



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Local Government, Housing and Planning Committee

**Tuesday 13 December 2022**

**Session 6**



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**Tuesday 13 December 2022**

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**LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE**  
**32<sup>nd</sup> 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:**

Councillor Euan Jardine (Scottish Borders Council)

Councillor Shaun Macaulay (North Ayrshire Council)

Councillor Shona Morrison (Convention of Scottish Local Authorities)

Councillor Alex Nicoll (Aberdeen City Council)

Councillor David Ross (Fife Council)

Cleland Sneddon (Society of Local Authority Chief Executives and Senior Managers)

Councillor James Stockan (Orkney Islands Council)

Sarah Watters (Convention of Scottish Local Authorities)

**CLERK TO THE COMMITTEE**

Euan Donald

**LOCATION**

The David Livingstone Room (CR6)



## Scottish Parliament

### Local Government, Housing and Planning Committee

*Tuesday 13 December 2022*

*[The Convener opened the meeting at 09:01]*

#### Decision on Taking Business in Private

**The Convener (Ariane Burgess):** Good morning, and welcome to the 32nd meeting in 2022 of the Local Government, Housing and Planning Committee. Mark Griffin and Annie Wells are joining us remotely today. I remind all members and witnesses to ensure that their devices are on silent and that all other notifications are turned off during the meeting.

The first item on our agenda is to decide whether to take agenda items 3, 4 and 5 in private. Do members agree to take those items in private?

**Members** *indicated agreement.*

## Local Governance Review

09:02

**The Convener:** Under agenda item 2, the committee will take evidence on the local governance review. We will hear from two panels of witnesses. First, we are joined online by Councillor Shaun Macaulay, deputy leader, North Ayrshire Council; Councillor Alex Nicoll, co-leader, Aberdeen City Council; and Councillor James Stockan, leader, Orkney Islands Council. We are joined in the room by Councillor Euan Jardine, leader, Scottish Borders Council; and Councillor David Ross, leader, Fife Council. I welcome our witnesses to the meeting.

Committee members will direct their questions to specific witnesses where possible. However, if anyone else wishes to come in, please indicate your desire to do so to the clerks. Those who are participating remotely can do that by typing an R in the chat box in BlueJeans.

I will begin with a question to set the foundation of our conversation, so I will direct it to all of you. Thinking broadly about the current challenges that local government faces, I would be interested in hearing about some of the biggest challenges that your local authority faces and what you would like to see in this week's budget to help to address them and improve outcomes in your local areas.

I will start with somebody who is in the room and then go to the folks online. Would David Ross like to start? It looked like you were ready to go for it.

**Councillor David Ross (Fife Council):** Actually, I was hoping that you would avoid me.

To kick off, the obvious concerns are about the certainty and sustainability of funding. Our three top priorities in Fife are tackling poverty, supporting the local economy and addressing climate change. Obviously, all of those have been affected by the pandemic and a cost of living crisis. We have to continue to put support in place for our communities, as we did over the pandemic.

The funding issue is probably the key one. In the context of today's discussion, the issues are around funding sustainability so that we have certainty and sustainability to continue to provide services and to meet new and emerging needs, which has not been the case for a number of years, and removing the ring fencing and direction that we have. The other big challenge is in recruitment and retention in a range of areas. I am sure that we will get into the uncertainty around the national care service and the immediate winter pressures on health and social care as well as the longer-term future in more depth, but I will stop there and let others in.

**The Convener:** Thanks very much for going first. It is clear that those issues are on our minds, as well.

I will move to somebody who is online. Would Shaun Macaulay like to tell us about the biggest challenges and what he would like to see in this week's budget to help to address them?

**Councillor Shaun Macaulay (North Ayrshire Council):** I imagine that my remarks will be pretty similar to what all the witnesses will say.

Financial uncertainty is the biggest concern for us. On Thursday's budget, there is almost a perfect storm, because there is huge rising demand and an ever-challenging financial outlook. We will be looking for funding to address the priorities of North Ayrshire, and our priorities are pretty similar to those of other people: poverty, climate change and local democracy. We are looking for a budget that will support us locally to meet needs.

I know that the review has been delayed, but it is timely, given the situation that we are in and that we are all thinking about what local government is and what local governance is. We are looking for increased financial flexibilities from the Government to allow us to meet our local needs. We are open to a discussion, and I know that the Deputy First Minister has indicated that he is willing to listen to local authorities on that. We have certainly been in dialogue with them to sound out some of the ideas that we have about that. That is what I am looking for on Thursday. I hope that we can get into a wee bit more detail on that as the discussion moves on this morning.

**The Convener:** Thanks very much for that, Shaun.

I will bring in Alex Nicoll. Alex, you can add new things, but do not feel that you have to. What are the challenges, and what would you like to see in the budget?

**Councillor Alex Nicoll (Aberdeen City Council):** I think that all the witnesses will answer that question in an extremely similar way, because, ultimately, it will come down to the impact that the budget will have on councils. We all agree that it is probably helpful to have a road map on what local government financing will be, but, unfortunately, as Councillor Macaulay pointed out, we have hit the perfect storm. We have seen rocketing inflation and a huge increase in demand for our services at a time when we face real-terms reductions in our funding.

All of our councils probably have similar priorities. I think that everybody will put poverty, climate change and their local economy high up on a list of services that we need to provide, but the cash crisis that we face is absolutely huge.

Councils have faced Covid and have come into a recovery period, but we have now encountered economic circumstances that we simply cannot deal with through our reserves and other policies that we normally have in place. The big challenge will be in how we help local government to deliver on all the policies and procedures that we want to see in our country.

**The Convener:** Thanks very much for that. Out of curiosity, your local priorities are the climate, poverty and what else?

**Councillor Nicoll:** The local economy. Obviously, the north-east of Scotland has a very energy-based economy, and that impacts hugely on how we fit into the national economy, because energy is a key factor in driving growth.

**Councillor James Stockan (Orkney Islands Council):** Good morning, and thank you for giving us the chance to give evidence from the far north.

Of the two top risks on our risk register, the financial package that we get from Government is, funnily enough, only number 2. Number 1 is the sustainability of our ferry fleet. We are speaking about four times our budget—over £400 million—for us to replace our ferry fleet with new ferries and infrastructure. That is absolutely critical, because our internal ferry service is, on average, older than the CalMac Ferries service. Vessels are getting holes in their bottoms and becoming unsafe. Therefore, our biggest request to the Government this year is to give us a mortgage over the next 30 years to replace those ferries and the infrastructure, or else we will be in real jeopardy.

Beyond that, although Orkney Islands Council is the smallest local authority, we look at ourselves in the suite of the three island authorities that are more or less of a similar size. However, Orkney is getting £375 per person less than Shetland and £698 less than the Western Isles this year in cash terms, after all the machinations of the formulas. My other request of the Deputy First Minister, therefore, is that something be done about that this year, because we are the canary in the coal mine: our services are stretched, and we are at the point of failure.

**The Convener:** Thank you very much for that and for raising the very important issue of the ferry fleet.

**Councillor Euan Jardine (Scottish Borders Council):** Thank you for the invitation to come along and speak this morning.

We have a lot of themes that are similar to those of other councils—that will not be a shock to anyone in the room—but Scottish Borders Council is a very rural authority. We have two major towns: Hawick and Galashiels. Galashiels has a train link,

which is fantastic and has really re-energised the area, but the public transport to other areas in the Scottish Borders is a real concern. We have piloted a service called Pingo in Berwickshire, through which people can basically dial a bus. That is helping a lot of people. At the city region deal meeting a couple of weeks ago, people talked about how that has helped employability. However, that is in Berwickshire, not the Scottish Borders. If a person is not in Berwickshire, they really are struggling for employability.

Another issue is loneliness. The Scottish Government and councils need to look at that, post-pandemic. I read a stat from Harvard University or Stanford University—one of the big universities in America. It stated that loneliness can age people more quickly than smoking. That is devastating in rural areas. We should not be going through that in 2022, 2023, 2024 or going forward. We can tackle rural loneliness with better public transport and better ways in which people can get around. That is essential for us. We have to make tough decisions. Should we cut a bus or not cut it? Buses are lifelines for people to get out and about into the major hamlets and towns such as Galashiels and Hawick, and to have connectivity to Edinburgh.

Funding for leisure trusts is another issue. I am sure that every council will be the same. We are having to look at different ways of funding and helping leisure trusts because of the energy crisis. That is costing £300,000 or £500,000 that they had not put into their funding packages or their budget. They are being hit very hard by that. That means that swimming pools and gyms will close, and that means that the health of the country and of the region will go down. In turn, that means that the national health service will be even more burdened. Therefore, it is really important that we support leisure trusts and public transport.

Someone talked about health and social care. There is a carer crisis in not just my region but the country. Social care needs to be delivered, and it must be given local priority. In a rural area, carers are at a house for 15 minutes. That is not really giving much care. They then jump in a car and go somewhere else. It is very difficult to attract carers to that occupation. We really need to work on that. We need money and flexibility to deliver better there.

09:15

Apart from copying what everyone else has said—everyone has made clear points about their priorities—I can say, coming from a rural area, that that is vital and that getting job stimulus and keeping people through retention are even more vital. We call it brain drain: young people leave to go off to the city, and they may come back later in

life. Can we keep them in the Borders so that they grow there, and so that they are born in the Borders, stay in the Borders and retire in the Borders? That is what we are looking for in the Scottish Borders—the creation of that economy. For us, there is that rural issue, and we need funding.

**The Convener:** Thank you very much for that: it certainly brought something new. As a Highlands and Islands MSP, I definitely recognise some of the issues that you outlined.

I will move on to talk about the new deal for local government. I am interested in hearing about what you would like to see in the new deal between the Scottish Government and local government, and about how a deal could improve outcomes for the individuals and communities that you represent. I will start with Councillor Nicoll, who is online, then I will go to Councillor Jardine.

**Councillor Nicoll:** Thank you very much, convener.

First, we need to be more involved when proposals come forward and are still at their formative stage. There is often a justified feeling in local government that we are being presented with a plan that we have not necessarily fed in to.

In this discussion, we have already heard from the five councillors that our areas are very different, that some of our problems are very different and that, at times, the solutions to problems are very different. When we are involved from the beginning of the process, we can contribute to there being better outcomes, better policy and a better steer on where we want to go. However, if we are involved only once plans have, essentially, been formulated, I think that it is very difficult to change those plans and we do not necessarily get the best outcomes, because what works in the Borders does not necessarily work in Aberdeen or for my colleagues in the Highlands and Islands.

Scotland is a very diverse country. The local authorities that represent the population have unique problems, and no one solution fits everyone. That is a key point that we need to pick up in our movement to work more collegiately. We have to understand that what works in Glasgow does not necessarily work in the Highlands and Islands or in Aberdeen, so we must have flexibility built into our discussions.

**The Convener:** Thank you very much for that. Councillor Jardine, what are your thoughts on the new deal for local government?

**Councillor Jardine:** My thoughts are very similar to those. People in Kirkwall, Kirkcaldy, Kilmarnock and Kelso have very different needs, but they are still in Scotland. We need to

remember that the 32 local authorities that make up Scotland are Scotland, and that Scotland's reputation comes from the local authorities.

Wherever you go, reputation depends on whether you see clean streets, for example. During the Edinburgh fringe festival, when the streets were dirty and bins were not being emptied, we found that the reputation of Scotland quickly plummeted on the international stage. You could see people from Canada on the news saying, "Oh, I didn't expect it to be like this". Who looks after the bins? The local authority. That is key. The Scottish Government has its place and delivers things, but the local authorities deliver on the ground.

As part of the new deal, there needs to be recognition that local authorities know what is unique to their places. I know nothing about what goes on in Kirkwall, and I do not know about Kirkcaldy or Kilmarnock, but I can tell you about Kelso. That is important. We know what is going on in our local authority area. Every one has a unique culture.

Scotland is a great country, and we have our identity as a country, but we also all have an identity based on where in Scotland we are from. That should be the new deal: everybody needs to be round the table, thinking about that and saying, "Okay, how does it work there?" We need flexibility to deliver different things.

