



OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government, Housing and Planning Committee

Tuesday 8 October 2024

Session 6



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LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE
27th Meeting 2024, Session 6

CONVENER

*Ariane Burgess (Highlands and Islands) (Green)

DEPUTY CONVENER

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

COMMITTEE MEMBERS

*Miles Briggs (Lothian) (Con)

*Pam Gosal (West Scotland) (Con)

*Mark Griffin (Central Scotland) (Lab)

*Fulton MacGregor (Coatbridge and Chryston) (SNP)

*Emma Roddick (Highlands and Islands) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jonathan Belford (Chartered Institute of Public Finance and Accountancy)

Councillor Katie Hagmann (Convention of Scottish Local Authorities)

Ellen Leaver (Scottish Government)

Paul Manning (Society of Local Authority Chief Executives and Senior Managers)

Jamie Robertson (Chartered Institute of Public Finance and Accountancy)

Shona Robison (Cabinet Secretary for Finance and Local Government)

Ian Storrie (Scottish Government)

CLERK TO THE COMMITTEE

Euan Donald

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Local Government, Housing and Planning Committee

Tuesday 8 October 2024

[The Convener opened the meeting in private at 09:45]

10:17

Meeting continued in public.

Decision on Taking Business in Private

The Convener (Ariane Burgess): Good morning and welcome to the 27th meeting in 2024 of the Local Government, Housing and Planning Committee. Please note that Mark Griffin is joining us remotely this morning. I remind all members and witnesses to ensure that their devices are on silent.

The second item on our agenda is to decide whether to take item 4 in private.

Members indicated agreement.

Pre-budget Scrutiny 2025-26

10:18

The Convener: The next item on our agenda is to take evidence from two panels of witnesses as part of our pre-budget scrutiny for 2025-26. We are joined on our first panel by Councillor Katie Hagmann, who is the resources spokesperson for the Convention of Scottish Local Authorities; Jonathan Belford, who is the vice-chair of the Chartered Institute of Public Finance and Accountancy's directors of finance section, and chief financial officer at Aberdeen City Council; Paul Manning, who is a member of the Society of Local Authority Chief Executives and Senior Managers, and chief executive of South Lanarkshire Council; and Jamie Robertson, who is the chair of CIPFA directors of finance section, and chief financial officer at Dunbartonshire Council. I welcome the witnesses to the meeting.

We will try to direct our questions to specific witnesses where possible, but please indicate to the clerks if you would like to come in. There is no need for you to turn on your microphones—we will do that for you. We have about 75 minutes for this discussion. We turn to questions.

We were pleased to receive COSLA's submission, which states that

"local government has sought earlier budget engagement"

and

"greater transparency in the makeup of the local government settlement"

ahead of the budget. We would be interested to hear whether COSLA is happy with the engagement so far this year and how engagement could be improved, if it needs to be.

Councillor Katie Hagmann (Convention of Scottish Local Authorities): Good morning, everyone. Thank you for that opening question.

Yes, there has been engagement, and I believe that it has been greater. Could we have more? We could always have more engagement. The more we speak, the more we can work jointly to look at the challenges that we are all facing. I agree that budget engagement has taken place: indeed, early budget engagement has started, there are more dates in the diary and we remain open and talking.

The Convener: That is great news. When you say that you feel that there needs to be more engagement, would you like to have more dates in the diary? What would more engagement look like for you?

Councillor Hagmann: A regular meeting might help, but we have to be mindful that a lot of background work needs to be done with officials

and that it is really important to give them that space. We are looking to develop a fiscal framework, which is highly technical. A lot of discussions have taken place and there has been learning on both the Scottish Government side and that of local government officials. I am always happy to meet and have more engagement, but that needs to be caveated—officials sometimes need space to do background work. Otherwise, what are we actually meeting for? It has to be productive when we meet.

The Convener: That is a very good point about needing time. Does anyone else want to come in on that?

Paul Manning (Society of Local Authority Chief Executives and Senior Managers): Thank you for your welcome this morning.

In relation to engagement, I would like greater traction in two main areas from the dialogue between the Government and local government. They are fair funding and flexibility in councils' budgets.

On fair funding, you have seen the data in our submission about the extent of the budget gap, which is in excess of half a billion pounds in the current year and will rise to three quarters of a billion by the time we get to 2026-27. Coming into 2024-25, there was, in effect, a real-terms cut to councils' budgets. We are being asked to deliver additional policy commitments, but we have had cuts to capital funding over a 10-year period. The settlement is the backdrop against which we need to try to make traction.

On flexibility—again, I am picking this up from our submission—the extent to which our spend is directed, such as the requirement that is placed on us in relation to teacher numbers, which is proving to be inflexible for councils to deal with, and the impacts of directed spend are real strictures on what we can do.

From dialogue, I would like productive steps to be made in respect of those two things.

The Convener: Thank you for that detail. Questions on both those areas are coming up, so we might get into that a bit more.

I come to multiyear settlements, which have come up pretty much every year since I have been sitting in this chair—and for decades previously—and every time we have pre-budget scrutiny conversations. The aspiration to have multiyear settlements was set out in the Verity house agreement. How important is it that this year's budget provides some indication of multiyear funding? I start with Katie Hagmann.

Councillor Hagmann: That is essential, and there has been some indication that we can take that forward. COSLA has always been mindful that

the Scottish Government does not receive multiyear budgets; we are mindful of the reality in which we live. However, it has been a long-term ask.

Having a multiyear budget provides certainty for planning and for our third sector partners, who do an incredible job across all our communities. It is absolutely crucial, so we need to see movement on that, and there is hope that that movement is coming. We are mindful that it is not always in the gift of the Scottish Government, but where options are available to the Scottish Government, we would absolutely press for those decisions to be made.

The Convener: Is that something that is being discussed in your meetings at the moment?

Councillor Hagmann: It is something that comes up at absolutely all of our meetings.

Jamie Robertson (Chartered Institute of Public Finance and Accountancy): Medium-term financial plans are really important for local government. Local authorities are assessed by external auditors on the extent to which we have medium-term financial plans. Information over a longer period would enable those plans to be more robust.

We are looking to promote stability, certainty, transparency and affordability and, ultimately, to give a sense of stability within local government. Clearly, the medium-term financial strategy was delayed. Local authorities would have placed reliance on that. We are also keen to understand what the tax strategy means for local tax powers and levies.

The medium term is of vital importance and anything that enables us to be more clear about that will be of benefit to us all.

The Convener: Okay. Thank you very much.

Pam Gosal (West Scotland) (Con): Good morning. Your submission states that the use of ring fencing puts further pressure on councils, which are

"legally required to set a balanced budget".

Are councillors confident that we will see further reductions in ring fencing this year? Also, does COSLA believe that there are any good reasons for ring fencing of funding? Katie Hagmann said that good engagement is going on right now between the Scottish Government and local government, so it would be good to hear from you about whether there are good reasons for ring fencing, as well.

Councillor Hagmann: Thank you for those questions. To start with your second question, about whether there are any good reasons for ring fencing at local government level, certainly

COSLA is very clear that the decisions should be made locally. That relates to Paul Manning's point about having flexibility.

We appreciate that in the chamber in the Scottish Parliament questions will sometimes be directed to you, as MSPs. However, the responsibilities often lie with local government. It comes down to the level of trust. One of the committee's witnesses last week made reference to the fact that we have a democratic process. Voters decide at the ballot box, and directions should be set at a local level. Therefore, I am not going to come here and say, "You should ring fence these policies, but not those policies".

It is fair to say that about 70 per cent of our budget is still directed spend. We would like that percentage to be reduced further. That will form part of our budget engagement. The funding for teacher numbers—I will touch on that now, although I am sure that there will be an opportunity to speak about it more later—is certainly one of the key points to consider. When there is ring-fenced funding of teacher numbers, the nuances of what is happening locally on the ground do not necessarily mean that that is best practice. We have to acknowledge our pupil to teacher ratios. Where we have a reduction in the number of children on school rolls, is it appropriate to keep the same number of teachers?

I have made the point previously that we are absolutely committed to reducing the attainment gap, but we are talking about the poverty-related attainment gap. That is the key phrase—it is the poverty-related attainment gap. Breakfast clubs, after-school clubs, youth work services, libraries and leisure centres all impact on poverty-related attainment. Although teachers are absolutely crucial in the education of our young people, teacher numbers cannot be looked at in isolation. Therefore, give us flexibility and empower local government to come up with the best outcomes for our young people and children.

Jonathan Belford (Chartered Institute of Public Finance and Accountancy): Katie Hagmann's point about direction rather than ring fencing is perhaps the clearest one. It feels as though ring fencing has been spoken about for years and years: very specific amounts of money have been allocated and what we are to do with that money has been specified.

It now feels that the emphasis has shifted to direction, with passporting money now going through to the health and social care partnerships. I absolutely understand the policy position on that, but it locks in a third of our spend when we are thinking about making savings or changing the way in which spend is allocated.

10:30

It feels as if we have definitely seen a shift from what is traditionally called ring fencing. Although we saw, through the Verity house agreement and this year's settlement, early learning and childcare money being shifted into general funding—which was very helpful to us and to what we have to do—we still have the duty to deliver 1,140 ELC hours per year. Moreover, the shift was reversed by the teacher moneys as we moved into 2024-25, and that has become a particular problem. The language of direction and the extent to which we can influence the amount of money that we direct towards particular services mean that we end up in the unfortunate position in which sometimes services that are the lowest funded, and which receive the lowest amounts of value that we can put into a service, end up being targeted for savings. Of course—dare I say it?—that cuts into early intervention and prevention, too, because some of those services actually make our places and our communities different, instead of tackling just one particular aspect.

Jamie Robertson: I concur with everything that my colleagues have said. One further point is that ring-fenced funding—say, for early learning and childcare—is increasingly costing far more than the initial ring-fenced funding allocation. Something that we need to be cognisant of is the cost of delivering priorities. Certainly, in East Dunbartonshire ring-fenced funding is not sufficient to cover the actual costs of delivering what is a shared priority. Such funding, therefore, needs to keep up with the costs of delivering priorities.

The Convener: Pam, before you go on to your next question, I want to ask a brief question about ring fencing and teacher numbers. How do you approach the situation in more rural and island areas where, in a community that is struggling to keep its population, the closure of the primary school can become its death knell? It is almost as if we have two issues moving in different directions. On one hand, the school's numbers are dropping, so the council wants to close or potentially mothball it, while, on the other, the community is waking up to the need to keep the school open. How do you discuss that sort of thing? If we moved away from setting teacher numbers, might that be a problem in some situations?

