be spent on supporting early learning and childcare. Although there is some discretion in how the money can be used in support of wider agendas, it is relatively limited.

I would make a distinction between the technical extent to which there is ring fencing, and the more general provision and allocation of money to local government in support of wider Scottish Government national priorities.

If you do not mind, I would like to hand over to Blyth, if he wants to add to what I have said.

Blyth Deans: Thanks. As Antony said, there is ambiguity about ring fencing and there is a debate about what the Scottish Government considers to be ring-fenced funding and what the Convention of Scottish Local Authorities, as the representative body of local authorities, considers it to be. The Scottish Government is clear that the specific revenue grants that are allocated to councils is the only ring-fenced funding, whereas COSLA would contend that the transfers from other portfolios that we spoke about previously, which totalled around £1.4 billion in the previous year, are ring fenced and there is not flexibility to allow councils to use those funds to meet their local needs.

It is true is that, regardless of which definition you use, the extent of ring fencing has increased. If we take 2018-19 as the base year, using the Scottish Government's definition the percentages have increased from 2.7 per cent in 2018-19 to 6.6 per cent in the 2022-23 budget. I will check my figures.

The amount has increased even more dramatically under the COSLA definition. Using it, the amount in transfers from other directorates was 4 per cent back in 2018-19, which has increased to 17.9 per cent. To give you an idea of the money involved, that is an increase from £386 million in 2018-19 to £2.1 billion.

The argument about which is the correct definition continues between the Scottish Government and COSLA. As Antony said, we have not given our opinion on that. We have taken a neutral position and explained the situation, and we have tried to give clarity in that way. That is where we are at the moment, on ring fencing.

Miles Briggs: That is very helpful. Thanks very much.

That leads on to the discussions that are taking place at the minute between local government and the Scottish Government around the new fiscal framework. What is the Accounts Commission's view on how that could work and how local flexibility could be built in, of which the committee keeps hearing councils want more? I would like to hear your views on the fiscal framework.

Dr Moyes: Blyth—do you want to continue your explanation or do you want to pass that to Antony?

Blyth Deans: It is probably best to go to Antony first, then I can come in with supplementary information.

Antony Clark: In response to an earlier question, we spoke about the resource spending review being a helpful step in the right direction of giving certainty and confidence to local government about its future long-term finances.

However, there is still more to do to clarify how the financial flows will operate between the Scottish Government and local government, and what constraints, if any, might apply around how local government can use the money that it receives from the Scottish Government in support of local priorities.

Our understanding is that there is still quite a lot of work to do to identify a proper fiscal framework in terms of the mechanics of how it would operate, the level of autonomy it would give to local authorities and the control mechanisms that might apply. It is, to be honest, very difficult for us to sit here and say, other than in very broad terms, what that might look like.

Our assumption is that the fiscal framework will have to involve agreements on how national policy will be set and the role of local government in influencing and shaping national policy. Local government has in the past been critical, in that it perhaps sees scope for greater involvement by local government in setting policy in the first place. We are assuming that there will have to be some discretion and flexibility in using funding pots to support wider policy goals, so that local authorities are able to use money in more innovative ways.

What do I mean by that? Early learning and childcare might be an example. A local authority might feel that investing money that has been given to it to support early learning and childcare in non-traditional ways—not directly on early learning and childcare provision, but on family support or other approaches that will help to address the broader policy outcomes—might be a better way of using the money. Agreement on flexibility around how local policy and national policy can be linked will have to be an important part of that policy framework.

It will require a very mature discussion about the role of local government. The convener touched on the question of what local government is for. The debate has to be framed around the value that local government can bring in meeting local priorities at the same time as it supports delivery of key national priorities.

My sense is that that often works pretty well. If you read the press you would think that it is not working well, but through our audit work we have seen many examples of local government and central Government working productively together. For me, early learning and childcare is a good example of where there has been strong collaboration—not just around what the policy is trying to achieve, but around oversight and implementation—between leadership in COSLA and the Scottish Government.

The fiscal framework will want to draw on lessons on what has worked well in the past, as

well as dealing with ongoing challenges that we know exist between COSLA and the Scottish Government. I hope that I have given you a sense of what we think the shape of the fiscal framework might be, but the question is probably better put to COSLA and the Scottish Government, because they, rather than the Accounts Commission, will be designing it.