As I said earlier, public transport for us in the Borders is very different from public transport in Edinburgh, where you can get a bus every 20 minutes if you are going out to Currie or coming back into the city. If you are going to Galashiels, however, you might not be able to get a bus for hours. It is, therefore, essential that we get it right. Every local authority has its differences. We are Scotland, but we are all very different. That needs to be taken into account. We cannot always be cut with a cookie cutter or put through the same machine.

**The Convener:** Thank you very much for that. It is certainly one of Scotland's richnesses that we have such diversity across the country. Does anyone else want to comment on the new deal for local government?

**Councillor Ross:** I am not quite sure about the microphone.

**The Convener:** You do not need to touch your microphone. We have a wonderful person here to operate all that for us.

**Councillor Ross:** Thank you very much.

If we are to go forward, we need a degree of honesty. A good relationship between central Government and local government benefits us all, and all our communities. We need to look at this in

context: we are not starting with a blank sheet. There is huge suspicion in local government, based on our experience over the past 10 years of the Scottish Government's approach. It seems to many of us in local government that the Scottish Government talks about partnership only when it suits it. Otherwise, we tend to be ignored. When I look back over the past 10 years, and not just at the financial issues, which are huge, I see increasing centralisation and disempowerment of local government.

We could start with the removal of police and fire service personnel and have an argument about whether that was good or bad. There has also been increasing involvement in education, with the establishment of regional collaboratives that bypass councils and go straight to schools with pupil equity funding. That has reduced the ability of councils to make strategic interventions in education.

The Community Empowerment (Scotland) Act 2015 posited councils as a barrier to community engagement, which is the exact opposite of what we are about. It seemed to suggest that communities need to be protected against councils. The local governance review almost started off by asking, "What can we take off local government and give to the third sector? What could it do better than us?"

We are now having the debate about the national care service, which seems to be about removing responsibilities and, possibly, significant numbers of staff and assets from local government. For many of us in local government, the underlying premise seems to be that local government is a problem, whereas—as we saw during the pandemic—local government is the solution to many of the problems. People rely on our delivering in our communities to support them. We need to look at the matter in that long-term context.

If you are asking me about what it would take to make things work, I would say that the fiscal framework is fundamental. It is about having a decent sustainable level of core funding. Things such as a tourist tax and parking levies are fine, but they are no substitute for core funding. Ring-fencing of elements need to be removed. There needs to be genuine joint setting of priorities that are deliverable and realistic, rather than priorities just being imposed on local government. As others have said, recognition of diversity and different solutions in different places is needed. That is where I am coming from.

**The Convener:** You said that we are not starting with a blank sheet and that there is huge suspicion. If there is suspicion, we need to build trust. Would the three things that you outlined—core funding, removal of ring fencing and joint



setting of priorities—help to ease the suspicion and help us to move towards trust?

**Councillor Ross:** They would certainly help. We have been talking about fiscal frameworks and so on for years, but they have never been delivered, so there needs to be a demonstration of good faith from the Government, parts of which are funding and longer-term planning.

**Councillor Stockan:** I will absolutely reiterate that everything must be built on trust if we are to get anywhere with a new deal.

The other big aspect is that we have to reduce bureaucracy. Orkney is the smallest council, but everything that we do has to be reported at the same level as large councils must report. That is absolutely debilitating when we want to make sure that we provide services.

Also, a new deal must promote success and celebrate achievements. Local government has had reduced budgets for years, but the number of things that we do in the community has continued to increase and services have been sustained in ways that the public do not know about. We must get away from always criticising when there is failure. We must make sure that we can get through times of failure, but we must get the message out that we are very successful in delivering services.

**The Convener:** I agree with that. When I talk to people where I live, I find that most people seem not to understand what their local authority is giving them, and they tend to move to conversations about the national Government. We need to do some work to gain respect and understanding of what is delivered at the local level, in the minds of people in Scotland.

I have another question; I will stick with the new deal. The recent update from the Scottish Government to the committee spoke about agreeing a new deal in advance of the coming financial year. Is that a realistic timescale? What needs to be agreed before a deal is struck? That timescale feels tight.

**Councillor Macaulay:** I would welcome a new deal coming in the next few months. I am a bit sceptical about whether we can get there and make it meaningful. It is more important—I am sure that all colleagues across Scotland would say this—that we get the new deal right and that, if that takes a little time, so be it. The principles are there. Obviously, we have had the Community Empowerment (Scotland) Act 2015, which talks about financial flexibilities and things like that, so the bones of a deal are there. We just need to have a more open discussion.

Right now, the budget is the priority locally and nationally. Once that is delivered and done, we

can have a decision, but I am not sure whether that will be delivered by the end of March. I need to see a little more detail on how that will work. The new deal will need to go through the Convention of Scottish Local Authorities, and we will need an opportunity for to-ing and fro-ing. I do not know whether we would achieve that, if we were to push something through. A new deal would certainly be welcome. It is high time that we had in place an agreement that both local government and the national Government can be comfortable with.

**The Convener:** Councillor Ross said that we have been doing this for the past 10 years. The local governance review has been going on since 2017, so maybe the conversation has been happening. As you said, we have the pieces and elements of the conversation, so it could be that things could move quite quickly if we could build trust and have the dialogue that you are talking about.

**Councillor Nicoll:** I agree with Councillor Macaulay. We face a tight timeline, and I am not totally convinced that that is achievable before the start of the next financial year. Later this week, councils will have to take on board what the Deputy First Minister says about the budget process.

Processing that into our financial profiling will, in itself, take a bit of time. It will probably be the major thing that most council leaders will be involved in. I am concerned that we might be setting an arbitrary point in time, whereas we should perhaps be saying that we need to have the discussions and that, if the process takes slightly longer, so be it. I am sometimes not a great fan of saying that we want to do something by a given point on the calendar because, for all sorts of reasons, issues might arise that deserve and require further inquiry, research and input.

09:30

I am not totally convinced that we should simply say that we should be there by the new financial year. I am not convinced that all 32 local authorities will be in a position to say that they are content. It is important that we take all 32 local authorities with us on the journey.

**The Convener:** Thank you very much for that perspective. We will move on to a different theme. Thank you very much for your contributions so far.

Willie Coffey will pick up on the local governance review.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Good morning, everyone. Forgive my croaky voice this morning.

I want to take you back to the local governance review, which I understand kicked off in 2017, with most of the work being done in 2018-19. It was then paused, for obvious reasons, because of Covid. I want to get a few sentences from each of you about what you think has been achieved in the local governance review to date and whether you are satisfied with, if not the timescale of the progress, the content and delivery of what has been discussed. I will start with Councillor Ross.

**Councillor Ross:** I perhaps have a wee bit of a jaundiced view of that. At the start of the process, there was real concern that the review would take things away from local government. I think that, in the discussion and case that COSLA put up, we kind of moved away from that. My view is that, regardless of the pandemic, and even before the pandemic, the review was losing impetus a bit and it was COSLA that was trying to revive it and saying that we need the three empowerments—functional, fiscal and community empowerments.

If we can reinvigorate the process, I hope that it will concentrate on those, because magnificent examples of all those kinds of things, particularly community empowerment, are going on in all councils. We need to build on that. It lays the foundations for some kind of new deal going forward, if that is what we are going to achieve.

**Councillor Jardine:** Councillor Ross has gone through many of the points. We need to remember that it is a review of governance, not government. A key thing to remember is that it is about how we deliver on the ground and make it more efficient. I want to flip back to the point about trust. We need to look at the review and ask what it wants to do. Does it want to rip everything back out and centralise everything, or does it want to give us more autonomy, flexibility and opportunity to deliver on the ground?

Again, it goes back to trust, which is maybe the key word to come out of this morning's session. Do we trust that the Scottish Government will review the situation appropriately, or will it review it and say, "If we just slice that away from local authorities, they will not notice"? The issue of trust is important.

**Willie Coffey:** Councillor Macaulay, has there been progress since the governance review was started? Could you share a few thoughts with us?

**Councillor Macaulay:** Given the role that local government played in response to the pandemic, it is timely to have the discussion at this point given the establishment of a lot of things during that time. Certainly in North Ayrshire, we were probably in a good place to deal with the pandemic, given the work that we had done previously on community empowerment. We talk about trust in local and national government, but

there is also the element of communities trusting local and national government. The pandemic and the response to it—how we got into communities, worked with them and co-produced many of the services that supported people during that time—built a lot of trust that we might not have had previously. A key factor that we need to remember is that trust is also with our communities, and we are in a good place in that respect just now.

**Willie Coffey:** Councillor Stockan, can we have a few comments about the governance review from your experience?

**Councillor Stockan:** We did not have a good experience of it. We were one of the pilots that were suggested for developing a single island authority model. We made significant progress here, with the whole of our health board agreeing, along with the council, to a different model to take to the Government, but the shutters came down when we met members of the Cabinet, particularly the former health secretary, and it went off the pitch.

Developing a single island authority was in the programme for government in 2017, and we still see that as the best way for us to promote integration. We cannot see how the national care service—having another body on an island—will work. We are keen for the review to be reinvigorated, but we were disappointed that all the effort that we put in came to nothing.

**Willie Coffey:** Councillor Nicoll, lastly—to save the day—in your experience, did anything positive come from the local governance review?

**Councillor Nicoll:** Yes, it did. Colleagues have pointed to community empowerment, and that has been a major area where we have absolutely made good progress. The work that we did in the run-up to and through the pandemic served us well. The whole country faces new economic challenges, but we are in a better place than we might otherwise have been. There is a positive to be taken from that.

**Willie Coffey:** I have one more question, which arises from the discussion that we have had. In part of the discussion in the review, did we give communities the expectation or impression that more power and funding were coming down the line? What direction of travel should we head in as we move towards concluding that? I will start with you, Councillor Nicoll, because you are on screen.

**Councillor Nicoll:** There is more to do, but we have begun the journey. Communities are seeing improvements and connections with local government in all sorts of things that we are doing to empower our communities in terms of seeking advice and consulting more. We have not completed the journey by any manner of means, but we are on the correct road. I am sure that local

authorities across the country are at different stages of that journey. I can speak only for Aberdeen City Council, but we have begun a positive journey. It is about engaging with our communities. Although we may not have achieved everyone's expectations yet, we are certainly on the right road and are taking communities with us on that journey.

**Willie Coffey:** To save us from going round the whole panel with the same question, does any of our councillors have an alternative view on the expectation of more power and more funding? Is that a good thing to promote? Should we carry on with that line, or should we be cautious about it?

**Councillor Jardine:** We recently produced an admin policy plan, part of which is about community empowerment and how we can utilise communities more effectively. More needs to be publicised: communities can make a big impact. We saw the difference during Covid, when resilience teams popped up all over the place in communities. They were ready, and that gave communities an appetite to say, "We can play into the bigger system. We can be part of the wheel that goes round." Anything that can be done to support communities should be done.

Someone said that it is about communities trusting government. Trust needs to bounce back down—we need to trust communities more than they need to trust us. That is important—it is about trust filtering down. Yes, more can be done. The journey has started but, when Scottish Borders Council started on it, we often did not know in which direction to go, where to utilise the approach or how to do it. It is a journey that is still in progress. To hit the right spot, there must be more conversations between communities, national Government and local government.

**Councillor Ross:** I have a couple of observations on that. Everyone is right about the pandemic: it was all hands to the pump. Local authorities supported communities and worked well with them, and we want to capture and continue that as we get back to business as usual.

On community empowerment and the local governance review, I detect that there was probably an expectation in the third sector and community groups that, because of the squeeze on local government, they would not get much from there and that, if there was an opportunity to have a direct relationship with central Government, they might get more from it, which I would say is short-sighted. We have had a culture of partnership and community involvement in Fife for many years, going back to reorganisation.

I have two other points. First, again, it is not just about local government. For instance, it was a shock to the health service that it was subject to

the community empowerment powers of participation in relation to the closure of an out-of-hours service. A community requested the right to participate in that decision, which was a shock to the health service. Let us not concentrate just on local government. If we are talking about public service as a whole, we need to look at those areas.

The other element is participatory budgeting, of which I am a great advocate. However, the Scottish Government made a mistake in imposing the arbitrary target of 1 per cent, because that encouraged local authorities to look at achieving a target rather than embedding the culture of participation and winning the case that it is a good thing. If there had been more discussion on that and more flexibility to work in that area, we would have got further with it.

