



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Local Government, Housing and Planning Committee

**Tuesday 11 January 2022**

**Session 6**



The Scottish Parliament  
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - [www.parliament.scot](http://www.parliament.scot) or by contacting Public Information on 0131 348 5000

---

**Tuesday 11 January 2022**

**CONTENTS**

	<b>Col.</b>
<b>DECISION ON TAKING BUSINESS IN PRIVATE .....</b>	<b>1</b>
<b>BUDGET SCRUTINY 2022-23 .....</b>	<b>2</b>

---

**LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE**  
**1<sup>st</sup> Meeting 2022, Session 6**

**CONVENER**

\*Ariane Burgess (Highlands and Islands) (Green)

**DEPUTY CONVENER**

\*Elena Whitham (Carrick, Cumnock and Doon Valley) (SNP)

**COMMITTEE MEMBERS**

\*Miles Briggs (Lothian) (Con)

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

\*Meghan Gallacher (Central Scotland) (Con)

\*Mark Griffin (Central Scotland) (Lab)

\*Paul McLennan (East Lothian) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Johanna Baxter (Unison)

Martin Booth (Society of Local Authority Chief Executives and Senior Managers)

Kate Forbes (Cabinet Secretary for Finance and the Economy)

Councillor Gail Macgregor (Convention of Scottish Local Authorities)

Shona Robison (Cabinet Secretary for Social Justice, Housing and Local Government)

Eileen Rowand (Convention of Scottish Local Authorities)

Ian Storrie (Scottish Government)

**CLERK TO THE COMMITTEE**

Euan Donald

**LOCATION**

The James Clerk Maxwell Room (CR4)



## Scottish Parliament

### Local Government, Housing and Planning Committee

Tuesday 11 January 2022

*[The Convener opened the meeting at 09:30]*

#### Decision on Taking Business in Private

**The Convener (Ariane Burgess):** Good morning, and welcome to the first meeting in 2022 of the Local Government, Housing and Planning Committee. I ask all members and witnesses to ensure that their mobile phones are on silent and that all other notifications are turned off during the meeting.

Agenda item 1 is to consider whether to take items 3 and 4 in private. Item 3 will be an opportunity for members to consider the evidence that they have heard this morning as part of the committee's budget scrutiny for 2022-23, and item 4 will be a chance for the committee to consider its report to Parliament on the short-term lets regulations, which the committee previously agreed to approve. Do members agree to take items 3 and 4 in private?

As no members object, we agree to take items 3 and 4 in private.

## Budget Scrutiny 2022-23

09:31

**The Convener:** Item 2 is to take evidence as part of the committee's budget scrutiny. The committee will take evidence from three panels this morning. First, we will hear from Unison. We will then hear from the Society of Local Authority Chief Executives and Senior Managers and the Convention of Scottish Local Authorities and, finally, we will hear from the Cabinet Secretary for Finance and the Economy and the Cabinet Secretary for Social Justice, Housing and Local Government.

I welcome to the meeting Johanna Baxter, who is head of local government at Unison. Thank you for joining us today.

We will move straight to questions. Has Unison conducted analysis of the impact that the 2022-23 budget may have on its members and the individuals and communities that they serve?

**Johanna Baxter (Unison):** We regularly survey our branches across Scotland to determine the impact of the local government settlement on members and the services that they provide. The feedback that we have received to date demonstrates that the proposed budget for local government for 2022-23 is wholly inadequate for the challenges that are faced by members who work in local government. It does not take into account rising inflation, demographic changes, the past decade of austerity, the huge number of local government jobs that have been lost in that time and a number of outstanding commitments to the local government workforce that COSLA has to honour, not the least of which is fully consolidating the living wage across all local authorities in Scotland. That has not yet happened in every local authority area, despite the commitment to have done so by 1 April last year. Fundamentally, the proposed budget allocation does not take into account a decent pay rise for local government workers, who have been central to the pandemic response alongside their colleagues who work in health.