10:45

Miles Briggs: That is helpful. One of the key messages in the Scottish Government's spending review document is about strengthening that partnership. As we have heard from you, the success of local government lies in unlocking community action. The key question that I would like to ask you is: what needs to be strengthened within that partnership? Is it just to do with budget lines or is it to do with shared decision making in some of those areas?

To go back to my first question, local authorities now think that everything they do is ring fenced. As MSPs, we hear regularly from councils that the flexibility to decide local priorities has been taken away from them. Does the commission have any views about strengthening that partnership?

Dr Moyes: I will kick off, then my colleagues can come in. Local authorities can make a very good argument, but until they can demonstrate with really good data that their proposals are based on deep conversations with the local population and the bodies that represent their local populations, it is very easy for the Government to say, "We have heard what you have to say but we are not going to follow it".

One of the things that has to be strengthened in the system is dialogue. There has to be much better dialogue between local authorities and the populations that they serve. That would give the local authority community a much better ability to say to central Government, "We think this because it is reflecting the views of our population." It is a brave Government that tells whole populations that whatever they may think, they are going to be ignored.

Let me pass that across to my colleagues who have longer experience of the issue. Antony, do you want to kick off?

Antony Clark: Yes. It is absolutely clear that for the partnership to be effective, there has to be shared dialogue and shared agreement around what the national—[Inaudible.]—can mean at the local level. That means having different ways of constructing national policy and it probably means having different ways of involving local government in decision-making processes as well, recognising that local authorities are uniquely

placed to engage with communities and work with their partners to deliver local outcomes.

Nobody would disagree that it is perfectly reasonable for national Government to set national priorities, but it is also reasonable to accept that how they should be delivered at a local level might vary from place to place. Some difficult discussions around regional variation and flexibility of implementation will probably be required. Local government has sometimes felt that there is a one-size-fits-all approach: an assumption that what works in Glasgow will work in Orkney, Dumfries and Galloway or the Western Isles. There has been frustration in local government around the extent to which it is able to reflect local needs and local choices.

The other bit touches on the extent to which local government can and should try to make sure that, when it is implementing national policy, it is doing it in ways that are as efficient and effective as possible. There has to be some kind of dialogue around what success looks like and how value for money is measured.

The Convener: Thanks for that response.

Miles Briggs: Thank you—

The Convener: Sorry, Miles. Have you finished?

Miles Briggs: Yes. I was just going to hand back to you.

The Convener: Sorry for jumping in. I see that Willie Coffey and Carol Calder want to come in.

It has been a very rich discussion. I have a couple of questions on the local government and Scottish Government partnership. My questions are related to the Islands (Scotland) Act 2018, because I am a Highlands and Islands MSP. In the 2018 act there is a mechanism for the three all-island local authorities to request additional powers. However, such a request has never been made, despite the act being in force for several years. Have you looked at that and do you think that the mechanism in the 2018 act is fit for purpose? I am not sure who might want to pick that up.

Dr Moyes: Neither am I, I have to admit. Antony, do you want to kick off?

Antony Clark: Yes. As you know, we audit all the local authorities, including the Western Isles Council, Orkney Islands Council and Shetland Islands Council, so we have a pretty good understanding of their needs, and those of islands in Argyll and Bute as well.

I am not sure that I would draw any conclusions from the fact that that bit of the 2018 act has not been invoked yet. Community leaders and elected members of the island councils have been working

productively together to make the case for the—*[Inaudible.]*—and in policy making and delivery. I am not drawing any strong conclusions from the fact that that power has not yet been used.

The Convener: I have another quick question about ring fencing and drip-feed funding. I am keen to hear your views on lump-sum funding versus drip-feed funding. The issue is coming up again. I am aware that some smaller local authorities in particular feel the burden on officers' time of continuous funding allocations throughout the year from the Scottish Government, and feel the burden in areas that involve significant statutory duties and ring fencing, such as education. What impact could larger start-of-year lump-sum funding have on local authorities' ability to plan effectively?