**Willie Coffey:** Councillor Stockan or Councillor Macaulay, do you have any final comments on that?

**Councillor Macaulay:** I will come in on the initial question about funding and power. We have always tried to be as transparent as possible with our communities. Obviously, that is difficult when we are uncertain about what funding lies ahead of us as well. It goes back to the trust element. Sometimes, communities see us as being underhand, when that is not really the case, and the fact is that we are trying to be as transparent as possible.

We have been on a journey to reimagine what people think of their local authority. We cannot be all things to all people all of the time. We see ourselves as facilitators in some of the work that we do but, again, trust comes with that. We have to trust local authorities to make good decisions in the communities in their area and to find out what will work in a particular community centre or town centre. That is where we want to be.

In North Ayrshire, we used the Community Empowerment (Scotland) Act 2015 to establish locality partnerships that split the authority into six localities. There were councillors and community reps on those, and there was funding behind them so that they could fund their local priorities. That has built trust locally. As we look ahead, we are trying to reimagine what the locality partnerships will look like. I hope that, through the new deal and the new powers coming to local government, we can empower locality partnerships to make some of those decisions, which will be a real strength for local government.

09:45

My final point is about participatory budgeting. North Ayrshire might have been the only council to achieve that target of 1 per cent. We did that not

just through participatory budgeting, which is great, but through other mechanisms. We allowed locality partnerships to have power over streetscene budgets so that people in a community could decide whether they wanted flowers or trees planted, extra car parking spaces or car parking spaces taken away. That is real community empowerment in action.

**Councillor Stockan:** I will say just a word from the islands. We are already at the size that other authorities might think of us as their communities. Our authority is a little bit like the communities that other authorities are trying to reach, but we are even more granular than that, because we have a fantastic community council system below us, and we have a great degree of parity of esteem with them. We reach into the smallest areas. When community empowerment came along, we believed that we were already doing it on the islands. We want to make sure that we can show those examples, because we think that we have something that can benefit other places.

**Willie Coffey:** Thanks very much for that, everybody—it was very helpful.

**The Convener:** The next question is from Annie Wells, who is joining us online.

**Annie Wells (Glasgow) (Con):** Good morning, everyone, and thanks very much for coming. Everyone has touched on community empowerment, and my question is based on that. How can all communities, and the people who are in them, feel that they can influence decisions in a local area? In particular, what impact can community empowerment efforts have on more deprived communities? How has that worked out in recent years?

**The Convener:** Do you want to direct your question to someone? Pick on someone first.

**Annie Wells:** I will pick on Councillor Macaulay because he mentioned the trust and transparency element.

**Councillor Macaulay:** That is a really important point. One of the things that we say in local authorities is that you always get the same people volunteering to do this, that and the next thing. However, we need to reach more marginalised communities, by which I mean those with high levels of deprivation and people with disabilities, as well as other people who do not necessarily want to come forward.

I talked about how we developed the locality partnerships and I said that there are 10 community reps and 10 councillors on each, so there is parity of esteem in that way. Even in the partnerships, we went into communities in towns and to community centres and invited people along, because we wanted to say, “Yes, we can

come together as a town, but there are different communities in this town.”

The key point that people always make to us is that they are not going to come to these things or give an opinion if we do not act on what they say; they say that we need to show them that we are acting on things. We have always tried to evidence that we are doing that and are listening to people.

The thing is that we do not have solutions to all the problems. Solutions need to come from people, who can tell us, “This is what will work best for us.” We can come up with great plans, but, if we do not have community buy-in, they are not going to go anywhere.

Another example of what we have done in North Ayrshire is the establishment of child poverty boards, which are now scoping out to becoming wider poverty boards. We decided to take a thematic approach in those.

Rather than council services coming together, we held what we called mini-inquiries, which are not exactly like citizens’ assemblies but are the same idea. We invited parent councils and people from community centres to come along and tell us what they thought about accessing the council. We asked them where they thought the council should be based. One of the things that they told us was that we should be based more in schools, because that is where a lot of people go.

We are now doing work on reimagining what we can offer people in their local communities. That has been a real help to us. That co-production of services will mean longer-term, better outcomes for people.

**The Convener:** Does anybody else want to come in on Annie Wells’s question?

**Councillor Jardine:** Councillor Macaulay touched on conversations. When I took over leadership, I went around all 11 wards in the Scottish Borders with the chief executive, directors and other ward members of that ward on a summer tour that we called “community conversations”. We got feedback straight away from those community conversations. People were expecting that we would sit on a stage and that they would bring out a big list and rant at us. When we said, “No, it’s one-to-one conversations with the people who make the decisions at the council”, they were shocked, because that had never happened with the council.

We had sat—not on an iron throne but in chamber—for a long time, without going out and speaking to people. Now, at full council on Thursday, we will consider a paper that will declare the issues that need to be considered as part of the budget process, and the realistic prioritised plan that will have to be developed to

assist community councils and their area partnerships. The feedback will be shared with area partnerships and community councils, and we will consult with them to deliver the aims for 2023-24. We will be doing that again in the spring of 2023. That is important. It lets communities know that we are coming to speak to them.

We talk about local areas and deprived areas, and we talk consistently about how we have areas of deprivation, but, every year, it is the same question: how do we help areas of deprivation? We need to start tackling the issues in those areas of deprivation by going into them and saying, "What is needed locally?" We find that the communities in areas of deprivation are, more than likely, the best in the region—they are together, and they hold their own fairs and festivals, for instance—but sometimes they feel disconnected from the big wheel and the big things that are going on. It is important to get into those communities and have the conversations. We cannot make the world change overnight, but, bit by bit, we can. The people who know the community are those who live in it. We need to remember that. Community conversations are the main starting point for getting into communities and listening.

**Councillor Nicoll:** I want to follow up on what colleagues have said. At times, we have to take this down to a granular level, because, historically, some communities have not trusted any form of government. A lot of work has been done in communities. That is not even down to community councils, however, because it goes beyond that. Here in Aberdeen, we have progressed our local outcome improvement plan to the point at which we can go out into communities with very senior officers to do walkabouts, speak to people and listen to what they say they want for their street and their community.

Earlier, some colleagues talked about schools being seen as hubs and about trying to use them and locating various services there to pull the community in. Community councils, although they are valuable organisations, often cover quite large areas and, within those areas, the people who live there see themselves as part of one of a number of disparate communities. That is the level that we have to get down to in order to get proper feedback from the communities that we are seeking to serve.

I am sure that there are other towns, cities and places across the country that have done the same kind of work that we have done. We need to get down to that level in order to start getting proper feedback, because there is a historical barrier that needs to be broken down.

**The Convener:** Does anyone else wish to come in? I am happy to move on.

**Councillor Ross:** Our experience mirrors what has been said. It is about getting down to a fairly local level. In Fife, which, I think, is the third-largest local authority in population terms, we have seven area committees to get down to that local level. Each committee has a different approach, which depends on the circumstances in its area. In some of the urban areas in particular, the area committee works with tenant and resident associations, and there are housing participation officers to offer support.

One of the issues that we face—again, it is a function of the cutbacks that we have had to impose—is that there is a lack of community development support in some of those communities to assist with capacity building. One of the initiatives that we are trying now is a community social work approach, going back and recreating what was going on in the 1980s in some areas. That seems to be bearing some fruit, so we hope to scale that up and expand it.

**The Convener:** Thank you for that. I am keen to move on. I will bring in Mark Griffin, who is joining us online, who will start the conversation about funding and the fiscal framework.

**Mark Griffin (Central Scotland) (Lab):** COSLA talked last year about the lack of fiscal empowerment of local government, reduced core budget funding and too much ring fencing. I wonder whether the witnesses recognise that situation and the impact that it has on the delivery of local priorities. Are we essentially moving to a system where councils can afford to deliver only their statutory functions and what they have been given ring-fenced funding to do, without any consideration of local priorities? I will come to Councillor Jardine first, as he touched on that in earlier answers.

**Councillor Jardine:** The flexibility to do what we need to do and deliver for our region is vital. You are right: I talked earlier about how everyone is different across the country. We are Scotland, but we are unique local authorities, and it is important to have the flexibility to deliver. Last year, we had £100,000 spare to look at local priorities. It was not a recurring £100,000; it was only for that one year, so we could only put in a project that would work for that year and then move away. If we had the ability to stretch that and deliver on a continuing basis through which we could have consistency, that would make a real impact.

If we want to raise funding, we have to raise the council tax. If we raise the council tax, we are impacting on people's lives in a cost of living crisis. It is important that we have the flexibility to deliver priorities.

I have put forward my admin policy plan; I hope that we can get a lot of that done through good work, being inventive and delivering on services. However, it is hard to deliver priorities for local government and local authorities that are key to our areas when we are getting tied down and hamstrung with things that we are forced to do under the Scottish Government's priorities. There is a vast difference. A 50:50 split would be fantastic—that might be the way forward—but we need to have that opportunity to release and use the skill sets that we have at local government level to deliver in the communities what people want and what they are looking for.

**The Convener:** Does anyone else want to come in on that?

**Councillor Ross:** There are three aspects that I want to highlight in that overall financial picture. First, as demonstrated by Audit Scotland, local government has had a 4.2 per cent real-terms cut in core funding since 2013-14, unlike other parts of the public sector. If you look back historically to what local government's share of funding has been, you will see that it has been reduced dramatically. Even taking out the police and fire services and the recent social security changes, since 2012 or so it has been reduced from 30 per cent of the Scottish core budget to between 24 per cent and 22 per cent. That is the level of cuts that we have seen.

Secondly, if half the budget is for education and there are limits to the savings from cuts that you can make in education and another 10 per cent or 15 per cent is for social care, which is under enough pressure, the cuts then fall to that last third or so of services. A lot of those services, including statutory services, such as street cleaning and grounds maintenance, have been cut to the bone.

10:00

The third element is ring fencing, which not only constrains local authorities from putting money where we feel it needs to go, but increases bureaucracy, reporting and monitoring. This year, the COSLA leaders group has had to look at the distribution of over 70 funds and small pots of money—last year, we looked at over 100. There is no good reason why a lot of those funds could not be consolidated and for local government to be trusted to deliver on those things.

**The Convener:** Yes, across the funding landscape there seem to be quite a few pots of money, and it feels as though things need to come together a bit more.

**Councillor Stockan:** I just want to continue on from Councillor Ross's comments. For us, on the smallest budget, by the time the ring-fenced or directed funding is carved up, the quantum that we

get is very small and the requirement for the bureaucracy of reporting is often completely disproportionate. In areas such as ours, where we have single dependencies and small teams, we end up with the staff having their attention taken away from delivering the services that they should be delivering for better outcomes for the public.

I absolutely concur that we need to find a new *modus operandi*. I cast my mind back to the concordat, which was decided very quickly, and that released us into a place where we focused on outcomes. We need to reinvent that or look at it as quickly as we can.

**Councillor Macaulay:** Just to go back to the original point, all local authorities have highlighted that it will be a challenge to meet our objectives this year given what we currently know and have, although, obviously, that might change on Thursday. One thing that we have long spoken about is the need to have the powers locally in order to meet our needs, which, right now, we will struggle to do.

I want to highlight the context in which the budget is being set out and in which we are setting our budgets. We have had record inflation, and obviously then had to set pay awards to meet the demands of our workers, which was absolutely the right thing to do. That has put financial pressures on other areas of our budget and the Scottish budget. It was the right thing to do, and, when we are talking about the financial settlement, we absolutely must have conversations not only with the Scottish Government to highlight the challenges that we face but with other spheres of government, such as the United Kingdom Government, and say, "Look, this is the context we are in just now in Scotland." We need to reimagine how we fund all our local services from all spheres of government.

**Councillor Nicoll:** The thing that always strikes me about ring fencing is that we impose a set of rules that do not always fit every council across the nation. However, what I come back to from this question is something that we have covered several times already in the meeting, which is trust—that is the key word. We have to trust that each of us is actually interested in delivering for our communities and the people whom we have asked to be allowed to serve. That trust is a key area where we can make progress and, perhaps, address some of the issues that colleagues have brought up, specifically with regard to this question.

**The Convener:** I believe that Mark Griffin has some more questions.

**Mark Griffin:** Thanks for those answers. I want to touch on how the new fiscal framework would work in practice. We have heard about principles

that would sit behind it but very little about the technical detail of how it would operate.