Councillor Hagmann: I am happy to come in on that question, because it is an issue in my local authority area of Dumfries and Galloway. We have quite a number of single-teacher schools, and the council decided to look at how many such schools there were, so we were able to adjust the number.

We have to be really mindful of the outcomes. There are two elements here. There is absolutely

a fear that, if the local school goes, families will not move into the area, and such a move is, as you have said, depicted as the death knell of a community. Therefore, we need to be creative and look at how we can utilise our school buildings in different ways if the school is not viable or, indeed, if parents are making other choices. In some instances, even though families might be available in a particular school's catchment area, parents might choose to send their young people to a different school. That could be for a variety of reasons: it could be the number of children at the alternative school or the opportunities being slightly better. We have to respect those parental choices.

Throughout all this—this is something that local government is very good at—the key driver is communication with our communities and having regular conversations and meetings. It is important to make it clear that councils cannot close a school based on finances alone—evidence has to be presented to allow that process to move forward. Indeed, before a school even gets to the point of being mothballed or goes through the statutory closure processes, which is all very restricted and laid out in legislation, conversations must be had with the local community and, indeed, the wider community. It is absolutely a tricky issue, but we need to be creative.

We also need to be mindful that schools are often not the only buildings in a community; there might be a community centre, too. You then have to make a comparison in order to decide whether you want to keep the community centre or the school, because the population might not be able to support both.

There is also the opportunity for community asset transfer. If the community has a vision that it would like to take forward, the local authority can support it and the asset transfer. Obviously, that would need an underlying business case before it could go through.

The Convener: Thank you very much for that—it was really helpful. Pam, back to you.

Pam Gosal: I have a quick supplementary on teacher numbers. When I spoke to 31 local authorities, one of the issues that came up was ring fencing and teacher numbers, but I have also heard from COSLA and the Scottish Government that a piece of work is being done to have a look at that and see whether changes can be made. Are you aware of that work and, if so, can you give us an update on it?

Councillor Hagmann: I can tell you that teacher numbers are just one issue. There is also an aspiration to reduce class contact time, and that is a piece of work that we are looking at and working on with the Scottish Government. I sit on

the Scottish Negotiating Committee for Teachers with the Cabinet Secretary for Education and Skills, and certainly the reduction in class contact time is an issue that our trade unions are very keen to progress.

However, that will have implications. In order to deliver the 90-minute reduction, we will need significantly more teachers in the system. One of the key questions that we want to raise and which we keep coming back to is: what are the outcomes that we are looking for? Moreover, what will that 90 minutes be used for? Clearly our trade union colleagues have an ask as to what they feel it should be used for, and we have to take into account the evidence that is being presented on the best use of that time.

My answer to your question, then, is yes—those conversations are happening and that work is ongoing.

Pam Gosal: My next question is for COSLA. Its submission blames the council tax freeze for the pressure on council budgets. How confident are the witnesses that the Scottish Government will not try to implement another council tax freeze next year? If it did so, what would be the financial implications for local government?

Councillor Hagmann: I am happy to come in on that. I do not think that I am saying anything new when I tell you that COSLA fundamentally disagreed with the council tax freeze. Yes, the freeze was funded at 5 per cent, and £147 million pounds was given to mitigate it, but the reality is that some local authorities were looking at a more than 5 per cent rise. Therefore, as COSLA's submission makes clear and as we have said many times, we feel that, taken as a whole, the freeze was not fully funded, because some local councils were having to go beyond that 5 per cent. As I think has been captured in the evidence, the Fraser of Allander Institute, too, referred to a shortfall of between £229 million and £417 million, which is significant.

We have also pointed out that the £147 million that was provided to cover a 5 per cent rise could have been used for other areas such as preventative work and to stop some of the cuts that we have had to make. Throughout all our discussions, COSLA has made it very clear that we do not think that that is the way forward, and we would fundamentally disagree with another council tax freeze.

Pam Gosal: Thank you.

The Convener: Did you want to come in, Emma?

Emma Roddick (Highlands and Islands) (SNP): I have just a brief question.

Can you say a little more about the types of intervention that that money could be used for rather than a council tax freeze?

Councillor Hagmann: I was reflecting on that with my taxi driver on the way here this morning. Somebody had asked on social media, “What does the council actually do?” It is a question that we as councillors are facing—people are asking, “What does my council tax actually pay for?” The fact is that council tax accounts for only about 13 per cent of our budget. We could have spent that funding on myriad things, such as early intervention through breakfast clubs or social workers. There is a huge array of other issues that we could be taking forward.

One aspect of local government is that we want to support and build our local economy and businesses, and that funding could have been put into business support, especially on the back of Covid, with some businesses still really feeling that struggle. We could have provided some direct support in taking that forward.

The roads issue is well known all around the country, and any council would welcome additional money that it could invest in the road network. Pick a topic that you would like to invest in—I do not think that local government would have any problem finding tangible opportunities in which to invest that money that would have good outcomes for us all.

Emma Roddick: I am sure that there will have been engagement with the Scottish Government about that. Has that been positive so far?

Councillor Hagmann: Engagement happens right throughout the year. I have meetings in the diary with the Cabinet Secretary for Finance and Local Government, and I will take forward all those issues. Obviously, the cabinet secretary is coming in this morning, as well, so you will be able to speak directly to her.

The Convener: I have a question on capital investment. Your submission states:

“the Scottish Government should prioritise capital investment that ... enables investment in affordable housing ... and supports efforts to achieve net zero.”

We would be interested to understand what level of funding you think is required. What would that mean for existing areas of capital expenditure, and who should fund it?

Councillor Hagmann: I will start, but I will perhaps come to my colleagues on the detail. Across local government, we are aware that the capital allocation from Westminster has been cut significantly. That is well documented, and it is well understood that that landscape will not get better any time soon. We are mindful of the

context and the landscape in which we are working.

The capital asset across local government is worth around £55 billion—that figure is in our submission, and it is significant. We need to invest in our existing infrastructure and we also need to invest for the future. You touched on that in terms of net zero.

Our whole capital budget has been cut. A key area that we have talked about is housing. It is not just about supporting our communities and getting them into affordable housing that keeps our communities healthy; it is about supporting the local economy in house building, because it creates jobs across our local councils and supports supply businesses as well. We are not just looking at the end point; it is about the whole system.

Local government holds around 52 per cent of social housing across Scotland, so housing is a key priority. We had a commitment from the cabinet secretary, which was followed through: if there was additional capital funding, it would be put into housing. We continue to work on that area; my colleague Councillor Maureen Chalmers has been working very closely on it. I will perhaps bring in my colleagues on specifics around funding.

The Convener: That would be great.

Paul Manning: It is probably worth making the point that investment decisions on capital spend cannot be done effectively on a year-on-year basis. We need to bear in mind the fact that we are coming from a backdrop of having taken a cut in capital funding at the same time as we have had significant increases in the cost of capital expenditure through inflation. For example, across the 10-year period from 2013-14 to 2023-24, it is estimated that there has been an uplift in the cost of capital investment of about a third. Therefore, funding has gone down and the cost has gone up significantly.

As I said, trying to do this year by year is really difficult and does not contribute to delivering capital expenditure well. For example, in procurement exercises, it is really difficult to form partnerships with the people who would provide and supply capital infrastructure on a year-on-year basis. Getting to a position of multiyear planning and achieving a better capital settlement will be key.

10:45

Nowhere is that better illustrated than by net zero. We need to think about the amount of money that will have to be spent, the extent of the work that will have to be done and who will do it. There

must be a supply base of people and companies who will work with local authorities, the Government and the national health service to try to get them to comply with net zero. Unless we can encourage the development of those pipelines and get them in place, that will not be possible.

You mentioned interest in a figure. For the property estate in my local authority, ignoring council housing, we have looked at a figure of £900 million across a 14-year period in order to get a net zero compliant estate. That is massive. It is the figure for one reasonably sized local authority—but it is only one. I go back to my point: who will do the work, and to what extent do we have people who are trained to retrofit? The situation begs for a long-term funded strategy, or a bit of certainty about where we are going, which is exactly what we do not have at the moment.

I will not go over the points that Katie Hagmann made really well about housing, but it is another key area. In the background, we have the requirements for net zero, but the contribution that capital spend on housing can make should not be overlooked. Spend on housing will meet the needs of people in Scotland who are waiting for some kind of socially rented home, and it will also contribute to the economy and the tax base. None of that should be overlooked. Certainty and a strategic approach to the issues would go down really well.

Jonathan Belford: I will stick with housing. Rather than repeat the points that have already been made, I will reiterate the fact that it is not council money; it is tenants' money—social housing tenants fund construction, capital improvement and so on through their rents. They need assistance through grant funding in order to square the financial circle so that they can afford to continue to fund that work into the future. We have already heard that construction inflation has been significant, particularly over the past four or five years. That has not gone away, and it is not going to go away; it is now embedded in the way in which we deliver capital projects and capital programmes. It is vital that the Government provides grant funding through whichever source is available, as tenants need that assistance. Housing revenue accounts are not subsidised by the council tax payer. Therefore, there is not the same breadth of resource.

The other thing that I will mention is the shift that there has been from capital grant to revenue models through LEIP—the learning estate investment programme. Although that programme is large, it is a revenue-based contribution that deals with costs relating to a building's condition and operational costs to do with the use of the building. There has been a massive shift, with local authorities now required to make the capital

investment decision at around the time that they know how much it would look like, but it is a future revenue stream that will fund future costs, not the cost of borrowing.

An example is a LEIP school in Aberdeen City Council that is at the design stage. We are looking at estimated costs in the order of £120 million for a secondary school. That money all has to be borrowed and funded, and that is part of our spending decisions and, ultimately, the choices that we need to make about our general fund. Without a capital grant element, none of that will be offset. Our capital financing requirement remains high and only increases as time goes on.

Jamie Robertson: On capital, it is important to reflect that councils are seeking to invest, improve and maintain their assets to deliver new ways of working so that they can operate within a reduced financial envelope. Capital expenditure remains absolutely key but, as our submission sets out, the value of council assets is £55 billion. That is without roads, because roads are not on councils' balance sheets. However, the capital grant allocation is £800 million annually, which does not cover the costs of maintaining those assets. In effect, councils have recourse to borrowing so that they can maintain assets and deliver new schools, new primary facilities and the 1,140 hours policy. Borrowing has an impact on revenue, which increases the financial pressure and the financial gap.

As I mentioned last week at the Finance and Public Administration Committee, East Dunbartonshire Council is considering an £8 million development to build 15 houses within a complex package of land. With the grant that is allowed, each of those units will cost more than £400,000 in order to deliver properties that meet passive house standards, have net zero carbon emissions and have electric vehicle charging points. Any cost that is over and above the grant that has been allocated needs to be borne by the tenants. The costs of delivering affordable housing are quite telling. There is a shared commitment to deliver 10,000 houses, but the costs of that are significant.

