



The Scottish Parliament
Pàrlamaid na h-Alba

Bruce Crawford MSP

Convener

Finance and Constitution Committee

By email

Local Government and Communities Committee

T3.60

The Scottish Parliament

Email:

LocalGovernmentandCommunities@parliament.scot

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Dear Bruce

Budget scrutiny – The Scottish Government’s Medium-Term Financial Strategy

Thank you for your letter of 14 November seeking views from other subject committees on the Scottish Government’s Medium-Term Financial Strategy document, published in May 2019. In particular, you sought views on whether the Strategy was used to inform our budget scrutiny in this financial year and, if so, how useful it was.

For information, the overarching theme of the Committee’s budget scrutiny this year was the long-term financial sustainability of Scottish local government in the context of increased demand for services and increased pressure on resources. You will appreciate that this is a broad theme, as the intention was to enable truly wide-ranging discussion about the future funding of local government. The Local Government and Communities Committee itself believes strongly in the importance of medium-term financial planning at council level and, over the course of this session, we have repeatedly pressed for this to become more established practice within Scottish local government. We therefore welcome in principle the regular production of a Medium-Term Financial Strategy by the Scottish Government itself.

The Strategy has been of some help in framing this year’s discussion inasmuch as it implicitly made clear (for instance in its commentary on the principles of sustainability and stability) that the Scottish Government does not currently envisage making any radical change to the basis of local government funding in the foreseeable future and that any changes (for instance to increase fiscal autonomy at council level) will be evolutionary and incremental in nature.

An example of that latter type of incremental, but important, change is the forthcoming Bill for a transient visitor levy. As it happens, there is no mention of this in the Strategy, although the Committee presumes that by May 2019, the Scottish

Government would already have had plans to bring forward this new power. This underlines the general and high-level nature of the Strategy and, so long as this remains the case, its usefulness as a working document for budget scrutiny is likely to remain rather limited.

Whilst we appreciate that no government wishes to make commitments it cannot be certain of honouring, the Committee considers that the Scottish Government could go further in setting out the likely direction of travel in relation to spending intentions in those key areas where stakeholders would welcome such a signal to help them prepare more effectively for just for the next year or two but for the two or three years after that. As discussed further in our [pre-budget letter to the Scottish Government](#), two clear examples from within our remit would be the annual local government settlement and investment in house-building. The Strategy would seem the appropriate vehicle for this.

I hope these comments are helpful

Yours sincerely

James Dornan MSP
Convener of the Local Government and Communities Committee