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Scottish Parliament  
Edinburgh  
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Dear James,

Thank you for your letter of 31 October 2019 following the Committee's pre-budget scrutiny. My response to each of the questions you raise is at Annex A.

This year's Scottish Budget is taking place in exceptional circumstances caused by the UK Government. The significant delay to the UK Budget and the associated uncertainty have had a serious effect on the Scottish Budget, and its introduction has been delayed as a result.

As a consequence, the Scottish Parliament's time for consideration of the Scottish Budget will be reduced if a new Budget Act is to be in force for 1 April 2020, which the Government considers essential.

Scottish Ministers are appreciative of the Scottish Parliament's understanding and flexibility in these circumstances. In keeping with this, I am providing this response to the committee's pre-budget scrutiny report today, on the day that the Scottish Budget is published, to inform the committee's consideration of the Budget.

I am pleased to confirm that through this Scottish Budget, local authorities will receive a total funding package of £11.3 billion in 2020-21 through the local government finance settlement.

Taken together with funding currently held in other portfolios (Scottish Budget Table 6:14) the 2020-21 settlement provides an increase (cash) in local government day to day spending for local revenue services of £494.4 million (4.9%).

In addition to the £160 million available in 2019-20, the revenue settlement includes a further £100 million to support investment in health and social care and mental health services and Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See [www.lobbying.scot](http://www.lobbying.scot)



an additional £201 million of revenue and a further £121 million capital to meet commitments on expansion in funded Early Learning and Childcare to 1,140 hours.

Councils can also raise an additional £135 million if they choose to increase their council tax by the full 3% in real terms (4.84%).

The additional revenue funding, taken together with the potential council tax income means councils have the potential to access an additional £629.4 million (6.2%) revenue funding in 2020-21. This represents a real terms increase of 4.3%.

Child poverty is a key priority and this Budget sets out new spending of £21 million for the Scottish Child Payment, which will be worth £10 per week per eligible child. First payments will be made by Christmas this year for children under 6. In addition, the Budget offers enhanced support for a range of other programmes tackling child poverty.

Housing is a key component of Scotland's infrastructure and our aim is to publish a new Infrastructure Investment Plan and the Capital Spending Review by June 2020. To support communities, I am delighted to confirm we are investing over £843 million in 2020/21 in our commitment to deliver 50,000 affordable homes this parliament. I am also pleased to inform the committee that I can confirm now we are committing a further £300 million for 2021-22, ahead of the spending review, to ensure that delivery of affordable housing continues once this target is reached.

Regeneration spending is also increasing with an additional £5 million being invested in the Regeneration Capital Grant Fund (RCGF) which is managed jointly by Scottish Government and COSLA, restoring RCGF spend to £25 million in 2020-21.

There has been a major increase in funding to support our efforts to tackle fuel poverty and improve the energy efficiency of Scotland's homes with £18 million of support provided through the climate emergency package alongside £119 million for our existing programmes.

I have also increased the Planning and Building Standards budget line to ensure we learn lessons from the Grenfell tragedy and implement the changes needed and to support implementation of the Planning (Scotland) Act and the development of our fourth National Planning Framework (NPF4) which will be aligned with wider infrastructure investment programmes for long term sustainable development and set out our long term planning response to the global climate emergency.

I look forward to your continued scrutiny of the budget, when I appear before you at the upcoming session on 19 February.

**AILEEN CAMPBELL**

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**a) Can the Scottish Government provide concrete information on how it will manage multi-year financial settlements for local government and respond to concerns around de-coupling revenue and capital budgets?**

Details of the local government finance settlement for 2020-21 were confirmed as part of the Scottish Budget on 6 February. In coming to his decision to announce the Scottish Budget before the outcome of the UK Budget is known, the Cabinet Secretary for Finance, Economy and Fair Work listened carefully to the representations COSLA made on behalf of local government of the damaging impact any further delay would have on the delivery of vital public services and also the practical challenges this would pose around the setting and collection of council tax.