The Convener: Out of curiosity, what is the size of those houses? How many bedrooms do they have?

Jamie Robertson: There are a number of different packages.

The Convener: Emma Roddick has a supplementary.

Emma Roddick: I appreciate all the comments that have been made about capital investment in housing. Can anyone relate that to councils' ability to tackle homelessness and reduce housing waiting lists?

Councillor Hagmann: Certainly, we are very mindful of those issues. The settlement and distribution group has been set up to review funding decisions. It includes directors of finance from across a range of local authorities as well as Scottish Government officials. The group will make recommendations on how funding should be distributed. As such, there are always winners and losers when we look at these things. The last set of decisions and recommendations, which we agreed with, started to look at those issues.

In key areas where homelessness is a real issue, we are trying to be flexible in our approach. Clearly, not everyone is keen on our approach, because if local authorities are seen to be losing out, those individual authorities will not necessarily be happy. We have to have grown-up conversations where we say, “These are the limited budgets that we are working to. The decisions are not easy, but this is where we need to target if we are to get the best outcomes, and this is where the real issues are.” There are pinch points—I think that it is well known that Glasgow is one of them. We have to be mindful of that.

Emma Roddick: Does more work need to be done to identify the type of housing for which less stock is available but for which people who are experiencing homelessness or are at risk of homelessness are looking?

Councillor Hagmann: Across local government, each local authority will be looking at its strategic housing investment plan. We use a variety of data points for those plans: we work with the NHS, registered social landlords and homelessness teams to work out who needs homes. Quite often, we find that we are building specific houses with people in mind. That means that people have to wait that bit longer. For instance, if larger families cannot find housing, homes have to be adapted, and housing for people who have accessibility issues simply is not there, especially in some rural areas. Local authorities are working very closely on those issues, and we also have local housing forums. We are feeding into the process in order to ensure that we get the best outcomes with the limited resources that we have.

Emma Roddick: Do you see that situation frequently—that people experiencing homelessness are in need of a property that just does not exist yet?

Councillor Hagmann: It varies across the country, but that is certainly where having those professional networks is really helpful. I have a range of professionals with me who can give an overview of what is happening nationally.

Emma Roddick: Thank you.

The Convener: Miles, is your question on capital investment?

Miles Briggs (Lothian) (Con): Yes, it is specifically around voids and empty properties. What co-ordination work is being done in COSLA on that? Here in the capital, we have 3,000 empty council-owned properties. That has not changed for a long time. Across Scotland, where is COSLA seeing that solutions to bring empty properties back into use are not being realised? How can that work be taken forward between the Government and local government? The Government is saying that councils should be bringing those properties back and councils are saying that they do not have the resources, yet we are seeing those properties being left unutilised, with record numbers of people and families in temporary accommodation.

In all those discussions, where is bringing empty properties back into use being made a priority?

Councillor Hagmann: It is a discussion that has been had. Just last month, we had the COSLA excellence awards. One of the finalists has been looking at displaced citizens from Ukraine and how empty homes in, I think, Aberdeen—I am looking at Jonathan Belford on my right—were being repurposed. Real energy was put into that piece of work.

We will be creative if we have that flexibility; we will do what we can. We are very mindful that we must make the best use of the resources that we have. If bringing those empty properties up to standard rather than building new is not the best use of resources, we must also justify that.

Those conversations are taken through our thematic boards at COSLA. The 32 local authorities have representatives who sit on our different thematic boards, and the issues of homelessness and housing are key on one of those. Therefore, we can learn about the experience of local authorities and see and what is happening across the country. Where a decision is made, it then comes to COSLA leaders to make a policy decision going forward.

The Convener: Thank you for that.

Paul Manning: Councils are absolutely conscious of the issue of voids. In my authority, for example, homelessness is a real issue just now. It is at levels that we have never seen before—presentations have been really high for the past 18 months. We now have a case load that is greater than we have ever seen before.

Part of our way of dealing with that is to focus on voids, which we have done across the past year. We have had to put other types of repair on hold to try to get that voids figure down. Voids are now at a record low level, but it has taken a lot of

money to get there. That must be juggled within the overall package of the housing budget.

I go back to the point that the sustainable long-term solution is the creation of new homes. The cuts to the capital grant do not help councils to meet those social housing needs, and wider benefits are lost through not having that house building throughput as well.

Jonathan Belford: You ask how COSLA is acting in order to change the situation. Since joining directors of finance in a more senior position, I have seen a massive increase in the emphasis on the importance of housing. The housing special interest group has nine different workstreams, all looking at different elements of the housing supply chain, including everything through to voids and the allocation process.

As well as a much greater emphasis on housing, the Scottish Government, COSLA, industry and investors are working together to enable the right range of people to learn from one other. That approach has changed dramatically in recent times, certainly from my understanding. Hopefully, that will lead to a number of different recommendations that we can take forward, as a sector rather than as individual local authorities, to improve the position.

The Convener: Thanks. It is good to hear about the working together approach, which I think is happening across a lot of local authorities.

11:00

Fulton MacGregor (Coatbridge and Chryston) (SNP): Good morning. I want to discuss the pay of the local government workforce. It seems that, every year, there is what is almost a scramble around pay negotiations involving the Scottish Government, COSLA and various others. There are last-minute meetings, deals are done and so on. It always seems to be a wee bit chaotic—certainly, that is the feeling that we sometimes get in this place. What needs to be done to ensure that that is not the case and that the issue of pay is managed more sustainably next year and beyond? Are there any solutions that you could present to the committee?

Paul Manning: You are right—pay is a massive part of local authority expenditure and when directors of finance are putting together a budget, the first thing that they are inking in is an estimate of what they believe the pay settlement might come out at. That will be the most significant figure in the budget that we put together and it contributes to the budget gap that we started talking about earlier.

On the point about the past two years feeling particularly fraught, we cannot overlook the fact

that we have been in an extreme inflationary climate since the start of 2022. That makes the whole situation worse and it exacerbates the problem. Trade unions will—rightly—ask for a higher figure as a pay award in order to try to keep pace with the increases in the cost of living, and that puts greater pressure on that budget gap.

I am hopeful that the level of inflation will continue to abate, but it can take time for that to unwind into things such as pay settlement discussions, because people are looking for some form of restorative pay award, so that may help, moving forward, but the obvious answer is funding.

In terms of the settlement that local government gets, the reality of what pay deals may have to cost needs to be recognised. We talked earlier about starting the budget process sooner. Early engagement with pay discussions is absolutely a good thing. To COSLA's credit, it has done that—certainly this year, and I think partly last year as well.

Part of the issue is about being innovative around what you move forward with in pay discussions. With things such as multiyear pay deals, across the past two or three years there have been things such as bottom weighting in pay offers that have been made. That can have knock-on impacts on things such as our ability to recruit. If we are not getting the full value of a pay award across certain types of workers or certain professions, we lose our ability as local government to recruit people.

There are things that can be done, and there are things that have been done, but at the core of this and behind it all is funding.

Councillor Hagmann: I am happy to come in on this. It is a privilege—and I use that word pointedly—to be in the room doing our national pay negotiations. I am working closely with our trade union colleagues, and I have got nothing but respect for them. They do an incredible job of supporting our workforce. This is a point that I make often—those in our local government workforce are also in our communities. They are our front-line service providers, but they are also our neighbours. They are within our communities. We absolutely want to be paying fair wages to all our staff.

It is fair to say that pay in Scotland is the best in the public sector across the whole of the United Kingdom. Teachers in Scotland, for example, are the best paid in the UK when you look at the starting salaries. We have four different pay negotiating bodies on pay. Teachers are part of that tripartite space along with Government, so we are all equal partners around that table. As far as the Scottish joint council, our craft workforce and

the chief officials group are concerned, the issue sits just with local government and the trade unions.

We have reviewed how pay is negotiated. We have the findings of that review, and we have a preferred way of going forward, but it will involve discussion with the Scottish Government to see whether it is content to have a role—or, indeed, not to have a role. We are still going through the process. Our trade union colleagues have to agree what that might look like, too.

A significant amount of work has been done. I go back to Paul Manning's point about the significant amount of inflation that we have been looking at; the cost of living crisis has been hugely felt, but we have to be mindful of the need for fair funding if we are to deliver the pay uplifts that we have managed to take forward. The contribution for pay this year was 3.2 per cent, and the additional funding had to come from the Scottish Government. However, even that 3.2 per cent was above what some local authorities had budgeted for, so it has already put on pressure before we even start.

The cabinet secretary has referred quite a number of times to the reduction in head count. If we take out the staff delivering the 1,140 hours of early learning and childcare, we can see that our staff head count has reduced significantly. However, if we are going to look at that, it all comes back to teachers. If teacher numbers are held, it becomes almost impossible to give that pay increase, because the funding that has been put forward for additional teachers is not even enough to match the pay offers. We cannot continue to protect one element of the workforce to the detriment of another if we are trying to find better outcomes for all.

It is a complex landscape, but it is a privilege to be in there. Our staff absolutely deserve fair funding and fair pay rises, but we might need to find a different way of negotiating so that we do not have to come back to the Scottish Government every year with the threat of strike action hanging over us.

Finally, I would just say that, in the SJC space, the pay offer has been implemented, but discussions are continuing. Local government has not imposed that offer; it is simply implementing what is on the table now, so that our workforce can get the money in their pockets before Christmas. That was a key ask—and there was the key ask of bottom loading, too—but we absolutely remain open to dialogue and discussion.

The Convener: Thanks very much for that.

I am sorry, but we are going to have to move on now. We have only 25 minutes and quite a few

questions left. Everything has been super so far, but we are pressed for time.

We will have a question on the rural growth deal, and then we have questions on a couple of other areas—financial sustainability, debt and reserves. We also want to ask about public service reform and prevention. That is just the road map or the pathway of what we want to cover in our final 25 minutes, so I must ask people to be brief with their questions and responses.

I call Emma Roddick to ask about the rural growth deal.

Emma Roddick: Recently, it became public that the UK Government had paused the £70 million rural growth deal for Argyll and Bute, which leaves it the only place in Scotland without such a deal. What impact might that have on the area, and can the witnesses suggest any steps that the Scottish Government might take to mitigate it? More generally, do witnesses have concerns about the withdrawal of funding for existing deals and the impact of that?

Councillor Hagmann: I will open briefly by saying that that is why we need multiyear funding. It will give us a settlement and certainty going forward.