I direct my question to David Ross, since he talked about the proportion of the Scottish Government that is going to councils. Essentially, what is the ideal financial relationship that you would like to see between national Government and local government? Are you looking for a fixed share of the Government's budget? How would that fiscal framework work in practice?

**Councillor Ross:** I am not sure that I can claim to talk for COSLA or all local authorities, but it seems to me that, if we had an arrangement whereby local government had a set share of the Scottish budget, that would give us certainty and would be fair and, hopefully, sustainable. If the Scottish budget went up, our funding would go up; if it went down, ours would go down. At the moment, it just seems to go down, whatever the budget is. Personally, I think that that would be a good starting point, but, again, the second point is about ring fencing—freeing funding up and giving local authorities flexibility. We had an arrangement like that on capital over a number of years. My recollection is that it was fixed at 26 per cent, but that has gone out the window in recent years as well.

**Mark Griffin:** I have one more brief question about the multiyear nature of this year's resource capital spending review. Has that given any certainty to local authorities on financial and workforce planning? Does anyone have any views on multiyear plans?

**Councillor Ross:** I am sorry to come in again. We would all welcome that kind of certainty, going forward. The resource spending review gave us a degree of that, but events have moved on. That was looking at giving us a flat-cash settlement. Given inflation, energy costs and the demands that we have seen from the cost of living crisis, flat cash will just not cut it. COSLA has identified that even to stand still will require, I think, £612 million across local government. That is based on a survey of the budget gaps. When you add next year's pay to that, you are looking at north of £1 billion. That is perhaps optimistic, but it gives you an idea of the scale of the challenge that we are facing.

**Councillor Jardine:** The three-year period sounds great and wonderful. We had a meeting with the Deputy First Minister recently, and he said that, as year 3 will be really bad, the Government was not going to give us as much in year 1 and year 2. My response would be: how do we know that? We need that stability to be able to deliver. I had a budget meeting yesterday, and it was a case of, "This might be what we are going to deliver, but it might change in the next few days, and then, in the next few days, it might change

again". Things come down the pipeline, such as Covid, the cost of living crisis and issues with energy prices, and there is a question about how we can be able to be on top of such things for our communities if we are getting flat cash, if our settlement is reduced or if we are looking at various other scenarios. We need stability so that we can plan structures and implement them.

Local government is fantastic at making the most of what it gets, but it would be really good if we had that chance to go, "Okay, we have that flat cash, but you will get that if this happens and you will get this if that happens". However, we do not get that certainty. We are told, "You are getting this; deal with it". We need certainty so that we can say that, if something happens, we will throw a certain extra amount in. That is especially the case in relation to pay concerns. We built in 2 per cent—we always build in 2 per cent—but then we thought we might need to budget for 5 per cent, then 10 per cent. Now, we are wondering whether the teachers will get the 10 per cent, because that will throw everything out. The Scottish Joint Council then opens up the envelope and, again, that throws us off.

We just need certainty so that we can say to people that, if something happens, we will help them out, but we do not have that. We need certainty that there will be support when support is needed. That is probably the most important thing for local government at the moment.

**Councillor Macaulay:** I will just echo that any organisation will look for multiyear funding. It helps us with our workforce planning and our medium and long-term financial planning.

We had something in place, but the difficulty is that you cannot foresee challenges that come up during the year. Record inflation meant that pay awards had to be negotiated and funded, so, although we had multiyear funding last year, it is now out of sync because we had to make those pay awards. Even if we are doing multiyear funding plans, therefore, we need to have an opportunity, when things do not go as planned, to have a discussion and reassess our plans at the time.

Those funding plans have been welcome, from the point of view of North Ayrshire Council, anyway, and we would welcome something similar in the upcoming budget.

**The Convener:** I am aware of time. We have about 20 minutes left for this conversation, and there are a number of questions. I invite colleagues to direct their questions to specific people, and I ask panel members to keep their answers as succinct as possible. The answers have been fantastic up to now. It is very important for us to hear everything, and I do not want to

restrict you in any way, but we want to make sure that we cover all the questions.

**Miles Briggs (Lothian) (Con):** Good morning. Thank you for joining us today.

Councillor Stockan, your comments on the national care service touched on this earlier, but I want to come back to how the new deal in this fiscal framework could be impacted by the creation of a national care service. Could you give us your view on that?

**Councillor Stockan:** We on the islands have been really concerned about the national care service because, as you know, we have small populations, and we do not see the point of having an extra layer of bureaucracy or a different model here. My authority does not even have care facilities that are not run by the council, so the whole provision is together. We are looking for efficiency and the very best use of the public pound that comes to the islands.

There are also issues of VAT and how that is dealt with. There are issues about where we go with capital builds. The Government sometimes forgets that local authorities have a VAT exemption, which is a huge benefit. It means that the money does not go back to the Treasury; instead, we get better value here by using what local government already has. We have real concerns, particularly in small areas, that the national care service will make us less efficient and will not provide any of the advantage that the Government says it will.

**Miles Briggs:** Does anyone else want to come in on that?

**Councillor Jardine:** Yes. I will be concise. In local government, we want to deliver social care services as best we can, but there is a lot of fear that the national care service represents the start of the erosion of local government, that it will strip away local government's powers and that it is the start of a big wave that is coming. There is a lack of trust.

**The Convener:** We have certainly been taking evidence to a great extent on the national care service, but it is good to hear those perspectives.

**Marie McNair (Clydebank and Milngavie) (SNP):** Good morning. Do you have any comments on the contribution that community councils can make and on whether a review of their role is required, given that they are the most local tier of statutory representation? They are the third tier of government in Scotland but, obviously, they have limited resources, powers and influence. Councillor Stockan and Councillor Nicoll have touched on that slightly already.

What is your experience of community councils and other bodies such as development trusts

driving and delivering local empowerment? Councillor Stockan, you might want to add a wee bit more about community councils in your area.

**Councillor Stockan:** Very much so. For years, we have given our community councils a budget to spend in order to support local things. That has been fantastic. We had good uptake until, probably, the most recent elections. Since then, we have not seen quite as many people coming forward, but that is because there is a bit of a social issue after Covid, as people have been a bit reluctant to get involved in any small committee in our communities.

10:15

Our community councils are very much part of the whole network of how we govern here, and we pay them real attention. Local members attend every community council meeting on all our islands, and that is very much where we hear the views of the community. They are particularly useful, but there are challenges. I was hoping that the local governance review would give community councils the ability to increase their powers so that a development trust could maybe be merged with a community council to form a body that speaks even more clearly for the area.

There are quite a number of things in there, but they are vital for us, even in this small place.

**Marie McNair:** Do you believe that a review of their role is required?

**Councillor Stockan:** If we are to give community councils additional powers, that would be really important. We have a project of community empowerment, and we would like to make sure that community councils are able to do more of that work. For the local authority here, too, we would like to put in some link officers between the community councils and the council so that they can take on small jobs or identify things that can be done in their community. We believe that that is one of the best ways to make a community work, but you have to give community councils agency if you expect people to take part in them and to deliver for the community.

**Marie McNair:** Thank you. I will pop that question out to the rest of the panel, if anybody wants to come in.

**The Convener:** We actually have a stack of people who are keen to respond to that important question—Alex Nicoll, Shaun Macaulay and Euan Jardine.

**Councillor Nicoll:** In some ways, the issue links back to what we were saying about community empowerment. Community councils are an excellent example of how councils are able to start feeding into communities, and from there



they can take it down to the more granular level that we spoke about, but it has to be a two-way street. We have to see community councils being able to feed back into things such as community planning partnerships, which should exist in most councils in some form, so that they can see how they are helping to make a difference.

Certainly, here in the city, we have seen the number of community councils grow. At the last elections, we managed to get 29 out of 30 community councils up and running. We have a role in helping to nurture the newer ones and helping them on their journey, but we certainly also have to listen to the more experienced ones when creating the models that allow them to feed back into our decision making. We cannot leave them to be stand-alone organisations; they have to be part of the bigger picture. Part of the success in delivering good community partnerships is having that two-way flow between the various groups.

**The Convener:** We have lost our connection to Shaun Macaulay. Let us go to Euan Jardine.

**Councillor Jardine:** The question is a good one. Community councils are probably the most important cog in the wheel of grass-roots and community work. For a long time, I have said that we in local government authorities are here to facilitate but not always to innovate; it is the community councils that can do that.

I am from Galashiels. You might have noticed that Galashiels was recently named the happiest town in Scotland and the second-happiest town in the UK. I wrote a column about how that was down not to the work that the council is doing but to what the community council and Energise Galashiels Trust are doing. When it comes to the election, I might change my tune and say that it was all down to what I was doing, but, seriously, it was down to their volunteers, who are driving forward initiatives.

A new market every first Saturday of the month opened up six months ago, and it has been a success. It is things like that that the council would not be able to facilitate. We gave them funding to do it, but we were not able to organise it and do it every Saturday. It happened because the trust and the community council worked in conjunction.

If you go around Scotland, you will find that it is not the council that turns on Christmas lights but the community council, a wing of the community council or a trust. We need to remember that that is who delivers in the community, so it is really important that community councils get more power. I have put that in my policy plan—I keep coming back to it—but there needs to be more training and empowerment for community councils. They need to be brought to the table.

As the councillors here today know, sometimes the community councils ask us, “Can you do this? You can do that”. There is often not a direct link to the council. Rather, they feel that they have to come to the council through a councillor. However, I sometimes feel that we should not even be in the room at community council meetings and that, instead, they should be able to bypass us and go straight to the local authority and have influence there. Perhaps some work needs to be done in that regard.

As I said, in the Scottish Borders Council area, there are 69 community councils, which is a lot for us to go around. We need to manage the situation so that they feel more empowered to go straight to their council.

**Marie McNair:** As someone who has been a councillor, I noticed that myself.

If nobody else wants to come in, I will move on to my next question. Do you believe that local authorities would like to raise more of their own revenue? If so, what mechanisms would they use? What is currently preventing councils from raising more of their own income? Are there any UK or international methods or arrangements that you would like to see replicated here?

I will start with Councillor Ross.

**Councillor Ross:** As I have said, some of the small schemes that are on the table, such as the tourism tax or the parking levy, are not a substitute for core funding. That said, I have certainly been involved in discussions about wanting a general competence to introduce such things ourselves instead of having specific powers handed down from the Scottish Parliament.

The fact is that circumstances are different in different places. For instance, I know of a couple of authorities that have said that the tourism tax will not help them but a cruise liner tax would. There are variations of these things that could be considered, and those kinds of powers would be welcomed, but the Parliament dictating specific powers is perhaps not the way we would like to see this going.

**Councillor Jardine:** Having the flexibility to raise more revenue would be a real opportunity for local government. The mindset in local government has always been that it is there not to make money but to deliver services, but, if given the opportunity, we could make money.

For example, we recently set up a company to train people across Europe in Apple products such as iPads with teachers in our inspire learning programme. It will bring in some revenue—not a vast amount, but it represents an opportunity. There are people who said, “We shouldn’t be doing this. It’s not our job as a local authority”, but

we need to get revenue somehow. We need to stretch ourselves.

Councillor Ross is correct: the parking levy and the tourism tax might work for Edinburgh and Glasgow, but it will not work for the Scottish Borders, and I am sure that it will not work for Orkney either. We need to see what local authorities can start to deliver on their own, but they need to be given the framework. I cannot give you any ideas now, but I can tell you that, if we had the opportunity, we could come up with something. However, the core funding is the essential part; as I have said, we need to get the day job right before we can even start to look at other options.

**Marie McNair:** Does anybody else want to come in on that question? If not, I will move on to my last question.

**The Convener:** I think that James Stockan would like to come in on that. Ask your question, Marie, and then we will loop him in.

**Marie McNair:** No problem, convener.

Can you provide examples of a local authority working with other councils to deliver services? Some smaller councils have a lot of shared services. What impact has that had, and what more can the Scottish Government do to encourage, facilitate and support collaboration among councils?

**The Convener:** Does anybody have any experience of that? I see that we have lost Shaun Macaulay, who might have been able to answer that question more fully.