Set against the exceptional circumstances of the delayed Budget and restricted timetable we are faced with this year, and to help councils with their budget preparations, the Cabinet Secretary responded to Cosla's request to provide an early announcement on the local government settlement. This was done on 31 January and provides flexibility for local authorities to increase their council tax levels by up to 3 per cent in real terms for 2020-21.

COSLA welcomed the move to introduce the Scottish Budget at this point and also confirmed that given the exceptional circumstances around timing and that the UK budget is for one year only they are not seeking multiyear indicative allocations at this time.

In response to concerns around de-coupling revenue and capital budgets in 2020-21, I can confirm that the Scottish Budget has clearly set out the Scottish Government spending plans for both resource and capital.

**b) The Committee notes disparities between local council sick leave and absence rates. What work is the Scottish Government undertaking with councils to promote best practice around managing these issues?**

The Scottish Government values all public sector workers and takes their health and wellbeing very seriously. I note the committee's concerns however, Local Authorities are autonomous bodies, responsible for managing their own day to day business, including all employment matters such as staff absenteeism.

I am aware that COSLA has written to the committee about the important work they are progressing to set up a joint working group with respective trade unions to look at employee wellbeing and attendance management. The aim of this work is to provide a national overview and perspective on important issues. The Scottish Government is committed to working in partnership with COSLA and we are happy to support them to address this challenging issue.

**c) Housing organisations look to maintain rolling development plans beyond 2021. Is there scope for a cross party "statement of intent" from the Scottish Government to ensure this happens?**

We need to consider how we balance the fiscal challenges ahead, along with keeping up a strong pace on the delivery of affordable homes and we are ensuring we consider how to

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deliver new homes and how to maintain and improve existing stock alongside responding to the climate emergency. In addition to the commitments made above, in our 2019-20 Programme for Government, we reaffirmed our commitment to plan together with stakeholders for how our homes and communities should look and feel in 2040 and the options and choices to get there. In July 2019, we published a draft vision for 2040 and principles to guide the policy decisions and in December 2019 we launched a consultation into the outline policy options to inform the route map. We face a number of demographic, fiscal and environmental challenges which mean that we must be bold and think creatively about the longer term options for the future of housing.

**d) Is there scope to make additional funding available to local government for preventative spending, in addition to the existing budget?**

This government already prioritises preventative spend through the National Performance Framework and when I appeared before Committee on 20 November I highlighted the work we are doing to tackle child poverty as a good example of this.

Last year (2018/19) we invested over £1.4 billion to support low income households - £527 million of which was targeted directly at children in low income families and £100 million of which is to mitigate the worst impacts of UK Government welfare cuts. We expect to have invested a similar amount over the last year. Over the first year of the Tackling Child Poverty Delivery Plan we have developed the firm foundations from which to deliver our ambitious programme of change - 48 of the 58 actions committed are either in progress or delivered, including supporting the introduction of a Scottish Child Payment with £21m of funding delivering the new Best Start Grant, continuing to roll out expanded Early Learning and Childcare hours and launching a new Homelessness Prevention Fund for social landlords to support low income families. I have allocated an additional £8m for tackling child poverty in 2020-21 in comparison to the 2019-20 budget, which has increased the Social Justice budget to £29.5m.

**e) The Committee notes the RSL Housing Adaptations budget has been frozen at £10 million for several years. Is there scope to increase this?**

I am pleased to be able to have maintained the RSL Adaptations Budget at £10m again this year in a challenging budgetary environment. The adaptations budget covers RSLs in 30 local authority areas. Additionally in Glasgow and Edinburgh funding for adaptations is provided locally through the Affordable Housing Supply Programme (delivered directly through the local government funding line) adding on average a further £3 million to the pot.

Outwith this funding, it is Integration Authorities who are responsible for the planning and delivery of adaptations in their area and for reviewing and developing services to improve outcomes for people who require adaptations. In addition to budgets delegated through the powers created by health and social care integration, whereby local authority budgets for adaptations are delegated to IJBs, partnerships can decide locally how best to meet local needs and how adaptations services are supported.

We remain committed to our vision that everyone should be able to live in a home that meets their needs and supports them to live independently.