I am probably not best placed to answer on the specifics of that particular issue, though, so I will turn to my colleagues.

Paul Manning: As I am not from that authority, I do not know the specifics, either. However, the city deal initiatives that have been put in place have, from councils' point of view, led to an ability to invest in projects that have delivered economic growth in a structured, monitored and evaluated way that would not have been possible without them. I cannot speak on behalf of the Scottish Government, but I would have thought that, if one part of the country was going to be shut out of that activity, it would have to be prepared to look at the matter. However, I cannot talk in any more detail about the implications in that respect.

The Convener: Did you want to come in on that, Jonathan?

Jonathan Belford: No.

Emma Roddick: That is not the only deal that different councils have been expecting money for and which has now either been withdrawn or called into question. What impact does the fact that funding hinges on other Governments taking their share have more generally on planning and the ability of councils to deliver on what they are expected to deliver?

Jonathan Belford: It brings a new layer of uncertainty. As I said earlier, we as local authorities are having to make decisions with

future funding assumed, committed to and expected. Having potentially decided on capital investment but also on an on-going, or perhaps recurring, commitment of revenue funds to support particular elements and communities, how does a local authority respond to that funding being reversed or changed?

That shift makes a vital difference and can be incredibly difficult to deal with. It leaves us in a position of rethinking our priorities but finding it very difficult to resolve the matter. We must look for alternatives to maintain delivery, whether of a piece of infrastructure or a service. The difficulty in getting comfort and assurance that money that we are expecting to come through the system will actually be delivered throws our medium-term planning further into jeopardy. Uncertainty is the key aspect of losing funding at the last minute.

Councillor Hagmann: It might be helpful if we come back to you and send further evidence on the specifics of that. We can do that—I can go back and speak to colleagues. We will probably come to the issue of reserves, but Jonathan has touched on a fundamental point: we have reserves, because, sometimes, we have committed to projects for which funding is then withdrawn. Often, reserves are used to underwrite some of those big projects, so we must be fleet of foot with that.

The Convener: Right on cue, we move to Willie Coffey, who will ask about financial sustainability, debt and reserves.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Thanks very much, convener. Good morning, everybody.

I will come to the reserves issue in a wee minute, Katie, but first of all, on council debt, you must have heard some of our conversations last week with Professor Heald, who talked about local authority debt being upwards of £1 billion. You must also have heard the conversation about what happened, tragically, to some councils down south, which incurred huge amounts of debt that they have been unable to service. In fact, some have, in effect, declared themselves bankrupt.

There was a discussion about the power of general competence, which English councils have, but Scottish councils do not. I asked a direct question whether local councils in Scotland would like such a power, but not, one would hope, to do the same thing that Woking Borough Council did and end up £2 billion in debt.

Is the debt in Scottish councils generally serviceable? Are you collectively able to service and pay that debt as it arises, presumably from borrowing and so forth?

Councillor Hagmann: I will kick off and maybe come to Jamie Robertson on the actual details.

Debt is often seen as a bad thing—people do not want to be in it. However, we must be really mindful of the fact that it can be a good thing, as it means that we can borrow and invest in our communities. We must have a balanced budget every year, and that includes our debt repayments.

I would not expect the situations that happened south of the border in England to happen in Scotland. We do not have the same risk of commercial investments in Scotland, for example, so that is not comparable, although there are some similar issues, such as equal pay claims. However, the Scottish local government landscape is very different; we deliver a lot more directly, and we do not outsource in the way that English local authorities do. There are issues in that respect. In any case, a general power of competence is a key ask of COSLA and something that we would very much like.

I turn to Jamie Robertson to talk about that, as he has been working on it.

11:15

Jamie Robertson: As Councillor Hagmann has said, debt is not necessarily a bad thing. In effect, we try to spread payment for the asset over its life, as it is consumed. There is an intergenerational equity argument in that respect. The people who use the asset are, in effect, paying for it. That is one way in which councils generate and manage their debt, through their loans fund.

In recent years, the proportion of debt to council expenditure has fluctuated significantly, as there have been a number of fiscal flexibilities. The likelihood is that debt levels will increase as councils have to invest in their capital assets and the capital grant reduces. My council has a £7 million capital grant. As Jonathan Belford has said, delivering a school has, historically, cost upwards of £100 million, so that is borrowed for and hits our general revenue account, through principal and interest payments.

Debt is generally not a bad thing, and we use it to deliver our services, but underlining all of that are the prudential indicators, which set the parameters to ensure that debt is prudent, sustainable and affordable. Those are the burdens that we will always seek to cover to ensure that what we are doing is affordable for council tax payers.

As for the general power of competence, there are a number of key pieces of legislation in the rest of the UK that allow investment for profit, but such legislative powers are not in the Local

Government (Scotland) Act 1973 or the Local Government in Scotland Act 2003. Overriding all that would be the principle whether something was ultra vires or fell within the responsibilities of local government. The backstop provision would be the prudential indicators, which ensure that debt is prudent and affordable over the long term.

Debt will continue to be a key issue. I know that the Accounts Commission is keen to look at that, and our treasury management strategies will be under significant scrutiny as we go forward. I just want to assure you that that is how councils are managing debt, and that it is in accordance with the shared priorities.

Willie Coffey: The big difference between down south and here was the complete collapse of the external Audit Commission there. The audit function as a whole did not appear to function in some of the councils that have been mentioned. Members discussed that last week, but I believe that we have a strong internal and external audit function in Scotland, which is principally led by Audit Scotland, but which can be found in council departments, too.

The worry for the public when they hear such stories is whether something similar could happen in Scotland, but the drift of the conversation has been that it is unlikely to happen here, because of the protections that we have to guard against that and the measures that you have described, Jamie. Is that a fair comment?

Jamie Robertson: Absolutely. You will be mindful of the local government benchmarking framework, which, this year, includes a number of additional financial sustainability indicators on debt and the proportion of debt to net expenditure in councils. Those are the things that the Improvement Service is looking at. If a council with revenue expenditure of £250 million was going out to borrow £0.5 billion, it would be very much an outlier in that analysis and subject to significant scrutiny.

Willie Coffey: Could I just—

The Convener: Hang on a minute, Willie. I will bring in Katie Hagmann to respond very briefly, and then we will have to be really brief.

For the next questions, I must ask colleagues to start with Councillor Hagmann. Councillor Hagmann, can you bring in just one of your colleagues to respond, given that we are really tight for time? I know that that is difficult, because you all have valuable things to say but, as you have indicated, you can follow things up in writing.

Councillor Hagmann: I will be really brief.

Yes, we have the ability to do internal audits, and elected members can request them. To be clear, though, I point out that the budgets that we

present are fully impact assessed. That work is done every single year to offer reassurance.

Willie Coffey: My final question is on reserves. In its most recent joint report with the Accounts Commission, Audit Scotland has said that local councils in Scotland are sitting on £4.5 billion of reserves. First, do you accept that figure as being accurate?

I am sure that you will tell me that the money is all earmarked, allocated, committed and so on and so forth, but the committee has actually found it difficult to cut through and see exactly what is usable, non-usable, committed or uncommitted. The report says:

“the lack of transparency in some councils’ annual accounts makes it difficult to draw firm conclusions on councils planned use”

of all those reserves. Do you agree? We are finding it difficult to understand the picture with reserves and all the different categories. Will you offer a general comment on that, please?

Councillor Hagmann: First, the Accounts Commission has indeed given that figure of £4.5 billion, but the fact is that only £0.5 billion of that is uncommitted. I absolutely appreciate that there is confusion over what is committed or uncommitted. We can look at that headline figure and say, “Oh, councils are sitting on lots and lots of money.” The reality, though, is that they are not—only £0.46 billion is uncommitted.

It is also important to say that reserves are not infinite—they can be used only once. Local councils are having to use them to balance budgets. They cannot be used to fund pay increases in one year, because that is money that will be needed every year. It is simplistic to think that local authorities are sitting on lots of funds that they can tap into. That is not the reality.

If it is helpful, I will turn to Paul Manning for a concise explanation of the difference between committed and uncommitted funds, because there is a disparity in that respect.

Willie Coffey: Okay.

Paul Manning: The technical definitions of “committed” and “uncommitted” probably sit better with a director of finance.

Jonathan Belford: Thanks.

Katie Hagmann’s key point is that the use of reserves is a one-off. They are vital in enabling us to manage our finances effectively over—dare I say it?—multiple years, in a very uncertain environment. There is an absolute need to have some uncommitted and available reserves to deal with financial shock.

I will quickly mention one example. In order to access the Bellwin scheme—the Scottish Government’s emergency response moneys—each council has to incur a level of spend that will not have been budgeted for and which, therefore, it will likely have to access through its reserves. Having uncommitted reserves before we access any Scottish Government funds is vital and is part of our financial management framework.

I have had a look at all the balance sheets, and the figure of £4.5 billion in usable reserves is correct. However, there is a plethora of differences. Housing revenue accounts, for example, make up 5 per cent of that amount, but that £200-odd million is tenants’ money.

Another 30 per cent or thereabouts relates to capital projects. Having looked at that issue in detail, I can tell you that they are projects that are multiyear in nature but which have not yet been fully delivered. We get capital grants; indeed, we have to bid for lots of different moneys from different parts of Government or other partners, and when we do not use that grant in advance, it gets carried forward as part of our usable reserves. In this particular environment, the money in the capital fund is a huge part of that £4.5 billion.

The £460 million that Katie Hagmann mentioned is the equivalent of about £14 million for each council. Obviously, the figures vary, but that represents only one to two weeks of operating costs. It is, however, not what I would expect from some of our partners.

Having earmarked and allocated moneys, the council makes decisions each and every year as to how much it is going to set aside, and part of that will be for projects spanning one year to the next. There are timing differences in relation to the value that comes through.

Having looked at many councils’ accounts, I know that there is a level of detail that gives us access to what each council is doing with those funds. Indeed, there is quite a lot of detail in the notes to the accounts, and it is useful in pinpointing the specific projects that the money is being carried forward for.

The only other thing that I will mention in relation to our earmarked sums is that we have statutory requirements to carry forward specific amounts of money, one of which relates to affordable housing. Up to a particular point, any extra income generated from, say, reducing council tax relief on second homes cannot be put towards council services; instead, it has to be put into our reserves to pay for affordable housing. Again, that gets captured as part of our usable reserves and is carried forward. Indeed, we are using that money

to support our house-building programme in Aberdeen.

Willie Coffey: That was really helpful. Thank you very much, everybody, for offering those explanations.

The Convener: It was really good to take the time and be walked through that. I know that everybody else wants to say more, but we just do not have the time. I apologise for that—and I have noted that we need more time for this evidence session next year.