**Councillor Jardine:** It is important to have shared services. Because Scottish Borders Council borders South Lanarkshire Council, Midlothian Council and Dumfries and Galloway Council, I have set up meetings with the leaders of those authorities. In fact, I had a chat with Councillor Joe Fagan of South Lanarkshire Council last week, and we are setting up a working group on rural issues. The border literally stops between Broughton and Skirling, I think, but people work, communicate and socialise with each other in both areas. We might fix the road up to a certain point, and the other council might fix the road on its side, but the question is: can we start to share services? We could, for example, take a cross-border look at our carers to save them driving all the way, we could look at information technology services and so on.

Sometimes such an approach does not work. When we did a lot of work with Midlothian Council, we found that its systems were probably different from ours. If we all had the same system, this sort of thing might work better. What we always find is that it is the systems that pull it all down; we want

to work together, but sometimes there is an issue about the way in which each council is run. Each council has—so to speak—its individual flair. However, it is important to have these conversations across boundaries and to see what can be done at a basic level. After all, these things do not always need to happen at high level.

**Councillor Nicoll:** There needs to be balance. We are not going down the centralisation route, but we are improving delivery of local services, and there is a balance to be struck in that respect. Up here, for example, we have the northern roads alliance, in which a group of councils collaborates on materials for and delivery of road infrastructure. It certainly provides helpful routes for the various partners.

There are things that we can do, but we have to be careful that we do not end up centralising beyond the point at which we lose control and some of the services that are being delivered are taken outwith our control. There is a fine balance to be struck in that respect. Hopefully, we are getting right what we are currently doing, but we have to be careful.

**Councillor Ross:** There is limited scope for shared services. The suggestion was that revenue funding could be available if you offered services to another authority, but the experience was that, although everybody wanted to sell their services to somebody else, nobody else wanted to buy them. That is a problem. Like the northern alliance that has just been mentioned, there are joint arrangements in Tayside for roads and so on, although we are not part of them.

We think that the city region deals offer opportunities for collaboration. We are part of two; in the Tay cities deal, there is a lot of collaboration on digital access and accessibility, while in the Edinburgh and south-east Scotland city region deal, there is a joint approach to employability, training and engagement with employers, because it relates to a regional economy. There is a lot of mileage in those kinds of arrangements and frameworks.

**The Convener:** I had wanted to bring in Shaun Macaulay, but he is not online—we had him back, but he has gone again—so I will bring in James Stockan to respond to the previous question and this one, too.

**Councillor Stockan:** Shared services are difficult for islands, because of the difficult water boundary around us. Among the islands, we share bits and pieces, but it is limited.

As for revenue generation, we must ensure that any revenue that is generated is not then positioned where the Government can reduce our core funding in one area against another. At present, in Orkney, we put into our budget more

money from our reserves and from the harbour operation, where we generate some money, than we take from council tax, which is substantial. At the same time, we get a smaller budget settlement from the Government. In other words, the extra effort that we are putting in results in the Scottish Government's using our money to support the rest of the country. If we are going to generate funds in the future, we have to make sure that any such funds are clearly identified and are extra to rather than a replacement for Government funding.

10:30

**Marie McNair:** Thanks very much for your very helpful responses.

**The Convener:** That was indeed an interesting part of our discussion. We have only a couple more questions to go. It is half past 10, so I trust that it is okay if we go on for maybe five or 10 more minutes.

I call Paul McLennan.

**Paul McLennan (East Lothian) (SNP):** For brevity, I will ask both of my questions at the same time.

Last year's programme for government announced the introduction of a local democracy bill within this parliamentary session, and I was just wondering what your views were on that. I also note that in the Bute house agreement with the Scottish Greens, the Scottish Government also committed to establishing a working group to oversee engagement on local government funding, including council tax. Again, I just wanted to see whether you have been involved in that process and whether you have any initial thoughts on it.

I will come to you first, David, then open it up to others, if that is okay.

**Councillor Ross:** I am not entirely sure what was intended with the local democracy bill, and whether it subsumed the issues that were raised in the governance review.

**Paul McLennan:** With regard to the discussions that we have had, is there anything else that you would like to see in that bill and have not mentioned so far?

**Councillor Ross:** We have probably covered most of it. What was your second question again?

**Paul McLennan:** The second question was on the Bute house agreement and our engagement on local government funding, including council tax. Have you been involved in that process, and what would you like to see in the future in that regard? We have looked at that issue in the past; indeed, there was a commission, and there seemed to be

a lot of different ideas, but nothing was agreed upon. What is your council's point of view on that?

**Councillor Ross:** I think that things have dragged on for a long time. Personally, I would like to see some resolution on non-domestic rates, and for that aspect to be more devolved, while recognising that there needs to be an equalisation process in that respect.

On the issue of finance that has been raised, I know that this will be slightly off beam, but I will take the opportunity to say it: the fact is that we need certainty. Previously, we have had a budget set, and then lots of negotiations went on; although local government has received lots of extra money from that approach, it has not helped with certainty.

The other thing is that, during the pandemic, we had lots of one-off funding. If and when that funding is withdrawn, we will face a real problem, because it has been built into expectations of services and suchlike.

**Paul McLennan:** Is more flexibility required so that councils can raise their own funds? We have talked about the workplace parking levy and the tourism levy, but would you like your council to be more able to look at other things that it would like to pick and propose, if required? I should probably give Euan Jardine a heads-up that I will be asking him the same question, but would you like more freedom to look at local taxes?

**Councillor Ross:** Yes, but it is not obvious to us what we could do, so it is about the general power, I think, rather than anything specific.

**Paul McLennan:** Thank you for that, David. What about you, Euan?

**Councillor Jardine:** Again, this is about the general power to have the flexibility in order to raise revenue, so that we could do what works in our areas. The parking or tourism levy might work in the cities, but not in rural areas. The question is what will work to enable us to create opportunities and raise money.

**Paul McLennan:** Just to clarify that, Euan—and I am conscious of time, convener—you are saying that it is more about the principle of being able to look at what you can do to raise funds locally.

**Councillor Jardine:** Yes. We would welcome the sort of thing that you are asking about, as long as it did not affect core funding, and people were to think, "Oh, that's what they're doing."

**Paul McLennan:** And it would be additional money.

**Councillor Jardine:** Yes, additional funds would certainly be welcome.

**Paul McLennan:** I mentioned the council tax. Again, do you have any other thoughts on that or on the local democracy bill in that respect? Is there anything that you have not mentioned or anything else that you would want to add with regard to our discussions?

**Councillor Jardine:** I think that most of the issues have been mentioned. This is all about the acceptance of difference: the service that we deliver is very different to that which the Scottish Government delivers, and of course, every local authority in Scotland is different.

I come back to the issue of trust and respect. Just think: if you can get local government right and fund it right, your own inboxes will reduce drastically. That is the important thing. Having worked at the Parliament for a while, I know that 95 per cent of what was in an inbox was about local government issues that a councillor, not an MSP, should have been dealing with. If you can get that right, your mailbox will come down, and people will be happier and more content. I am not saying that everybody will be as happy as they are in Galashiels, but people will be happier throughout the country. We just need to get that right.

**Paul McLennan:** That was a good wee plug there, Euan. Well done.

I will come to you next, Councillor Stockan, and then conclude with Alex Nicoll. First of all, is there anything else that you would want to say on the local democracy bill? Secondly, do you have any thoughts on the council tax and, specifically, on local funding that you might want on Orkney or in the isles generally?

**Councillor Stockan:** There will be opportunities, but the fact is that we have been disappointed. With the Smith commission, the whole idea was that Crown Estate money—all the revenue—would go to local authorities, which would have helped us enormously. However, the Government seems to have retained a lot of money, particularly from the ScotWind leases. People need to take a refreshed look at that.

There are a lot of things in your question, but I will just finish by saying that we are the people who are able to do early intervention and prevention; however, if the budgets for local government are not put in place and our funding is cut, those areas will be the first to go. Those are the areas that we are required by every other part of the Government's services to deal with, and we have to be cognisant of the fact that, if there is not enough money to do those things, we will be facing a bigger budget necessity across other services rather than just local government.

**Councillor Nicoll:** I do not have anything in particular to add on your first question. As for the

second part, I would say that, where we have the levers to increase income generation schemes, what we need is flexibility, because the fact is that what works in Aberdeen will not work in Edinburgh, might partly work in Glasgow and will probably not work at all in the islands or in some of Scotland's rural parts. We are all in slightly different positions. Flexibility is key, but the money has to be additional; it cannot replace funding from Government.

As you will know, the city of Aberdeen's take from non-domestic rates is very high, but as a consequence our grant is substantially lower than many others across the country. That is a difficult circle to square, but we need to address the issue and say what fair funding would be for councils. After all, at the end of the day, the cost of educating a child in Aberdeen is probably very similar to the cost of educating a child in many other parts of the country. Although we have flexibility with, say, the council tax, we will probably not be able to use such levers very much in the foreseeable future, because of the economic situation that the country finds itself in. Families are facing hard times, people are having to make really tough decisions and some of those levers are possibly not open to us at this time.

**The Convener:** That brings us to the end of our questions and to the end of a good discussion that leaves me with your requests for flexibility, certainty and a reduction in bureaucracy. It has been really good to hear from you about the new deal for local government and to get into some of the detail in that respect. It has also been helpful to hear you talk about specific details and to get an understanding of the nuances across councils. It is clear that you are all working in very different circumstances.

I thank the panel for their evidence, and I suspend the meeting for five minutes to allow for a change of witnesses.

10:39

*Meeting suspended.*

10:46

*On resuming—*

**The Convener:** We will now hear from our second panel of witnesses. We are joined online by Councillor Shona Morrison, who is the president of COSLA, and by Sarah Watters, who is the director of membership and resources at COSLA. We are joined in the room by Cleland Sneddon, who is the chair of the Society of Local Authority Chief Executives and Senior Managers. I welcome our witnesses to the meeting, and remind all members and witnesses to ensure that

their devices are on silent and that all other notifications are turned off during the meeting.

Committee members will direct their questions to a specific witness where possible. If anyone else wishes to come in, please indicate your desire to do so to the clerks. Those participating remotely can do that by typing R in the chat box in BlueJeans.

I will begin with a few questions that are about the progress that has been made with the new deal. I give Shona Morrison a heads-up that I will direct my first question to her, initially. Last month, the committee received a written update from the Scottish Government on the new deal. How does COSLA feel about the progress of the new deal? The Government's update spoke about agreeing a new deal

"in advance of the next financial year."

Is that timescale feasible? What needs to be agreed before a deal is struck?

**Councillor Shona Morrison (Convention of Scottish Local Authorities):** Good morning. I apologise for not being there in person. It is currently snowing heavily in Moray, so I am happily ensconced in my warm living room.

I am sure that everybody will be aware of the new deal, but I will give some context. The new deal was announced in the resource spending review in May 2022, and it was mentioned in the programme for government, with the Scottish Government committed to agreeing it.

For us, there are two main strains in the new deal. One is the fiscal framework, which I am sure we will get into in a little more detail later. The other strain is the partnership agreement, which we are committed to.

Our leaders have commented on the fiscal framework—you have already heard many of those points this morning. COSLA leaders have made great points. There is agreement in principle on promoting stability, certainty, transparency, affordability and sustainability in a fiscal relationship, on promoting the effective use of fiscal flexibility—that was a top tip that was mentioned earlier—and on levers to address local priorities, improve outcomes and enable discussion of fiscal empowerment of local government. Lots of that joint work continues at pace.

The other area is around the partnership agreement. Our real focus is on having a partnership approach, and for that to be not just warm words but something that is built on mutual respect and trust. We want to ensure that that relationship is strong and that those priorities are agreed on before we commit to signing off on that partnership agreement. We want there to be

mature dialogue and a mutual understanding of our priorities.

We are continuing to engage on the timeline. We have had great access when it comes to dialogue with our ministerial colleagues. My vice-president is Steven Heddle. Since I have been COSLA president, we have had monthly relationship-building meetings with Mr Macpherson. We also have our strategic review group, which is co-chaired by me and the Cabinet Secretary for Social Justice, Housing and Local Government. More recently, we were delighted to attend the first meeting of the joint working group on deliberative engagement and resources for local government financing, including council tax. Currently, that group is co-chaired by Mr Arthur and Mr Harvie. We are discussing what that will look like in the future. A previous iteration was co-chaired by COSLA, so we are keen to re-adopt that position, as a lot of the work will be about revenue raising with local authorities.

That is me for now; I will let colleagues come in.