Antony Clark: It is almost self-evident that if local authorities are given larger sums at the start of the year, rather than drip feeding throughout the year, it reduces the administrative burden on them, and it potentially gives them greater scope to plan with confidence. The bigger question is: how long a period are those lump sums for? The problem that we hear fairly regularly from local authorities is that the short-term nature of funding makes it very difficult for them to plan to recruit staff, to develop and implement services and to retain services.

That applies not just to local government, but to the third sector as well. I am sure that you will have heard repeatedly from the third sector that when local government is providing funding to the third sector, the short-term nature of that creates similar problems to those that local government experiences. There is an issue there around the medium-term to longer-term nature of the funding that is made available to local authorities, as well as the question of whether there should be lump-sum funding or drip-feed funding.

The Convener: Carol Calder, I noticed that you wanted to come in a few minutes ago. Do you want to pick up on a theme that we were talking about earlier?

Carol Calder: The conversation has moved on a bit, but I wanted to come in in relation to Mr Briggs' question about what needs to change in the relationship between the Scottish Government and local government. I agree with everything that Antony Clark said. As Antony described, local government has been uniquely placed, and what needs to change is that we should not view local government simply as implementers. Local government should be at the table in the design of and decision making on policy objectives, rather than coming in at the end, in terms of implementing—*[Inaudible.]* There is more of a role for that kind of engagement at that level. Local government and the Scottish Government should

to be round the table at that level, while policy is being developed.

The Convener: That is quite an important point. Willie, you wanted to come in with a question.

Willie Coffey: My question is for Bill Moyes and is about the levelling up fund, which is, as you know, a replacement fund for European Union funds. My other committee, the Public Audit Committee—[*Inaudible.*]—who will scrutinise and who will audit this. At the moment, either of the two Governments—[*Inaudible.*]—that there is a role for Audit Scotland or the Scottish Parliament in looking at that. Do you anticipate that, because of your closer relationship with local government, the Accounts Commission will be the body that will scrutinise and provide assurance about that fund and the spend across all the councils?

Dr Moyes: I would expect so, but it is not something that I have encountered yet. I ask Antony whether he would like to comment.

Antony Clark: The honest answer is that it is not clear at the moment how the audit arrangements will operate for the levelling up fund. That is a conversation that we are having with our colleagues at the National Audit Office, the Wales Audit Office and the Northern Ireland Audit Office. It is an uncertainty at the moment, to be honest.

I would probably make a distinction regarding the technical auditing of the funds as they flow through from the United Kingdom Government to Scottish local government or, indeed, to any other part of the Scottish public sector. That responsibility might rest not with the Accounts Commission, but with the National Audit Office. Even if that is the case, it is likely that the Accounts Commission will take an interest in how local authorities are using that funding to deliver better outcomes. It will have an audit opinion on the accountability and the sign-off of where that money has gone. The commission may well want to take a view on whether that funding is making a difference, as part of its wider interest in local government and whether local councils are delivering on their best-value duty and improving outcomes.

Willie Coffey: So it is still unclear. Thank you.

Antony Clark: It is.

The Convener: It is a work in progress. Thanks, Willie, for that question.

We have come to the end of our questions, but I want to hand back to Bill Moyes. Do you have any closing comments? Maybe we have not covered something that you want to highlight. I would love to give you time to do that.

Dr Moyes: Thank you very much, convener. There is not a lot I want to say, because we have

covered a lot of ground. It has been—certainly for me—a very interesting session.

The thing that has come out of it most of all is the need for local authorities to not just complain about the pressures that they are under—although I would admit that they are entitled to complain at times. They also need to put a lot of effort into planning and consulting the populations that they serve. The stronger the feedback they can get from the populations that they serve, the better placed they are to make an argument to the Government about how they should be funded and how they should be overseen. That is the one point that I would like to leave you with. The key question of the future role of local government can be answered only by talking to the populations that local authorities serve.

The Convener: Thank you very much for underscoring that. That point certainly did come out in the session.

It has been a really rich discussion. I am glad that we have this relationship with the Accounts Commission and that we are going to be seeing you at least annually. I find that the overview reports are very helpful for us to understand what is happening in local authorities. I have also been finding local authority reports for my region very useful.

I thank all of you who have taken part today and helped us to understand more of what is going on at a deeper level.

As that is the last of the public items on our agenda, I close the public part of the meeting.

10:57

Meeting continued in private until 11:29.

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