Miles Briggs: I will try to merge my two questions, convener.

First, the Accounts Commission has stated that councils

“urgently need to transform how they deliver services”.

What is your view on that?

Moreover, at a recent CIPFA conference, a director of finance said that councils need to

“do less with less, but do it really well”.

How can there be more efficiency in local government? What should the Scottish Government do to help take that forward?

Councillor Hagmann: I will keep my comments brief.

We always need to look at ways of delivering better. I also think it important to say that, sometimes, we do deliver things in a really excellent way.

Efficiencies have been made across local government over the past 10 years. We also have to be honest with our communities and citizens and tell them that we might not always be able to deliver what is expected. There needs to be a level of honesty across our communities—and, indeed, an open cross-party discussion. That issue has been mentioned a lot. Often, such matters become political footballs and get used in political contexts. We have fixed-term election periods, and nobody wants to take the unpopular decisions, but we do need that level of honesty.

We need to look at areas that might not be a priority and at those areas where we can focus our efforts, and we also need to be mindful of the outcomes that we are trying to achieve. The best way forward is probably to be more focused on outcomes than on individual aspects.

The Accounts Commission report was published only last week. We will continue to do what we can, and we will continue to work in partnership. Indeed, one of the strengths of the Verity house agreement is that it has that partnership built in.

There have been difficulties. I will not say that it has all been plain sailing—we have already

touched on council tax—but local government does not want to walk away from the Verity house agreement. We have issues of conflict and areas where we do not necessarily agree, but we are still committed to working together on the best outcomes.

Jamie Robertson: As for things that have been happening more recently, I can highlight East Dunbartonshire Council's digital strategy, which has been updated and refreshed and is now aligned with the Scottish Government's digital strategy. That strategy includes the "Call, click, come in" approach, an approach to digitalising our systems, and the "Tell us once" service. Those are the ways in which we are looking to invest in our digital future. That said, we are incredibly mindful of digital exclusion and of making sure that we take people with us to deliver services in a more innovative and different way that reduces the overall cost but which increases overall efficiency and effectiveness.

The Convener: Thanks for that—it was really helpful to get that illustration. We definitely need more time with you in the future.

I will now bring in Mark Griffin, who joins us online.

11:30

Mark Griffin (Central Scotland) (Lab): Good morning. I had a question about prevention, but as that subject has been covered, I will, for the sake of time, move on and ask about the fiscal framework.

COSLA's submission states that

"There has been considerable progress on delivering a Fiscal Framework".

A number of witnesses have questioned that, although there might be work going on behind the scenes that we do not know about. Given that we have had a delay of a year or so in getting the framework in place, when can we expect to see it, and why has it taken so long?

Councillor Hagmann: I am happy to come in on that.

We need to be mindful that this is the first full year of the Verity house agreement. It is very easy to ask, "Why is it not here?" but, as I have said, we are only in the first full year of this approach. I do appreciate, though, that the agreement was signed in June last year.

We have made significant progress. For a start, the Scottish Government and local authority leaders at COSLA have jointly agreed the three core principles of what a fiscal framework should do. We have also had an early engagement process, as part of the fiscal framework delivery,

and that is continuing. There are concerns that the framework might have unintended consequences, and there have been extensive background discussions on that with our CIPFA and SOLACE colleagues and with directors of finance.

We are moving at pace, but there is also potential to have a shadow period, because the last thing that we want to do is rush the process, put something in place and then realise that it is working neither for local government nor for the Scottish Government. Because we do not have something shiny and complete to present to you, there is a perception that nothing has happened with the fiscal framework, but we have made significant progress.

Mark Griffin: Is the work that is going on in the background sensitive? Are we able to get a progress report that sets out some of the things that have been agreed on?

Councillor Hagmann: The processes that go forward are discussed, and decisions are taken at COSLA leaders meetings. Once those decisions are taken, they are made public, but other information is available, too, such as the three core principles. For the sake of time, I will not go into them, but paragraph 37 of our submission states clearly the core principles that we are working with. That is huge, because, without principles, how do we build the framework? We have made that progress, and that step is complete.

The Convener: I am going to go against what I said about being pressed for time and ask you to highlight those three core principles.

Councillor Hagmann: The first is to

"promote stability, certainty, transparency, affordability and sustainability";

the second is to

"promote effective use of fiscal flexibilities and levers to address local priorities and improve outcomes";

and the third is to

"enable discussion of fiscal empowerment",

which takes us back to the previous question about the general power of competence.

The Convener: It is helpful to get that clear, because we were wondering whether the core principles were about poverty and climate change.

Councillor Hagmann: Those are core principles of the Verity house agreement, but the fiscal framework has those three separate points.

The Convener: That has really helped to put us straight.

We have come to the end of this evidence-taking session. As I have said, I hope that, next

year, we have more time, because this is important to us. It really helps to get the detail of what is happening on the ground in relation to all the issues that we have been discussing. Again, many thanks to our witnesses for coming in this morning—the evidence has been very helpful.

I briefly suspend the meeting to allow for a changeover of witnesses.

11:33

Meeting suspended.

11:41

On resuming—

The Convener: We are joined by our second panel: Shona Robison is the Cabinet Secretary for Finance and Local Government, is with Scottish Government officials Ellen Leaver, who is acting director for local government, and Ian Storrie, who is head of local government finance. I warmly welcome our witnesses and I invite the cabinet secretary to make a brief opening statement.

The Cabinet Secretary for Finance and Local Government (Shona Robison): Thank you very much, convener, and thanks for inviting me to give evidence and for being so accommodating on the timing so that I could attend the Finance and Public Administration Committee meeting earlier.

The Scottish Government, along with local authorities and public sector bodies across Scotland, faces a very challenging fiscal environment. My statement to Parliament on 3 September outlined some of those challenges and highlighted the difficult decisions that we are taking to achieve financial balance this year.

The 2025-26 Scottish budget will also be challenging. The £22 billion shortfall in the UK public finances, as outlined in the Chancellor of the Exchequer's statement at the end of July following the Treasury's spending audit, will undoubtedly result in a difficult UK budget on 30 October. That will have significant implications for the Scottish budget, which will result in difficult decisions having to be taken.

Despite the severe financial challenges that are faced and the worst-case-scenario autumn statement last November, the local government settlement this financial year provided record funding of more than £14 billion to local authorities—a real-terms increase of 2.5 per cent—and local government received an increased share of the funding that was at ministers' disposal. Independent analysis by the Scottish Parliament information centre confirms that local government's share of the discretionary Scottish budget is not only higher in 2024-25 than

it was in 2023-24 but higher than it was in 2013-14.

Through the Verity house agreement, we renewed our commitment to a relationship with local government that is based on mutual trust and respect, and we agreed to seek new ways of working together to ensure that the people of Scotland receive the high-quality public services that they expect and deserve.

The first year of the Verity house agreement has seen positive progress being made in the implementation of the agreement's principle. Most notably, £1 billion was baselined into the local government 2024-25 settlement. Councils now have more powers and opportunities to raise their own revenue through, for example, the visitor levy, the workplace parking levy and changes to the council tax treatment of properties, and there is the joint delivery of pay uplifts to at least £12 an hour for children's social care workers and childcare workers.

I remain committed to continuing to make progress against our shared priorities in partnership with local government and to ensuring that we work collectively to deliver sustainable public services across Scotland. I look forward to engaging with members today and answering any questions that the committee may have.

11:45

The Convener: You mentioned the Verity house agreement and the £1 billion baseline going into local government. We are interested in hearing how the forthcoming budget and next year's local government settlement can help to address the agreement's three shared priorities, which are tackling poverty, delivering net zero and providing sustainable public services.

Shona Robison: One area of agreement on the fiscal framework, which is at an advanced stage of development, was early budget engagement. I have engaged directly with COSLA and Katie Hagmann in particular on early budget engagement to set out the areas of common agreement.

There is common agreement against those priorities. We looked at how we could set out a timetable for engagement that would help us to get to a place that was always going to be about compromise but is the best place that we can get to within the fiscal constraints that there are. We both have that objective.

The Convener: Will you give more specifics on how the work that you are doing on the fiscal framework will help to address the three shared priorities? I know that that is a big question in a way, but will you touch on the thinking about that?

Shona Robison: The fiscal framework is designed to move us forward and get away from what had been an annual ask from COSLA that set the scene for what was never going to be a quantum that met that demand. It was a joint endeavour to get a more constructive discussion.

There are complexities in the fiscal framework. I do not know how much Katie Hagmann spoke about rules-based funding. We have been exploring that, and Ellen Leaver or Ian Storrie can tell you a lot more about the detail of the discussions at official level. It sounds like a simple thing, but it is not without its challenges. We need to test some of that thinking, and we may look at shadow components of things over 2025-26 before coming to a fixed position.

I will give you one complexity. If rules-based funding landed at a place where the rules were met and the funding was agreed, what would happen if there were events during the financial year that caused local government to turn to the Scottish Government? Where would that sit in a rules-based framework?

I think that local government is very cognisant of the ups and downs and of the fact that things are not always neatly packaged at the start of the financial year. Events happen and they need to be responded to. I do not know whether Ian Storrie or Ellen Leaver wants to come in.

Ian Storrie (Scottish Government): I am happy to come in. It is important to differentiate between a fiscal framework and a rules-based framework, because there has been quite a lot of progress on the fiscal framework. The original commitment in the Verity house agreement was to a framework that would include

“meaningful early budget engagement”,

a

“simplified and consolidated”

settlement,

“clear routes to explore local revenue raising”,

and

“multi-year certainty”.

The cabinet secretary talked about the positive early budget engagement, as did Councillor Hagmann. The cabinet secretary mentioned the £1 billion that was consolidated. There is progress on the visitor levy and the cruise ship levy. There is an awful lot of progress on the fiscal framework, but we have spent a lot of time in the past couple of months discussing the possibility of a rules-based framework, which, as the cabinet secretary said, is incredibly complicated.

We have been exploring some of the mechanics behind the scenes. If, for example, you set the rule

on 4 December this year, what would happen if the UK budget delivered more or less funding? How would we accommodate that within the rule? How would councils do that within their budget setting? Under existing legislation, they do not have scope to revisit their budget proposals in any sensible way. By 11 March, they will already have set council tax.

We are exploring some of the really complicated mechanics around what a rule would look like, how it would apply, how it would have reconciliation, what would happen to changes in year, what would happen to pay pressures or Bellwin scheme pressures and what would happen to the non-domestic rates guarantee. Those are all the complexities that we have been working on behind the scenes with officials.