**Cleland Sneddon (Society of Local Authority Chief Executives and Senior Managers):** I will be brief. We welcome the focus on renewed partnership. The local governance review feels like a bit of unfinished work. It was not a local government review but a local governance review. All local authorities engaged with their communities about all the public sector bodies that were active in their area. We got clear feedback from them about they would like to see in terms of better integration and greater level of influence over the delivery of public services. That includes the services that councils deliver.

The president is correct: the partnership agreement must not be just "warm words". We want to see that reflected in behaviours and actions. A partnership agreement in writing—a document—is not the end goal. We want a different relationship that is reflected in subsequent actions. I am sure that there are plenty of other questions about the fiscal framework.

**The Convener:** I will dig a little bit deeper on changes in behaviours. Will you give us an example, or examples, of a change that would build that trust?

**Cleland Sneddon:** There are too many examples of announcements and initiatives on which local government was not fully engaged. Earlier this morning, you heard evidence on the national care service, which affects a core part of local government. The bill was given to the Presiding Officer before it was shared with local government. We had no input into the bill's construction. In fact, we got it 24 hours prior to its being laid before Parliament.

There are others examples of that—pieces of work are continually being brought forward in that way. Quite often, we get a subsequent apology. We engage with senior civil servants, but there are too many repetitions of that type of lack of engagement, and we end up retrofitting a number of policy announcements rather than being involved at the beginning of the policy and working with colleagues in the Scottish Government on how the policy can be fulfilled and further implemented.

Generally, when we are engaged early, that makes for better implementation. There are terrific examples of really good work between the Scottish Government and local government during the Covid period. We want to see that replicated.

**The Convener:** Do you have any understanding or sense of why there are so many examples of things being brought forward and councils not being included?

**Cleland Sneddon:** Too often, local government is viewed as being a delivery body for national Government. We are not. We have a separate democratic mandate. Elected members are elected by their constituents to represent their area, and that includes making decisions on the priorities and on how you deliver in those areas. We often hear frustration from ministers that local government does not simply do what they wish it to do. That is not local authorities being difficult. Quite often, in the implementation of certain actions, the specialisms sit in local government. Having an aspiration in policy terms and having a clear understanding of what it takes to implement it is sometimes very different.

**The Convener:** We will move on to another question, while sticking with the same topic. Shona Morrison, I will come to you. I know that this was mentioned in our discussion with our previous witnesses, which you were watching, but is there anything that you want to highlight, underscore or bring in that is new in relation to the new deal between the Scottish Government and local government?

**Councillor Morrison:** The priorities for us, as I have already mentioned and as Mr Sneddon covered incredibly well, are building on that relationship and ensuring parity when it comes to decision making. Also, early discussion and co-production are key to our relationship and absolutely underpin our new deal. As Mr Sneddon said, as elected members of local authorities, we know our communities incredibly well, and it is often the case that our very current experience helps to inform any decision making, so co-production is absolutely key.

The other point that I would make is around flexibilities, As was made clear by my colleagues

earlier this morning, there is a need for greater flexibility in local government spend. Currently, about 60 per cent of our budget is directed spend. There is a clear desire and appetite for councils to have much more freedom around where that revenue goes and how it is best spent in their local communities.

Those are my two points.

**The Convener:** Thanks, Shona. Can you go a little bit deeper into that? I am interested to hear how a new deal would support the six outcomes that are set out in your new five-year plan.

**Councillor Morrison:** The local democracy and sustainable funding aspects are key. That goes back to flexibility of spend. As you are aware, our lobbying position has been very clear over the last couple of weeks. We are facing immense challenges—probably the most worrying set of challenges that we have seen in local government for many years. The need for us to have control over spend and to ensure that public money is spent in the best way possible to ensure the best outcomes for communities is our clear priority.

**The Convener:** Thank you very much for that. I will bring in Paul McLennan.

**Paul McLennan:** Good morning. I want to touch a bit more on the new deal, particularly in relation to whether that will be impacted by the national care service. What are your thoughts on that? Shona Morrison, I will come to you first, then Cleland Sneddon.

**Councillor Morrison:** [*Inaudible.*]—really clear from COSLA.

**Paul McLennan:** Shona, we lost the sound at the start. Can you start again, if that is okay?

**Councillor Morrison:** Of course. I hope the snow is not affecting things too much.

My colleagues have spoken to you about COSLA's clear position on the national care service. We absolutely support many of the recommendations in the Feeley report and the huge benefit of many of those recommendations. However, it is quite clear that, as a whole and across parties, there are quite significant concerns when it comes to the National Care Services (Scotland) Bill.

My colleague Paul Kelly, who is spokesperson for health and social care, has spent several days giving evidence to committee about those concerns, and all leaders touched on the concern about centralisation this morning. We have so many challenges at the moment that leaders feel that the time that is taken up on the development of the bill might cause significant issues for local authorities at a time when we could be

implementing changes to try to improve people's outcomes here and now.

11:00

**Cleland Sneddon:** If I was going on "Mastermind", my specialist subject would be the national care service, but I will keep this as brief as I can.

The fault lines in health and social care go way back, and there have been literally decades of underfunding of care. As demand outstripped the resources available, that led to the introduction of a prioritisation-of-need framework, which allowed for four categories. As resources got tighter and tighter, assessments got more and more difficult because, effectively, we were providing services to only category 1—that is, where the risk was critical and substantial. Categories 2, 3 and 4, which would have helped with supportive preventative interventions were unaffordable. Therefore, over a long period, individuals going through a process of a difficult assessment, at the end of which they were not getting all the care that they needed, led to a huge level of dissatisfaction.

Those fault lines were in place before Covid arrived. When Derek Feeley undertook his review, he heard the frustration and upset of those who were receiving services or those who were carers.

In the subsequent consultation, SOLACE, COSLA and a raft of public sector bodies responded to say that the consultation itself was fundamentally flawed. It set out a single alternative model—a national care service—and asked people whether they wanted to stick with the status quo or whether they wanted the alternative model. Overwhelmingly, and unsurprisingly, people said that they did not want to stick with the status quo, and, as they were given only one option, they opted for that alternative model.

The subsequent work around an alleged co-production of a model, whereby you have 150 people on a Teams call, half a dozen of whom might get to speak—

**Paul McLennan:** Sorry, but I want to bring back the discussion to the new deal. We have taken a lot of evidence on the national care service. How would that impact on the new deal? I am not knocking back your evidence—I think that we have heard others in SOLACE say that, too—but I want more of a focus on the new deal aspect of it.

**Cleland Sneddon:** The end of that narrative is to say that we have a proposal on the table that is unaffordable and unimplementable. In terms of delivery of the anticipated outcome, it is absolutely unclear as to how we would do so.

What would be the effect of a proper partnership agreement around that? As the president has just

indicated, that would be an agreement between local and central Government. If investment is available to put into health and social care, let us not spend our time constructing a new bureaucratic structure to administer it at high cost, but let us implement the investment at the front line and improve people's care outcomes right now.

**The Convener:** Sarah Watters wants to come in on that.

**Sarah Watters (Convention of Scottish Local Authorities):** I would raise two things in relation to the national care service and the impact of the new deal. Cleland said that the LGR feels very much like unfinished business. If we were to take the principles of a local governance review and apply them alongside the national care service, we would not fare very well in community functional and fiscal empowerment. Something sits quite uncomfortably there.

The other issue, which is a key part of the new deal, is a fiscal framework. That is setting the funding rules between local and central Government. Councillor Ross spoke about a percentage going to local government. Clearly, taking care out of councils will severely disrupt the funding that goes to local government and all the ancillary services that sit within local government. We will have to think really carefully about those rules if the national care service goes ahead.

Finally, the types of principles that we are talking about in the partnership agreement space do not sit comfortably with the way in which the national care service was developed. If we are to develop a partnership agreement, it would definitely be local government's aspiration that the way in which the national care service was developed does not happen again, and that will be the case if we develop clear rules and principles for working together.

**Paul McLennan:** That is really helpful. You have led me to my next question, which is about the fiscal framework and is for Shona Morrison first, although I will put it to the other witnesses as well. You heard from the council leaders about the fiscal framework, but what would COSLA like to see from it?

**Councillor Morrison:** I guess that, ideally, what we would like to see from a fiscal framework would be stability as our main priority, as well as the ability to meet new and emerging needs in a reactive manner. I appreciate that colleagues spoke about this earlier, but it is important to reiterate the point about still having, within a fixed budget, the ability to revisit discussions with the Scottish Government. As we have seen over the past couple of years, we seem to leap from crisis to crisis. Local government has dealt with that

incredibly well. The partnership work between the Scottish Government and local government during Covid was commendable. We want to see sustainability and the ability to meet new and emerging needs, as well as increased flexibilities, which we have covered quite considerably this morning.

**Paul McLennan:** I will stay with Shona on that point and then come to Cleland Sneddon.

One of the key things mentioned by council leaders was the very start of the process. Rather than councils being told at the end of the process, “Here is the budget. Here is where we are going with it”, does more work need to be done at the start of the Scottish Government budget process, including more formal COSLA involvement? That was commented on by council leaders. What are your thoughts on that? Is that a takeaway for us?

**Councillor Morrison:** We will always absolutely embrace any early discussion about the budget. We are really keen to have those discussions, and we will do our best with them. We have our lobbying position. Recently, we had the opportunity, at the parliamentary reception, to talk to colleagues from the committee about the pressures that we are experiencing. We are always absolutely delighted to have those early discussions.

We have access to ministers to progress the discussions. The new deal has been great. We have our monthly meetings with Mr Macpherson as well as our strategic review meetings with the cabinet secretary, Shona Robison. All that has been incredibly helpful. COSLA is always willing and ready for any budget discussions.

**Paul McLennan:** Thank you. Does Cleland Sneddon have anything to add?

**Cleland Sneddon:** Yes. I highlight all the elements around flexibility and stability. You heard Councillor Ross talk earlier about local government sharing the fortunes of the Scottish Government. Going forward, that would include discussions about shared priorities that might come out of the partnership agreement or the review of the national performance framework.

The point is that we need to think about the baseline. Councillor Ross mentioned this, but everybody will be familiar with the Scottish Parliament information centre graph that demonstrates that, from 2013-14 onwards, the Scottish Government real-terms increase was 4.3 per cent whereas local government’s increase was 4.2 per cent.

As part of my council’s audit this year, we asked Audit Scotland to do something additional for us and to strip out the funding that had been given to local government for specific priorities—that is,

directed or ring-fenced funding. The cut to the core services of local government was 9.6 per cent in real terms. I have a couple of figures for the committee. If you take the 2013-14 baseline position for local government, which was a block of £9.27 billion, that 9.6 per cent reduction would amount to about £890 million. That is quite close to the COSLA baseline position. If, however, we had shared the same fortunes as the Scottish Government, it would have been a 13.9 per cent swing from our current budgets. That would have been around £1.289 billion. That is just an illustration.

**Paul McLennan:** I will play devil’s advocate and say that there would be shared priorities as part of that.

**Cleland Sneddon:** Yes.

**Paul McLennan:** It is important to add that context as well.

I want to move on to—

**The Convener:** Sarah Watters wants to come in.

**Paul McLennan:** My apologies.

**Sarah Watters:** On Mr McLennan’s question, there are, for me, a couple of things that we would like from the fiscal framework. The first is rules around what we can expect. Sometimes, there is a feeling that the budget is very much done to us rather than with us, so we need rules about the expectations from the outset.

Another important issue is space for structured, honest discussions about demand and pressures. In 2007-08, a lot of funding was rolled up and a lot more flexibility was arrived at through the concordat. However, the reality is that policy commitments were baked into that—commitments that, clearly, cannot now be delivered with the funding quantum that was put in in 2007-08. We therefore need to have a realistic discussion on what can be delivered with that money.

Finally, I would like to see in the fiscal framework a process for more speedy and constructive discussions on things such as revenue raising—a process for doing that so that we do not have to go back to develop primary legislation every time. Instead, there would be a route for that, involving quick discussion, exploration and then doing what we can within the current legislative framework, or doing it jointly but more quickly.