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**f) How does the Scottish Government intend IJB funding and responsibilities to be balanced between local authorities and health boards, and how can it address any imbalances both through budget allocations and other options?**

In 2020-21 integration will bring together, under the direction of Integration Authorities, more than £9.4 billion of expenditure previously managed separately by NHS Boards and Local Authorities for social care, community health care and some hospital services. Integration Authorities must be empowered and supported by their Local Authority and NHS Board partners to use the totality of these resources, including any targeted investment already committed for specific purposes, to better meet the needs of their local populations.

In addition to the publication of their annual audited accounts, each Integration Authority publishes its budget in an Annual Financial Statement, and during the year is required to report regularly on financial performance to the Integration Authority Board. An Annual Finance Report is included in the Annual Performance Report which is published within three months of the end of the financial year. Legislation requires sufficient information on the budget and financial performance of each Integration Authority to be in the public domain.

We have taken forward work with Integration Authority Chief Finance Officers to consolidate and make consistent information contained within Integration Authority in-year financial performance reports. The release of financial information from Integration Authorities varies in terms of timing, with most reporting as a minimum every two months. Working with the Chief Finance Officer Network, we now expect that consolidated quarterly reports will be published within ten weeks following the end of the quarter rather than the previous quarterly in arrears timescale. Continuing to provide this information quarterly will allow for the financial position of individual Integration Authorities, as well as the overall collective national picture, to be set out transparently. The next report is scheduled to be published online in March.

**g) Is the Scottish Government considering further reform, including additions to, locally administered taxes, and could more discretion be given to local government to decide what percentage of income it is able to raise.**

The local tax reform measures we have agreed, should they all be agreed by Parliament will deliver the most significant empowerment of local authorities since devolution. The Cabinet Secretary for Finance, Economy and Fair Work has made clear to COSLA that he will consider any specific proposal COSLA may have to raise additional income, but he is not prepared to lay legislation that would provide Councils with a power to apply new and as yet unspecified local taxes.

I can also confirm that the Cabinet Secretary for Finance, Economy and Fair Work has agreed to a proposal from COSLA that joint work to consider the implications of the devolution of non-domestic rates will be taken forward as part of the wider fiscal framework that we have already committed to delivering.

**h) Does the Scottish Government intend to carry out an assessment of how far councils are from carbon neutrality and identify any further measures needing to be put in place?**

We have consulted on the role of the public sector in responding to the global climate emergency, including a proposal that, following the update to the national Climate Change Plan, all bodies set dates to achieve zero emissions. Our proposals also include all public

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bodies, including councils, making both their targets and their progress toward them publicly available, so residents can see how well their council is performing.

The consultation closed on 4 December. We received 146 responses, including responses from 23 local authorities and COSLA, and have published the 136 responses who gave permission on the Scottish Government's Citizen Space website. A consultation analysis will be published by the Cabinet Secretary for Environment, Climate Change and Land Reform as soon as it is available. We will consider all responses carefully before making any final decisions. The next step will be to bring forward secondary legislation to update the reporting requirements on public bodies, which Parliament through the ECCLR committee will consider, and update guidance for public bodies.

It is imperative that everyone across Scotland – Government, Parliament, councils, businesses and individuals – help to end our collective contribution to climate change, and the Scottish Government will continue to work with partners and the public to ensure that this is happening.

#### **j) What funding support is available to help councils implement climate change targets as set out in the 2019 Programme for Government?**

The Scottish Government's policy towards local authorities' spending is to allow local authorities the financial freedom to operate independently. As such, the vast majority of the revenue funding is provided by means of a block grant. It is the responsibility of individual local authorities to manage their own budgets and to allocate the total financial resources available to them, on the basis of local needs and priorities, having first fulfilled their statutory obligations and the jointly agreed set of national and local priorities.

As outlined above, in this budget, the Scottish Government has dedicated an additional £18m of funding to tackle fuel poverty and improve the energy efficiency of Scotland's homes alongside £119 million for our existing programmes.

#### **k) Is there an update of the plans the Scottish Government has to expand the vehicle charging network?**

I'm aware that the Cabinet Secretary for Transport, Infrastructure and Connectivity wrote to the Committee on 22 January 2020 and provided a thorough summary of the Scottish Government's plans to expand the vehicle charging network.