I know that Councillor Hagmann referenced the fact that there has been an awful lot of official-level engagement behind the scenes, before we have got to the political engagement. The next political engagement is on Thursday, where we will explore the evidence that Jonathan Belford just gave the committee on reserves in order to give us greater understanding. If we are going to have a rules-based framework, we need to understand borrowing and reserves and all those things.

The matter is far more complex than the public perception of it. We have made far more progress on the fiscal framework, as distinct from the rules-based framework, than we are perhaps given credit for.

The Convener: Thanks very much for that. It is helpful to understand some of the constraints that you are working under, the challenges and the complexity.

I will move on. I am interested in your response to evidence that we have heard from witnesses that the 2024-25 council tax freeze has negatively impacted local government finances and damaged the relationship between local government and the Scottish Government.

Shona Robison: First, let me acknowledge the bleedin’ obvious—that local government did not like the council tax freeze. There is no point in me sitting here arguing that it somehow welcomed the freeze; it did not, and we understand the reasons for that.

The council tax freeze was deployed to support pressed households at a time of cost of living pressures—which continue, but which were particularly acute. We then got into a lot of detailed discussion around the quantum to settle on to meet the cost of the freeze, and in fact, we ended up increasing that quantum.

We are now into the discussions about 2025-26. It is important to get a balance of supports for local

government. We are keen for local government to have more fiscal levers, and we have made some good progress on them. Ian Storrie outlined some, and others—such as the cruise ship levy—are in the wings.

Local government has an ambition to have more powers at its disposal, which I am very sympathetic to. Obviously, it needs to be within a due diligence prudent framework, but there is a very strong argument for that journey to continue.

There are various moving parts to what will be a package, which will be quantum of the settlement, powers, flexibilities and all of that, against a backdrop of an incredibly difficult fiscal environment. We have to manage all of that so that we can, I hope, get to a place that is a reasonable landing spot.

The Convener: What is your sense of the impact of the council tax freeze on the relationship with local government?

Shona Robison: Has the issue been raised on a number of occasions? Yes—particularly at the time. On the desire from local government for no further freeze in 2025-26, I have said clearly that it is part of the budget discussions. It is about a package.

In the big picture of all the things that we are getting on with in the agreement space with local government, there is sometimes a lot of focus on the relatively small number of things—some of which might be significant—where there is disagreement. I hope that, through the budget process, we can move beyond some of those issues, because a lot is being delivered, and there is a lot that we can deliver jointly.

The Convener: What was said in the previous evidence session about communication, connections, discussions and meetings being in the diary indicates that there is still a relationship, which is very important.

Shona Robison: I see Katie Hagmann at least once a week—perhaps more often than that—and my officials see their counterparts in COSLA regularly. Perhaps this is not always understood, but a lot of joint engagement and detailed work goes on.

The Convener: That is good to hear.

Fulton MacGregor: I will follow up on the questions about local government pay demands that I asked in the previous session—I do not know whether you have had a chance to review what was said, cabinet secretary. We all know better than anybody that there is almost a scramble to get things over the line every year. You might have heard some of the suggestions that were made in the previous session about how things could be done on a more managed and

sustainable basis. Do you have any ideas about how things might be done next year or any suggestions about how the process could be improved?

Shona Robison: First and foremost, let me recognise that the negotiation is between COSLA and the unions, and it is really important to abide by that principle. Although we have supported local government pay this year and in previous years, it is important to reiterate that the negotiation is between those two parties.

I would very much like to get to a position in which we can move beyond what you have described. Clearly, it has been quite a difficult year, but we have provided additional funding, which was very difficult to identify. Collectively with COSLA, we had to make some very difficult decisions about what would be paused and what funding would need to be utilised for pay. The upside is that two of the three unions have now accepted the offer, and what happens with Unison remains to be seen.

The solution is multiyear funding. One of the better things that the new UK Labour Government has announced is a spring spending review of resource and capital funding, which will trigger multiyear funding, with three-year funding being reviewed every two years. That is how the system used to work, but that has not happened for many years.

Multiyear funding is important because it can help us with so many things, including reform and the ability to reach agreements on productivity and efficiency. A multiyear envelope also helps with pay, because we can then support multiyear pay deals and, in turn, local government. We cannot give out multiyear funding unless we have multiyear funding, but if we get multiyear settlements, we can provide local government with multiyear settlements, which will enable it to get to a more productive space in relation to multiyear pay deals and all the things that come with that, such as reform and doing things differently. It is hard—almost impossible, to be honest—to do all that with single-year budgets. That is the way forward.

The last year with single-year funding will be 2025-26, and we will have to do our best to minimise the chances of industrial action, which is costly to public services. We all want to avoid that, and the longer-term solution is to provide multiyear deals.

Fulton MacGregor: You have anticipated my follow-up question, which is about multiyear certainty. In the previous session, Paul Manning suggested multiyear pay deals as a possible solution, and it sounds as though you agree that that is a potential solution or part of the solution.

You have kind of covered what I was going to ask, but will you confirm that the Scottish Government will provide certainty on multiyear funding for local authorities as soon as it is able to do so?

12:00

Shona Robison: If we can get to a position in which the UK Government provides certainty on multiyear funding—we are being told that that is the aspiration—and I can see what those multiyear envelopes will be like, of course I would want to work with local government to deliver multiyear funding for it. I would be delighted to be able to do so, because I know that that would open up a whole range of opportunities, some of which I mentioned earlier.

The Convener: Is there anything that we need to be aware of that could jeopardise the UK spending review next spring, or is that review a certainty?

Shona Robison: I cannot see the UK Government reining back from what has been a clear commitment, and I think that work is already under way on the UK spending review. What remains to be seen is what that looks like. I am sure that we will touch on capital today. We have had a cut to our capital budget, which will, unfortunately, reduce our ability to spend in that area.

The spending review, which covers resource and capital, gives the UK Government an opportunity to look a bit differently at the fiscal rules, particularly in relation to capital and borrowing, which could give us a different trajectory on capital availability. I would like nothing more than that. I can assure you that, at the meetings with the Chancellor of the Exchequer, we have raised that issue and that of financial transactions. Along with Welsh and Northern Irish counterparts, I met the Chief Secretary to the Treasury in Belfast last week. We were really clear about the need for a change in direction with more resource to sustain public services and more capital to invest in infrastructure.

We need to wait and see. I do not think that there will be any change to the principle of doing the review. The uncertainty is about what pops out the other end. We will be trying to influence and engage with all that as much as we possibly can.

Pam Gosal: The Verity house agreement states that

“the default position will be no ring-fencing or direction of funding”.

As we heard from the previous panel, ring fencing has put a strain on council budgets. It was also made clear by the earlier witnesses from COSLA

and local authorities that decisions should be made locally by local government and not by the Scottish Government. What progress has been made on that approach since last year’s budget? Should we expect there to be less direct spending in this year’s budget?

Shona Robison: I recognise that that is an issue for local government and COSLA, and they raise it with me regularly. However, I also note that we have made significant progress on it. Alongside the fiscal framework that we talked about earlier, we have an accountability framework. That looks at how we are collectively accountable for delivery on homelessness or teachers and narrowing the poverty-related attainment gap, for example, without ring fencing.

The framework is at an advanced stage. We have removed £1 billion of ring fencing, mainly in early learning and childcare, as a goodwill gesture in advance of the accountability framework being signed off. We said that doing that was a risk, but we wanted to set a direction of travel, and £1 billion was baselined into the local government budget. Of the £14 billion local government settlement, about £250 million is ring fenced in year.

Local government spends £4 billion on education and £3.5 billion on social care. Those are big chunks of its budget. Those areas are a joint priority. I do not think that there would be many calls from any political party here or in local government to say that we should not be spending £4 billion on education or £3.5 billion on social care, because they are key priorities for local government and for us.

We end up getting quite focused on the small amount of the in-year ring fenced funding that is left—I think that it is £250 million—which covers things such as pupil equity funding, the attainment funding and the £145.5 million for teachers. To be honest, having money going directly to schools so that headteachers can decide what they do with it has been quite innovative. Headteachers will say that they have been able to support pupils and families in ways that they would not have been able to otherwise.

There is a balance to be struck: we have to ask what we are trying to achieve and, if we think that those are good things, I presume that, collectively, we would want them to continue. I am not pushing back on the principle, but if we can agree that we would want to continue to empower headteachers and enable some funding to go directly to them to provide support for families, I would not want to lose that. It would be a shame if we were to move away from that.

Pam Gosal: On the previous panel, one of the witnesses from a local authority mentioned that

some of the ring-fenced funding is not sufficient for councils to deliver on some of their priorities. Are you aware of that?

Shona Robison: Those are the types of discussions that we will have about the budget. Normally, if there is a new burden, as local government would describe it, or a new funding stream to deliver A, B and C, there would be a negotiation as to what that would look like. Local government will provide a lot of information about what it would cost, as it will not cost the same in each area, and we see where that lands. The process can be quite backwards and forwards. A landing spot for delivery will then be reached, because the policy is seen as something new that the Scottish Government is asking local government to do. We do not just put a finger in the air and say, "Oh, we think that that's enough". There is quite a lot of negotiation. Ellen, do you want to come in?

Ellen Leaver (Scottish Government): I am happy to say a couple more words. The cabinet secretary is right: whenever there is a new obligation or a new policy initiative, there is negotiation about the funding that is required to deliver it. As part of the annual budget negotiations, we consider how local government, like any other public sector body, plays a role in absorbing the cost of inflation, which will have an impact on the cost of service delivery. That is all discussed through the on-going budget engagement at official level and at ministerial level. It is about growing the evidence base so that we can have a collective discussion about how we continue to support our priorities within the funding envelopes that we have available.

Pam Gosal: I have one more question. It has recently become public that the new UK Government has paused the £70 million rural growth deal for Argyll and Bute, leaving it as the only part of Scotland without such a deal in place. Last week, witnesses told the committee that the decision was "outrageous". This week, witnesses have expressed their disappointment, and I know that the local community in Argyll and Bute feels the same. What impact do you expect that decision to have on the area? What steps is the Scottish Government taking to mitigate that?

Shona Robison: I raised the importance of city deals and growth deals with the Chief Secretary to the Treasury. A couple of deals in Northern Ireland are also in that position. Clearly, there is a lot of anxiety locally about the deals. It is really a matter of timing. The deals that had already been signed were fine, and those that were in the process of being signed—which, in Scotland, captures Argyll and Bute—have been put on hold due to the budget and the spending review. We have said that it was really important that we give certainty to

communities. We have already said that our share, which I think is £25 million, is there for the growth deal. Our call to the Chief Secretary to the Treasury was for the deal to be expedited as a matter of priority, because it needs to be resolved and certainty needs to be given. We have made our position clear and we will continue to pursue the matter.