**Paul McLennan:** Thank you for that really helpful answer.

During the summer, the committee commissioned research that looked at how local authorities around Europe raise their revenues. We touched on that with council leaders when we



talked about the workplace parking levy, for example, or the tourist visitor levy. Would COSLA support such things in principle? I will come to you first, Shona. I am thinking of a suite of measures based on a Scottish Government principle that allowed local authorities to raise their own taxes or gave them fundraising opportunities. If you support that, how would you like it to proceed? The council leaders touched on this, but, to me, the local context is key, because what might work in the Scottish Borders might not work in the Highlands or in Moray. That would give councils the opportunity to look at fundraising opportunities on top of their current budget. Has COSLA looked at that, and if it supports it in principle, do you have ideas about how you would like it to proceed?

**Councillor Morrison:** You outlined the areas in which we have done some work on local tax raising, such as the visitor levy and the workplace parking levy. Work on those two areas is on-going, and we continue to pursue discussions on them.

The local aspect to revenue raising is key. As Sarah Watters said, we have to ensure that councils are given the powers that they need to react quickly and to look at what would work best for their authority. We would embrace the opportunity for them to do that. That has been built into the regular conversations that we have had with the Deputy First Minister about flexibilities.

I mentioned that we had an initial meeting with Mr Arthur, Mr Macpherson and Mr Harvie last week. The joint working groups are a really good space in which to have those discussions on local government funding. Council tax sits within that as well. The discussions are focused on measures that are not subject to a protracted process of primary legislation, so that we can move the conversation on quite quickly and develop procedures that we can put in place to allow local councils to be reactive. That feels like a really good space.

As I said, we have had only that initial meeting, but it was grounded in that sort of deliberative engagement, which ensures that, whatever proposals are put forward, our communities have the opportunity to co-produce, given that they are absolutely tuned in to what they require in their environments.

11:15

**Paul McLennan:** Cleland, an example in one of the countries that we looked at was the ability of local authorities there to raise a local sales tax. That is not what I am proposing—it is an example. As a chief executive, what are your thoughts on the question that I put to Shona? Considering her response, would SOLACE like local authorities to

be able to look at different fundraising opportunities?

**Cleland Sneddon:** There should be the flexibility for local authorities to act where that is appropriate. This morning, we heard that the transient visitor tax, for example, will work to provide a reasonable income for some authorities, but it will not work across the board. I suppose that I would liken this to a fighter plane flying along. If someone fires a missile at it, it throws out all these sparkly things at the back that distract the missile. The conversation around things such as the TVT and the parking levy could act as chaff; however, they are not proxies for a proper funding settlement for local government.

I go back to the point about council tax being one of the levers. We need to think about the future funding of local government much more fundamentally.

**Paul McLennan:** Council tax will come up in some of the later questions. I would like to get your thoughts on additional fund-raising opportunities.

**Cleland Sneddon:** There are opportunities for councils to be more commercial in their outlook and to have a general competence that allows them to act within their market where that is appropriate. I do not mean that they should muscle in on the private sector, but if there is market failure, for example, or if there are opportunities but no service delivery in place, authorities could consider new revenue-generating proposals. It is different for different areas, so it needs to be a general power, as opposed to something prescriptive.

**Paul McLennan:** I agree that it needs to be a general power, because that would allow that local flexibility. Has SOLACE looked at that formally? Has it presented anything to COSLA or the Scottish Government? Would you consider doing that?

**Cleland Sneddon:** We would work in conjunction with our colleagues in COSLA on that, rather than doing something separately as a professional body. However, I think that you will find that, across the country, there are examples of authorities acting in a commercial manner.

**Paul McLennan:** I was previously on a council for 15 years, and it was the same in that local authority.

**Cleland Sneddon:** It is sometimes done very successfully. We need to explore those general powers, but, as I said—this will come up later in our conversation—such things are enhancements, as opposed to replacements for a more progressive way of funding local government.

**Sarah Watters:** As well as being part of the fiscal framework, if there are local revenue-raising opportunities, or exploration of those, we would need to think very carefully about the interaction with the local government settlement. We would not want to see a lot of effort going into local revenue raising—something that would be appropriate for local tourism infrastructure or environmental priorities—if all that happened was a deduction from the settlement. It is a bit like the Scottish Government having tax-raising powers and then seeing the block grant adjusted because it has raised more tax. You absolutely want to be able to spend local money that has been raised for local priorities. What that interaction would look like is something that we have to consider as part of the fiscal framework.

**Willie Coffey:** I will ask the same question that I asked the previous panel. Councillor Morrison, you must have heard the responses from your councillor colleagues about the progress of the local governance review since 2017. The responses were hardly rosy, although there were a few glimmers of positivity near the end. How do you think that work has gone?

I might as well roll my second question into this one. Did we raise the expectations of local communities too much in relation to what the outcome of the review would be?

Can you give us, first, your perspective on how the review has gone and, secondly, your view on whether we perhaps overreached by creating expectations that were too high about what it might achieve?

**Councillor Morrison:** I suppose that it was unavoidable that progress on the local governance review was postponed. That was undoubtedly down to the understandable redeployment of resources for the Ukraine response. It is disappointing, but it was unavoidable.

We are starting to see green shoots, with the return of meaningful discussions with the Scottish Government. I will stick with the positives and mention some of the work that we are looking at doing. We have arranged meetings in the new year with cabinet secretary Shona Robison to restart discussions on single island authorities and other proposals from our council leaders. We are therefore moving on.

Although we experienced some really good practice during Covid, an area in which we could have done better relates to the meaning behind the words “governance review”, not “government”, as several of my colleagues have pointed out. If we are to be at all successful when it comes to good governance, there is a need for change across the public sector; it should not just be about local government or the Scottish Government. We

need to engage with all our partners in exploring all the solutions that we need in order to empower our communities and enhance our local and democratic accountability.

Those relationships have really developed during the past two or three years. I sat on the NHS Grampian board in my last term and saw how successfully we were able to work at pace together. A positive by-product of the crisis that we have gone through is that we have been able to establish those relationships. I hope that we will be able to harness and drive forward that cross-public sector approach.

**Willie Coffey:** The same question goes to Cleland Sneddon. Two years’ worth of work was done between 2018 and 2019 before it was paused for a number of reasons. What is your perspective on what has come out of the review so far regarding a positive direction of travel?

**Cleland Sneddon:** The biggest positive is that it is back on the agenda. During the consultation phase of the local governance review, I was in Argyll and Bute, which was my previous authority. I fronted a road show that went around quite an extensive area—covering a lot of islands—and held workshops with communities. There was a huge appetite for people to be involved. There was real momentum around that, and there was discussion. At one point, we had a board that included all the public bodies that took decisions or provided a service in the area, and it was really interesting that half the bodies were not known to the local community. People often asked, “Who are they? What do they do?” After we explained, they then asked, “How do they report to us? How are they accountable to us?” Loads of really good feedback built up and was fed into the process, but, for the reasons that the president has explained, it was never finalised.

We deliberately set out to talk about local governance, not local government, although the council was a facilitator. Through that lens, we were able to open up discussions with communities that were much broader than those about the services that councils deliver. I think that, had the process concluded and produced some enabling legislation, different solutions would have been produced that reflected local needs in different locations in Scotland. We need to get away from a one-size-fits-all approach. People keep using expressions such as “postcode lottery”. That is a nonsense. Scotland is a very diverse country, with a lot of diverse communities. That work was ready to be presented.

The work was not necessarily—this point is connected to another question—about ripping more powers out of the local government tier and putting them into a further tier. During those road shows, what I heard directly from communities

was that they wanted to have an influence. They did not necessarily want to be running services. In an area such as Argyll and Bute, which is enormous but has quite a sparse population, there is quite often a single manager running a particular service across that huge geography. There were discussions about people wanting to take on their own planning functions and wanting their own planning manager. There is one planning manager for the whole of Argyll and Bute.

On your second question, the work was helpful in managing expectations and opening up an honest dialogue with communities about how they want to influence decisions that are made on their behalf. Is that helpful?

**Willie Coffey:** Yes, that is very helpful.

**Sarah Watters:** Local government's expectations were raised through the local governance review. There was a hope that that would be the way in which some of the ideas and work relating to community planning partnerships could gain a bit of traction, especially the functional and fiscal empowerment bits. It was hoped that that would be the means by which people could join up budgets, look at property differently and do things to which there had been barriers previously.

It is interesting that the local governance review is part of the new deal for local government. We need to be careful, because it cannot be confined to local government; it has to push across different public sector partners, too. In the resource spending review, there was a lot about public sector reform and a bit about local government taking a complementary approach to the public sector reform agenda. We need to join all these things up. We need to think about how local governance is done, what is in the new deal, what community planning partnerships can achieve and how, using all the resources that we have, we can make services better and outcomes better for people on the ground.

**The Convener:** Thank you for underscoring the point, and for noticing, that the local governance review has been tucked into the new deal for local government and that we need to be mindful of that.

**Marie McNair:** Good morning, panel. Councillor Morrison, the previous COSLA president told the committee last year that local government review pilots are all written up and ready to go. Can you tell us a bit more about them and any other local projects relating to the reviews regarding empowerment? You may want to bring in Sarah Watters because, obviously, you are newly elected.

**Councillor Morrison:** I am afraid I am going to have to do that, Marie. Sarah will have a bit more detail.

**Sarah Watters:** Eleven or 12 pilots or proposals were put forward, and I remember their being discussed at my very first, and last, meeting at the Scottish Parliament just before Covid. Single-island authorities were among them, as were single-public authority models in other areas. That proposal, for example, was put forward for Scottish Borders. There were other proposals around data sharing.

We absolutely need to revisit that list. I do not want to say that we need to close proposals off, but we need to review them in the post-Covid context to see which ones we want to take forward and which have moved forward anyway because of working practice during Covid or because of work that we have been doing—for example, work with the Department for Work and Pensions on data sharing.

Proposals covered such areas, so I think that we need to do a stocktake. I think that there is a feeling now that there has been some cabinet interest in the single-island authority model, but we would like to look at the 12 proposals that came forward and assess which ones are still relevant and which ones local authorities will want to see being slightly amended to take account of the current context.

**The Convener:** Thanks, Sarah. Cleland, would you like to share your view on that?

**Cleland Sneddon:** My view is very similar. The proposals were of their time. A set of pilot projects that were described in short order, but they never moved into a proper implementation phase. We need to go back and revisit them and we need to look at them through today's lens.

Ultimately, we need to be clear about the purpose of such pilots and how they will benefit communities and deliver a set of outcomes. The list today will look slightly different from the list that Sarah Watters mentioned from 2019, but she is right: we should do a stocktake of that original list and refresh it and look to expand on it. We need to do so with a view towards what enabling powers might be needed to get proposals over the line.

11:30

**Marie McNair:** Thank you for that. I will ask the same question as I asked the previous panel of councillors. What are COSLA and SOLACE's views on community councillors? Is a review of the role required?

**Cleland Sneddon:** We have some outstanding high-capacity community councillors who connect well with their communities and the people whom

they represent. They also connect well with other community bodies, such as development trusts, and they physically deliver a lot of services on the ground, in addition to their statutory role around things such as planning.

However, the situation is very inconsistent across the country. Not that many community councils across the country are formed from a truly competitive election. I think, too, that community councillors would be the first to acknowledge that they are not a diverse group: they tend to be men of my age and upwards. The group is very male and very much in my age bracket, so their ability to connect with and represent their communities is variable. I hope that that explanation is understood.

We need to ensure that we empower communities, and one of the bodies that can do that is the community council. I refer back to some of the really progressive work that has been done in community planning across the country, where we are tying in representatives at neighbourhood level and locality level and connecting them to the strategic and community planning level. That is not to sideline community councils, but they are only one of a number of very progressive community bodies.

It comes down to what we do in terms of legislation. I would be really cautious about a blanket direction to take powers from local government and give them to a fourth tier when there are such levels of variability. For me, the concern is not just about representation and accountability to the communities.

I have one additional point to make; it is a generalisation: communities in which there is the highest capacity tend to have the highest-capacity community councils. Communities that have the greatest levels of challenge are often the communities in which there is less engagement in community councils and the community councils have less capacity to advocate for their communities. Part of the role of local government is to equalise that. I am just a bit cautious about the message that you heard earlier.