[https://www.parliament.scot/S5\\_Local\\_Gov/letter\\_from\\_Cab\\_Sec\\_to\\_LGC\\_committee\\_on\\_EV\\_charging.pdf](https://www.parliament.scot/S5_Local_Gov/letter_from_Cab_Sec_to_LGC_committee_on_EV_charging.pdf)

#### **l) What is the Scottish Government doing to explore alternative models of service delivery?**

When I appeared before Committee on 20 November, I highlighted a number of different areas where we already use different service delivery models such as the early years collaborative where we focus on the needs of the child by bringing a wide range of partners together from across the public and third sectors. I also highlighted the application of the place principle through the Clyde Gateway as a way in which services and communities have been brought together to transform an area.

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I'll highlight a further example from my own portfolio where we have led ground-breaking innovation in housing financing approaches and delivery models enabling delivery of over 20,000 new homes across all tenures - positioning Scotland as a leader in this field. These initiatives are helping to create and strengthen communities, with several contributing to the target of 50,000 affordable homes within the lifetime of this Parliament.

Innovations have included use of government guarantees, loan and equity funding, and collaboration and risk sharing with local authorities and the private sector. Public and private sources of funding and financing have been combined to create new investment opportunities for our partners and secure major additional investment in housing and social infrastructure programmes.

**m) The Committee has heard evidence that current procurement rules and practices can be a barrier to effective delivery of services. Is the Scottish Government aware of this and does it intend to revisit the public sector procurement process?**

The Scottish Government has put processes and procedures in place to ensure that procurement exercise should be conducted openly and transparently and the processes followed be relevant and proportionate to the individual procurement. For example, for low value contracts buyers can use our Quick Quote system which provides flexibility to run a competition quicker and by following fewer processes than required for high value procurement exercises.

Our domestic procurement legislation (the Procurement Reform (Scotland) Act 2014) requires public bodies to conduct their procurement activities in a way that is designed to facilitate the involvement of SMEs, Third sector organisations and Supported Businesses. Our Public Contracts Scotland portal increases the visibility of the volume of business available, reducing the administrative burden and making it easier for businesses to engage with their local contracting authorities

Additionally, we have published the Supplier Journey, online guidance which contains advice for suppliers on how to bid for public sector contracts.

**n) Is the Scottish Government aware of the social bridging finance model and if so, has it been involved in its promotion and use with any projects?**

The Scottish Government supports the work of the Robertson Trust, who developed the social bridging finance model and my officials in the Third Sector Unit would welcome further discussions on how we promote the model across the public sector.

**o) Has the Scottish Government considered the use of incentives for local authorities to more effectively deliver outcomes and how this could be achieved?**

Creating incentives to generate improved outcomes is an interesting concept and our joint work with COSLA on the Local Governance Review gives the opportunity to further explore this. As the programme moves into its next phase I am encouraging organisations across the public sector to collaborate and work together in bringing forward suggestions on how together we can improve services for the people who use them.

Our partnership with COSLA is founded on our joint agreement that improving outcomes for the people of Scotland, particularly those most disadvantaged is paramount.

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When we talk improving outcomes and perhaps using incentives, we need to be prepared and able to move from a conceptual discussion into real world solutions that engage meaningfully in the fundamental cultural norms and barriers that keep things the way they are. Scottish Government are ready to have those discussions.

**p) An update of progress on the Local Governance Review.**

The Local Governance Review has stimulated an important discussion on subsidiarity and the future of local democracy in Scotland. We now have a much better understanding of the type of changes which could make the biggest positive difference to people's lives. This is based on the findings from a highly inclusive process of engagement with our communities and across public services. People from a wide range of backgrounds were clear that different places and diverse communities work best when they have local control and influence over decisions that affect them most. But they weren't clear on how that should work in practice.

Over the remainder of this Parliament we will work with communities and local partnerships to develop and test alternative governance arrangements which devolve more power to more local levels. Proposals with the greatest potential will involve elements of community empowerment, functional empowerment of public sector partners, and fiscal empowerment in different spheres of governance.

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