The Convener: Emma Roddick has a brief supplementary question.

Emma Roddick: That is not the only money that councils in Scotland have been expecting from the UK Government that has been either pulled or called into question. How does that situation impact the ability of the Scottish Government and local government to plan, and will it have an impact on money that has perhaps already been spent in preparation for such projects?

Shona Robison: I raised that at the finance interministerial standing committee—FISC. Whatever we thought about the levelling-up funding—we would all have our views on funding a roundabout, for example—there is now a collective view that that money needs to be spent more strategically and efficiently. However, I made it very clear that money that had been promised had to be delivered, because, as you have pointed out, projects have been scoped, plans had been made, and what communities, towns and cities expected to receive needs to be delivered. After that, there is a need for a more strategic and efficient use of our collective resources.

Again, all the devolved nations made it very clear that things such as shared prosperity funding need to be routed through the devolved Administrations, because that will make sure that the money is spent in the most efficient, effective and strategic way rather than in little bits here and there.

There was no real pushback on that. However, there is still a question about what happens to what has happened so far. It would not be fair to remove that funding. The sooner that there is clarity and certainty, the better. We can then move on to a better way of working together on those strategic issues.

The Convener: We move on to the financial resilience of local government.

Willie Coffey: Good morning, cabinet secretary, and good morning to your colleagues. You must have heard the discussions last week and, possibly, those earlier today about the debt issue that was faced by some councils in England. The question for us around this table is whether there is a risk that Scottish local authorities could face a similar situation. What are your views on that?

Shona Robison: We are not complacent but, to look behind and underneath examples of English local authorities going bust, some related to ropey investment decisions that were made without due scrutiny or oversight. The construct of the ability of English local authorities to do that is a bit different from the situation for Scottish local authorities.

There is a debate about the general power of competence. There is also a debate about giving local government more fiscal powers, as we want to do. All of that has to be done within a prudent framework, because we have to make sure that we work under the same requirements.

Although no limits are set by the Scottish or UK Governments on the amount that a Scottish council can borrow, a council is under a statutory duty

“to determine and keep under review the maximum amount which it can afford to allocate to capital expenditure.”

It has to be able to pay for what it borrows, and it has to have regard to the CIPFA prudential code. There are requirements. Councils are also required, before the beginning of each financial year, to set authorised borrowing limits for a three-year period. There is a level of scrutiny, including through the Accounts Commission, Audit Scotland and so on.

The short answer is that I feel that we have a more prudent set of frameworks, which will prevent some of the more extreme cases that we saw down south. However, we must be vigilant, and we continue to work with local government on getting the right balance between meeting aspirations for fiscal powers and ensuring that that is done within a prudent framework.

12:15

Willie Coffey: That is a very helpful answer. Are there circumstances in which the Scottish Government would step in—for example, if it felt that a council was borrowing too much and going beyond the CIPFA guidelines and the prudential framework? Has that ever happened? Do you have the power to do that?

Shona Robison: I am not aware of that ever having happened, but I would like to think that we would get intel that there was an emerging problem before it did. I would also like to think that the lines of communication are short enough between the Scottish Government and local government to prevent such situations. That is perhaps a bit different from the situation down south. The size and scale of government there might mean that the lines of communication are not as short.

I think that, if a problem was beginning to emerge, we would be well aware of it prior to the

point of having to step in. I mentioned the Accounts Commission. It might highlight to us concerns about the financial position of a particular local authority. I think that the issues would be brought out at an early enough stage to do something about it. However, you would then have to deal with what that something would be. There is the funding formula for local government, which is basically an agreement among 32 local authorities. Touch wood, we have not had a council on the verge of bankruptcy. We would want to ensure that we work to avoid that, through the prudential framework and the work of the Accounts Commission.

Ian Storr: I want to go back to some of the earlier conversations, because it is important to link this discussion to the development of a fiscal framework and a rules-based framework, which would empower councils and, therefore, the accountability and assurance frameworks that we are looking to establish. Those are all in that space, and we are very cognisant of what has happened in England. We are not complacent, but many of the triggers do not exist in Scotland. However, we cannot think about a rules-based framework, a fiscal framework or an accountability assurance framework, without having those triggers firmly at the forefront of our minds.

Willie Coffey: I turn to the issue of reserves. You might have heard me put to Councillor Haggmann the fact that the Accounts Commission report that said that there is £4.5 billion of reserves sitting with Scotland's local councils. Councillor Haggmann was very quick to point out that £4 billion of that is already earmarked or committed, leaving £500 million as useable. What is the Scottish Government's sense of that? Is the figure accurate?

Shona Robison: Let me first recognise that a large chunk of the reserves are committed. I am not going to disagree with that point of principle.

I have a couple of observations. The reserve balances are not equally spread. Some local authorities have hardly any reserves, while others have quite significant reserves. There is a range of reasons for that, a lot of which are Covid related. You will notice that the reserve balances are considerably higher than the pre-pandemic levels, because of the additional funding that went through local government during Covid. Again, it is a point of principle that decisions on the use of reserves are the responsibility of councils, and they should use those where it is prudent and sustainable to do so.

However, the other point that I would make is that this is all public money. We all have an interest in ensuring that public money is utilised in the best way. Some local authorities are using their reserves to drive reform and to change the

way services are delivered, and that sometimes requires investment. We understand all of that.

Reserves are part of the picture, and we would want and encourage local authorities to deploy reserves in a way that is prudent and responsible and that makes the best use of public money.

Willie Coffey: The Accounts Commission reported that

“the lack of transparency ... makes it difficult to draw firm conclusions on councils’ planned use of reserves.”

Would you share that view, and would you encourage councils to be a bit clearer about what they plan to do? Reserves are listed in various categories, which we found difficult to follow.

Shona Robison: Yes—it is quite hard to navigate. The more transparency there is, the better, when councils are announcing what they are going to do, whether that is transforming a service or implementing a project. Bringing everything to the fore would probably be helpful.

Ian Storr: I think that the convener mentioned the issue in an earlier evidence session, and the same question has been answered five or six years in a row. Jonathan Belford’s answer was the best that I have heard in the past five years.

I can provide another illustration of the frustration with the view that the fiscal framework is not delivering. On Thursday, the cabinet secretary will meet Councillor Hagmann to discuss reserves and sustainability. The evidence pack that has been given to the cabinet secretary for that briefing has been jointly developed with COSLA. That would not have happened two or three years ago. The evidence that has been presented is COSLA analysis, which we have vetted and quality assured, and we have provided our civil service advice on it. That sort of relationship and engagement simply has not happened in advance before, and we are hoping to share the clarity that you heard today with the cabinet secretary on Thursday, jointly with our COSLA colleagues.

Willie Coffey: Thank you—I appreciate that.

The Convener: It is good to hear about those behind-the-scenes processes.

I will now bring in Miles Briggs on a topic that the cabinet secretary mentioned earlier, in relation to capital.

Miles Briggs: Good morning, cabinet secretary, and good morning to your officials.

I return to the subject of the council tax freeze. I did not quite hear you rule out the potential for another council tax freeze. I am therefore wondering whether the freeze is not just a one-off, as was suggested last year. Is there on-going

work with local authorities to freeze council tax? If not, what work has been done to consider a cap, at least, on any increases?

Shona Robison: Those questions are all in budget territory. I stress that the negotiation with local government is about a package, so I do not want to pre-empt some of the discussions. There will be trade-offs and compromise here and there around what the final landing spot looks like. The council tax is just one element, so it would only be fair to keep that in the budget negotiation space.

Miles Briggs: Okay—thanks for that.

I will move on to capital funding. What assessment has the Scottish Government made of whether councils have enough funding to provide and maintain the infrastructure that communities expect? Has the Government been considering the known unknowns around that in the future, including in relation to reinforced autoclaved aerated concrete—RAAC? Some councils are facing significant pressure over housing, and one of the biggest concerns that has been expressed to me is about mixed-tenure ownership of potential developments. Is any work on that on-going?

Shona Robison: I think that it is evident to everybody that the reduction in the Scottish Government’s block capital grant from the UK Government has a profound impact on capital spending, whether it is our own capital spending or what we are able to deliver to local authorities for their budgets. I would emphasise the fiscal rules and the spending review. “Briefing” might be too strong a word, but there have been indications that there may be some openness to thinking about a more flexible approach to the fiscal rules around capital borrowing. Whether or not that will transpire, I do not know, and we cannot rely on it.

You mentioned housing. The point that was made to the chancellor was that it would be good to get an indication of what the UK Government’s approach will be to financial transactions. As you know, financial transactions underpinned the affordable housing supply programme, and they were cut by 62 per cent, which will have an impact. We were therefore keen to push the UK Government to have another look at the use of financial transactions. We do not know the answer on that yet, but we have been clear that we could use financial transactions effectively in the housing space and in the Scottish National Investment Bank space.

On being imaginative, given that we do not know where all that will land, we are exploring what we can do beyond traditional capital departmental expenditure limit—CDEL—funding. We are looking at things such as outcomes-based funding. For example, the school estate programme—the learning estate investment

programme, or LEIP—was done through revenue-based funding and has transformed the school estate. We are looking at whether there is something in that space that we could do. We are looking at the growth accelerator model, which we have used in Edinburgh, Dundee and elsewhere as a way of releasing investment. We are exploring all those avenues to see how we can work together with local government to use all the potential levers.

There is also the private sector. The Cabinet Secretary for Social Justice, Shirley-Anne Somerville, and the Minister for Housing, Paul McLennan, have been looking at how to use about £100 million to try to lever in £500 million for building for mid-market rent—I think that that is the aim.

There is not one solution here, but we need to be imaginative and open to pushing the boundaries of what can be done on all those things.

Miles Briggs: There are probably a million other questions on housing—for example, on the impacts of rent controls and things like that on the collapse of mid-market rent—but I will move on to my final question.

The new UK chancellor has suggested that the Treasury may be open to changes to the definition of public debt. What conversations has the Scottish Government had with the UK Government on that? What impact could that have on capital budgets and what are the possible changes?

Shona Robison: That is what I have been alluding to. I raised that issue at the FISC meeting—a lot of issues were raised, and that was another one. Again, everybody was saying the same thing: we need investment in public services, so we need certainty and stability around our resource budgets, and we absolutely need to not cut capital, because it is investment in infrastructure that will help to grow the economy and deliver the infrastructure that we need. As I think you said earlier, that is about day-to-day maintenance as well as big projects, but it is hard to do all of that with reducing capital budgets. We all made the same point at the FISC meeting. We did not get any confirmation one way or the other, but we have landed the message, and I think that others are doing likewise.