**Marie McNair:** Sarah Watters and Shona Morrison, do you want to add anything?

**Councillor Morrison:** Cleland Sneddon has put it incredibly well, in a very articulate way. What he described is my experience of community councils, in that their performance is incredibly variable. We have seen—leaders alluded to it during their evidence session—some incredible work being done by our community councils during Covid, and we have done a lot of work in Moray in the past 20 months on resilience building within those groups. It has been fantastic to see the communities being really engaged, but I agree

with Cleland that what we see varies incredibly throughout the country.

**Marie McNair:** Sarah, do you want to add anything?

**Sarah Watters:** No, I have nothing to add.

**The Convener:** We will move on to our final area of questioning from Mark Griffin, who is joining us online.

**Mark Griffin:** Thanks, convener.

COSLA launched the budget campaign a couple of weeks ago. It is fair to say that it paints a really grim picture for local authorities if there are no changes from the spending review figures. Shona, what impact would a flat-cash settlement have on local authorities? Are you able to set out a breakdown of the extra £1 billion that directors of finance have called for? Have you any suggestions as to how national Government might fund that?

**Councillor Morrison:** I will bring Sarah Watters in to add more detail, if that is all right. As you clearly outlined, we are facing incredible pressures in local government; I appreciate that the Scottish Government is facing many of the same challenges. Cleland Sneddon gave you a breakdown of the figures earlier. We are looking at pressures of over £600 million in 2023-24 due to inflation in energy prices and demand, and there are the recurring pressures of the pay deal. Although we were absolutely right to make that deal, it will definitely be a pressure for councils, going forward.

All that wraps around demographic pressures, people having increasingly complex care needs, the implications of cuts, crisis pay pressures, workforce recruitment pressures, the impacts of EU exit and Covid, and the national care service. That is providing us with quite an uncertain picture at present. There are lots of concerns.

Recently, I have spent a lot of time with council leaders, listening to them talk about situations that they face. We have rightly in our lobbying position outlined what that looks like through use of captions that were taken from the leaders of local authorities.

The letter that came out from directors of finance has been referenced; that is a fairly unprecedented approach from them. That, too, paints a clear picture of how concerned we are about our fiscal situation. I will hand over to Sarah, if that is okay, to give greater detail on the ask.

**Sarah Watters:** I will respond to Mr Griffin's question about what happens if we do not get additional money. In our initial budget lobbying document, we set out the scale of the challenge. For example, what would £1 billion equate to in

teacher numbers? It is the entire early learning and childcare delivery budget. We have said this year that the scale of the challenge is such that we cannot see areas that have previously been protected not bearing their fair share of pressures. For example, in the past when local government has looked to protect education and care, the burden has fallen on areas including roads, culture and sport. That is no longer viable, given that the amount is £1 billion.

In subsequent releases last week and this week, we have set out what would happen if all service areas took their fair share of the pressures. An interesting release on climate change went out just today. We are saying that there is a climate SOS and we know that a huge amount of investment is required if we are to meet our net zero targets.

Climate change is an interesting area for councils because there is no specific budget line for it. We are saying that, if we do not see change in both revenue and capital, meeting the targets will be extremely challenging. Climate change is not a service area per se, so it is difficult to set out what would be saved. Councils might be unable to invest across their estates and fleets to do all that they need to do in order to meet net zero targets.

We have been quite blunt about the reality of the current spending plans for all the reasons that Councillor Morrison set out, including energy, inflation, the residual pay gap that still exists this year, and demand in areas such as Ukrainian refugee resettlement. That is placing significant demand on some areas. In Glasgow this year there is a significant pressure on school transport that will carry over into next year.

**Mark Griffin:** Thanks for that. I just—

**The Convener:** Cleland Sneddon wants to come in on that.

**Cleland Sneddon:** I do not want to repeat anything. To go back to the original question, I note that the impact is not just in this year, but this year is different. We have had 10 years of paring away. Do not get me wrong about creating efficiencies—there must have been fat in the system 10 years ago for us to have survived through the period. However, it has become worse each year. The effect is almost deliberate disinvestment in roads, bridges, leisure, culture, libraries, grounds maintenance, street cleansing, parks and cemeteries and so on—all the things that are not protected services in education or social care. COSLA's "Save Our Services" budget circulars illustrate the impact.

I will add something on capital; we have not really talked about the capital impact. Capital grants for local authorities are now so small that we are unable to maintain our estate at anywhere near the condition that it should be in. We have

been storing up potential problems, and they are starting to arise: facilities are being closed for lack of roof repairs or boiler-system repairs, for example.

I will mention one other nuance. We have shared targets and priorities on climate change. South Lanarkshire Council—my council—has, arguably, the best and most modern school estate in Scotland. We replaced all our schools—our primaries, secondaries and early learning and childcare centres. The condition of our non-domestic buildings stock is better than the average in Scotland by some considerable distance, but the target is to hit zero emissions by 2038. We did a piece of work on our non-domestic estate that showed that it will cost us more than £0.5 billion to get anywhere near zero emissions.

Our capital grant reduced by a third this year; it is down to £21 million. That amount is to do everything to maintain our roads and all our estate. So, on our ability to get anywhere near the 2038 target, much less the 2045 net zero target, let us just do the arithmetic—or, as the Americans would say, just do the math.

We need to have a very honest and real conversation about the targets that are set for Scottish local government and our ability to deal with them within the current financial envelope. I did not hear capital being discussed earlier, but the challenges there are in the same bracket as the revenue challenges.

**Mark Griffin:** Thank you for that. I will briefly come back to Councillor Morrison. A large part of that £1 billion was for pay deals and pay settlements. Since the pay deals were jointly negotiated, is COSLA asking for them to be baselined to alleviate some of the recurrent pressures?

**Councillor Morrison:** Yes, absolutely.

**Mark Griffin:** Thank you for that clarification.

I will move on to another area. The programme for government 2021-22 confirmed that the Government would introduce a local democracy bill in this parliamentary session. What would COSLA and SOLACE like to be included in that?

**Cleland Sneddon:** There are a couple of things. We are aware that the European Charter of Local Self-Government (Incorporation) (Scotland) Bill has been bound up by the UK Supreme Court decision. The basic principles in the charter are fundamental to the future of local government in Scotland. Any local democracy bill that comes forward should, in my view, be founded on the principles of that charter.

We need to find a way to ensure that the new bill is within the competence of the Parliament and to keep those principles in place. At their core,

they talk about the role of local government in the governance of this country. The charter also talks about the resources being appropriate to allow local government to discharge its functions in those terms.

The flexibilities that we talked about in the context of the local governance review should feature in the local democracy bill to enable local areas, community planning partnerships and local public bodies to enact changes in function or structure. It is about the three competences that Sarah Watters mentioned: fiscal, community and functional. As an enabling piece of legislation, it should be flexible enough to allow those to come forward. However, it should avoid any blanket direction to every area in Scotland to look alike, be alike or make similar changes, because we have a hugely diverse country.

I will keep it short and to that point.

11:45

**The Convener:** Councillor Morrison, do you want to come in on that?

**Councillor Morrison:** I will not add much, because Cleland Sneddon has covered a lot of what I would say about the European charter, but my vice-president would give me a row if I was not able to raise that issue, because he spoke at length about its importance. I absolutely agree with him. Once we have concluded the local governance review, we want to ensure that what we have is built on those very principles.

**The Convener:** I believe that Miles Briggs might have a supplementary on that topic.

**Miles Briggs:** I can come in at the end.

**The Convener:** Okay.

**Mark Griffin:** I have one final question, which is on local government taxation. The Scottish Government partnership agreement between the SNP and the Greens committed to establishing a working group to deliberate on the form that local government taxation could take. Are there any updates from COSLA and SOLACE on how talks on local government taxation are progressing?

**The Convener:** Cleland, would you like to come in?

**Cleland Sneddon:** That question is more for my colleagues in COSLA.

**Councillor Morrison:** Last week, we had the first meeting of the joint working group on deliberative engagement on local government funding, which includes council tax, with Mr Arthur, Mr Macpherson and Mr Harvie. That was an initial meeting to decide the terms of reference and set the agenda. There were some discussion points

on the agenda, but we have been unable to reflect those discussions back to leaders. We will update the leaders in January, so it would be remiss of me to have that discussion before I have had it with them. It was very much an initial meeting to decide the terms of reference and set the agenda. It felt very positive, and there were good discussions around the table and quite an open and honest environment.

I look forward to our next meeting—once we have been able to update leaders, I will be happy to update the committee.

**The Convener:** It sounds like that was very constructive. Do you have a sense of how regular the meetings will be?

**Councillor Morrison:** It feels like they will be quite regular. I am sorry; we do not have a date yet. Again, that will happen once we have had an opportunity to delve into the terms of reference, but we have agreed that anything that we do will move at pace. I am making the assumption that the meetings will be very regular.

**Sarah Watters:** We need to look at that point in the Bute house agreement in two parts. There is an immediate set of practical things, which the group started to look at last week. As Councillor Morrison said, we need to run some of that past the leaders. Those are the types of things that we can do in the current legislative framework in the short term, but we need to think about the other part, which is about sources of local government funding. That is a big area to explore, because it covers everything from the funding that we get from the Scottish Government to council tax and other revenue-raising sources such as non-domestic rates. Therefore, that needs to run in parallel with the work on the fiscal framework, because the two are inextricably linked.

**Miles Briggs:** I will follow on from those questions. From the earlier panel, we heard about the disparity between island councils and other councils. As an Edinburgh MSP, I am acutely aware that Edinburgh receives one of the lowest shares per head of population. Many of the problems that Scotland faces with homelessness are here in the capital, where we have 25 per cent of the homeless. The council continuously tells me that it does not have the resources to address that. Councillor Morrison, you are having conversations on reviewing the funding formula to look at councils that have historically lost out, such as Edinburgh. What plans are there?

**Councillor Morrison:** You will appreciate that those discussions are on-going. We have had several meetings already with the cabinet secretary and the Deputy First Minister, as well as with Mr Macpherson, on funding issues. We raise that matter continually. When it comes to deciding

on the distribution and settlement, the paper goes to council leaders, who have the ability to influence and feed back to Government. Mr Stockan spoke at length about his feelings about distribution, and there are to be discussions on single island authority and the other proposals to which Sarah Watters alluded. That issue is absolutely key to the discussions about how funding is distributed. Sarah might want to add more detail.

**Sarah Watters:** COSLA's formal position is that we want to look at the fiscal framework before looking at distribution, because the important thing for local government is to increase the size of the pie, not to look at redistributing the pie that we already have. Leaders were absolutely clear that we want to make sure that the consideration of the fiscal framework is well under way and that we then will look at distribution issues.

Distribution has been reviewed. The floor mechanism was reviewed back in 2018 and, as Councillor Morrison rightly said, every funding distribution is jointly discussed with the Scottish Government. All directors of finance across Scotland have an opportunity to comment, and all decisions go to leaders. There are too frequent and too many discussions on funding. We would like to see fewer distributions and a much simpler process, with greater flexibility. However, there is a robust process at the moment.

**Cleland Sneddon:** I do not want to add too much, but I probably have a unique perspective, having been chief executive in a rural and island authority, in Argyll and Bute, and now in South Lanarkshire, which is largely urban but with a fairly large rural population. There is a perennial debate about trying to get the balance right between deprivation-related indicators and those that reflect rurality, particularly in the setting of a declining population. That work is constantly being reviewed by the directors of finance network, who look at the indicators that reflect distribution.

However, before Sarah Watters came in, the word that I wrote in my notes was "quantum". Before we start to talk about how we cut up the pie, we need to ensure that the pie is large enough to allow for the delivery of core public services in every area. Thereafter, it is about nuances.

**The Convener:** That concludes our questions. We appreciate you all joining us this morning for that useful and informative discussion. We have a little more time. If you have anything final that you want to make sure that we hear, you are welcome to speak now.

**Cleland Sneddon:** I do, because one of my colleagues will hunt me if I do not. With the extensive renewable energy infrastructure that we now have here in Scotland, the need for further

investment in it has been highlighted to ensure that we can not only generate power but get it to where it is needed. My colleague asked me to ensure that that was referenced because, despite the considerable impact of offshore wind and so on, his island authority is kind of bypassed when it comes to revenue generation. If we are looking at progressive taxation models, that is one of the items that some of my colleagues ask us to put on the table.

**The Convener:** Thank you very much.

We agreed at the start of the meeting to take the next three items in private so, as we have no more public business, I close the public part of the meeting.

11:55

*Meeting continued in private until 12:34.*





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