Emma Roddick: I have a specific question about capital investment in housing. How much capital investment does action on homelessness require? With the previous panel, we explored the need to build different types of housing that are not available in specific localities, because they are not part of existing stock.

Shona Robison: Part of that is about building the right number of houses of the right size in the

right places. There are lots of issues around the size of homes and making sure that they are correct for larger families, and around accessible housing. Having the right plan is absolutely critical. Part of it is about building but, as you know, some of it is about bringing homes back into use. We are having lots of detailed discussions with local government about what it will take to get voids turned around more quickly. I think that there are 1,800 voids in the city of Edinburgh alone, or maybe it is 2,000—

Miles Briggs: It is 3,000.

12:30

Shona Robison: I stand corrected—3,000. Clearly, we need to get those turned around. What is the issue? Is it a personnel issue? I know that there was a Covid lag and a load of work was stuck because the repairs could not be done. Are we through that lag yet, or is it still having an impact? Is it a capital issue? What are the blockers? How can we help to move through that situation? If you extrapolate the 3,000 Edinburgh voids to the whole of Scotland, that is a rich seam. We could turn the situation around. There are also acquisitions and the repurposing of empty buildings, which some local authorities have been really good at doing.

We just need to get a bit of pace on all that. It is not one solution. Capital and revenue come to bear here. I stress again that I am really keen to find solutions that can help move some of that through a bit more quickly.

The Convener: Do you want to carry on, Emma? I think that you have a couple more questions on public service reform.

Emma Roddick: Yes, thank you.

The Accounts Commission has called on the Scottish Government and other public bodies to collaborate with local government on transformation work. Can the cabinet secretary speak to the Scottish Government's role in that?

Shona Robison: Transformation and reform are absolutely critical. There are really good examples of the public sector doing things differently, for example by using digital and delivering services in a different way. All that is really good.

We have seen good examples in local government as well. For example, the transformation in Glasgow of social work services for children has led to a 50 per cent reduction in the number of kids going into care. Thirty-one local authorities should be beating their path to Glasgow's door. The last I was told, 16 of them had. That is good, but I would have expected more with something as transformational as that.

It is not rocket science: it is a question of services working alongside the families and asking them what they need to break the cycle of the issues that impact on the family, such as addiction and so on, which put kids at risk of going into care. The services have worked alongside the families, supported them and got help in place—and look at the results.

We really need to be in that sort of landscape: supporting and incentivising local government to share best practice. We also need to ask them some of the hard questions, such as why they are not using that best practice, which is not unreasonable to ask. Members around this table and beyond might ask the same of some of their local authorities.

We need pace. Some local authorities will always be trailblazers and want to get out there, and some might never be, but we need to see an appetite for change. It is about the sustainability of services, which will have to look different over the next 10, 15 and 20 years with an ageing population and so on. We need to really step up all that work.

Emma Roddick: How do you smooth out the line between sharing best practice and setting an expectation that other councils follow the trailblazers, and also allowing local context to be considered and councils to do their own thing?

Shona Robison: That is where we get into the territory of what is appropriate. The Verity house agreement is about both spheres of government recognising each other's roles; it is also a move away from ring fencing, as we talked about earlier. That does not mean that the expectation of reform and transformation goes away. There is a question about how we collectively hold each other to account for progress. The best way to do so is probably to highlight and champion best practice, and perhaps also to ask other authorities when they will use it.

There are also the external stakeholders who will say, "This is good practice; why is it not in place?", and they will bring their own influence to bear. It is not in the spirit of the Verity house agreement to say, "If you don't do this, we're not going to give you your social work money"—that is just not where we are. However, if you are asking me whether I would like the pace to be picked up a bit, the answer is yes.

There might be ways of incentivising. The work that is done around the—I am going to get the name wrong.

Ellen Leaver: Improvement Service.

Shona Robison: The Improvement Service—that is it. The name completely went out of my head. We fund a lot of the capacity within COSLA

to help it to support local government in doing some of the work. A lot of good work is going on, so we are trying behind the scenes to build some capacity to help it.

Emma Roddick: There is limited evidence of local authorities moving to a more preventative approach. What mechanisms are available to the Scottish Government in the forthcoming budget to encourage councils to do that more?

Shona Robison: I am mindful of that issue. In the past, for example, we have done a transformation fund and things that involve councils bidding in or partnering up, but I am not sure whether COSLA would be terribly welcoming of that approach. Its view would probably be, "Give us the money".

We can agree on the key priorities and that we need to incentivise reform and more spending on prevention because—as we know—it is cheaper in the long run. However, it is hard to do that while authorities are also spending money on services in the here and now. It is a question of how they move beyond the here and now. Glasgow did that with its social work service. We supported some of the collaboration and we helped it to reshape its service while keeping the show on the road. It can be done. That did not cost huge amounts of money—it was a bit of money, but not a huge amount—and it was jointly agreed.

Dundee has done some work around the no-wrong-door approach, whereby all the agencies take off their badge and instead are in communities, asking families how they can be supported. It is not always a question of spending shedloads of money; sometimes, it is about doing things a bit differently.

The Convener: Thank you very much. I will bring in Mark Griffin, who joins us online.

Mark Griffin: Good afternoon, cabinet secretary. Earlier, you touched on some of the tax-raising powers, including for the cruise ship levy, that the Government is considering devolving to local authorities. Which other tax-raising powers is the Government actively considering devolving?

As part of the work on the fiscal framework, is there any thinking on the appropriate level of tax-raising powers that authorities should have in relation to the balance of their spending? Last week at committee, a witness mentioned an ambition to move towards having locally raised versus central grant funding on a 50:50 basis. Is there any Government thinking on the appropriate balance in that regard?

Shona Robison: We do not have in mind reaching a certain figure within 10 years or anything like that. It is more about evolution than a revolution.

Evolution includes the work around the levies and decriminalised parking enforcement regimes. There is a desire to move forward on the cruise ship levy, and there are also a lot of discussions around fees and charges. It is a case of taking it step by step.

There is a broader discussion to be had about local government's desire for the power of general competence, which I mentioned earlier. I will bring in Ian Storrie or Ellen Leaver to talk about that. There has to be balance between what that means and what the framework around it is. There is a desire to look at what European local authorities have in place. Some have developed quite strong fiscal powers on land value, for example. I am open minded, but the detail is always more complex than the high-level aspiration.

Ellen or Ian, would you like to speak about that?

Ian Storrie: We might both want to come in on this one.

Ellen Leaver: I will leave the power of general competence to Ian.

In addition to the cruise ship levy, our consultation on the infrastructure levy closed on 30 September. We will analyse the responses to that consultation and look at what can be taken forward.

A key element of the wider fiscal framework that Ian Storrie talked about earlier is having a clear process of engagement with local government and other partners on the exploration of proposals and ideas and developing those into fully fledged propositions that could be legislated for.

The way that we are approaching the cruise ship levy is a good example of that process in action. We have been developing the levy through discussion and dialogue with COSLA for a number of months. The process has now moved into a stakeholder engagement phase, with round tables taking place across the country, which the cabinet secretary, alongside other ministers, has been involved in. The round tables are for listening to views and working towards the development of a clear proposition that can be consulted on, so that we have a well-developed and robust set of provisions that could be legislated for and enacted in a way that councils can use.

We need to look at how we get moving more quickly on that process. The visitor levy took some time, but it was interrupted by a global pandemic, so it is not necessarily the benchmark. We are looking at how we keep the process moving as we explore the levies and ensure that they can operate for all those involved: the public, who might be liable for the levy; local authorities, which might administer it; and businesses and other stakeholders, which have an important role in

ensuring that any legislation is robust and can stand the test of time.

I will let Ian Storrie say a couple of words on the power of general competence.

Ian Storrie: I want to finish off the point about the process. Ellen correctly said that it is key that we establish the process to deliver the powers, and not decide what the powers are. I point members to the evidence that COSLA gave to the Finance and Public Administration Committee last week. It was explicitly asked what extra powers it would like, and its answer was that it did not have a set of proposals and that it does not think that it needs any powers beyond those that have been discussed.

It is not a case of the Scottish Government determining what to give to local government—that is not compliant with the Verity house agreement. It is about establishing a process that allows us to develop proposals in partnership with local government, as Ellen said.

The issue that we have with the power of general competence is that it is quite ill-defined at the moment. Different councils want different things from a power of general competence. In answer to Mr Coffey's question, we touched on the equivalent of the power of general competence in England—which was delivered by the Localism Act 2011—being partly culpable for some of the collapses of English councils. Equally, the power of general competence is not simply about tax-raising powers or commercial investments; it is about giving councils the ability to address other services.

We have identified some issues with the power to advance wellbeing. The courts have struck down behaviours that we felt should have been compliant with the power of wellbeing. We are trying to work with councils to define what they would like from the concept of a general power of competence, and then to establish whether that is what is needed or whether some other legislative avenue might be more appropriate to deliver the ask. We are starting by trying to understand the principle of the ask, rather than the words of the ask.

Miles Briggs: What impact would that have on duties? For example, councils have a duty to find accommodation, but duties suggest that children should be in temporary accommodation only for two weeks. In Edinburgh, people are often in temporary accommodation for two years. What impact would it have if there were a competence rather than a duty?

12:45

Ian Storrie: I will be a bit cowardly and suggest that you ask councils that question. What is it that they want to achieve? We do not know that a power of general competence is necessarily the answer to the problem, so we are exploring examples in which the current powers are preventing them from doing certain things.

I do not think that a power of general competence would override existing statutory duties. I do not think that that would ever be its purpose. Such a power could facilitate councils so that they would not need to point to specific legislation to do something that they think is in the best interest of, for example, advancing wellbeing. There have been some legal challenges with that.

Ellen Leaver: To add to that, we had very positive and useful engagement with our Welsh Government colleagues during the summer. We are building a really good relationship with them. Their experience of the general power of competence in Wales is very interesting, in that councils asked for the power to supplement areas where they do not feel able to act because there is not a specific power. Their reflection, which is interesting, is that councils would still by far prefer to rely on specific powers rather than on the general power, so the general power has not been used.

We want to avoid going through a lot of process with the Parliament to establish a power that is not useful for local authorities. That is why this dialogue is so important at this stage.

The Convener: We appreciate you doing that, so that we do not have to go through a lot of processes that might not be used. I am aware that there are lots of things in legislation that end up not being used.

That brings us to the end of our questions. Many thanks for your contributions. It has been useful to get some of the detail.

We previously agreed to take the next item in private, but given the time, I am now going to close the meeting.

Meeting closed at 12:47.

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