Industrial action was narrowly avoided in the previous pay negotiations, but I think that the strength of feeling that Unison members demonstrated in the numerous ballots that we had to hold last year during the conduct of those negotiations shows that there is a huge amount of anger and frustration among the workforce about the lack of recognition that it has had for the contribution that it has made to the pandemic response.

**The Convener:** Does Unison believe that additional council tax raising powers will help local

authorities to alleviate budgetary pressures? More broadly, does it believe that council tax is fit for purpose?

**Johanna Baxter:** We know that council tax hits people on the lowest incomes hardest. That point has been recognised by political parties across the political spectrum, given the numerous commitments that have been made to replace council tax. Low-paid local government workers should not have to pay for their own salary increase through their council tax.

We have had numerous disputes with COSLA and the Scottish Government, in that when we go to COSLA seeking a decent pay rise for our members, it says that it does not have adequate funding or flexibility in its funding from the Scottish Government to enable it to fund a pay rise, and when we take the argument to the Scottish Government and suggest that it should give local government the funding and flexibility to fund a pay rise, it says that local government pay is nothing to do with the Government and is a matter for COSLA. Fundamentally, Unison believes that our members should no longer be used as a political football between COSLA and the Scottish Government.

The situation will not be resolved by hiking up council tax across Scotland, which would disproportionately hit people on the lowest incomes hardest. It is likely that it would also hit poorer areas in Scotland hardest, because they will be in more dire need of raising funds, given the demographic and inflationary pressures on their services, so that is not a reasonable proposal to resolve the issue. The Scottish Government needs to fully fund a decent public sector pay uplift for local government workers and ensure that there is adequate flexibility in local authorities' core funding to ensure that the money is passed on.

**The Convener:** Thank you for your perspective on that.

**Paul McLennan (East Lothian) (SNP):** Good morning. I refer everyone to my entry in the register of members' interests. I am a serving councillor on East Lothian Council.

The amount that we can spend through the block grant is obviously limited. If more money goes to local government, what other part of the budget should the Scottish Government take the money from?

**Johanna Baxter:** That is not for Unison to say. We are not in the position of the Scottish Government, which has to look at the budget pressures across all service areas. However, there has been an uplift in the Scottish Government's block grant from Westminster, so I suggest that it would not be unreasonable to ensure that some of

that increase is passed on to local government, which has not happened for many years. Although it is not for us to say where in the Scottish Government's budget the money should be taken from, there appears to be money in the system. The Government could take the hand chains off local authorities and give them the flexibility to spend their core budget in the areas that they believe are particularly pressured locally.

**Paul McLennan:** My colleagues will ask questions on ring fencing later, so I will leave it to them to talk about that. You are head of local government at Unison, but I know that you represent not only local government but other parts of the Scottish economy, which is why I asked that question.

I have been a councillor for the past 15 years, and you will know that there are additional pressures relating to Covid. The consequential for that came through last year but not this year. As we know, there are still pressures on local authorities to deliver services, which have been impacted by Covid. That issue has been raised with the United Kingdom Government. Do you have any thoughts on that aspect?

**Johanna Baxter:** There is a continuing need for additional funding in order to respond to the Covid crisis, because it is clear that the crisis is not yet over. We have seen Unison members across Scotland stepping up to the plate in responding to the crisis.

We can look at residential care workers, school support staff, cleaners in schools, environmental health officers who set up temporary mortuaries and those who distributed business support grants. All those critical services depend on Unison members working in local authorities. It is clear that local government will remain critical to the response to the pandemic. The need for additional cleaning in schools and continued support for businesses will not go away, nor will the continued pressures on social care workers or the pressure on schools to help children in Scotland to catch up with their education. Those pressures remain and the need for additional funding to resource them remains.

During the pandemic, we saw a rush to find additional resources and support and to recruit in areas that have been hit hard by austerity in the past decade. We can take school cleaners as an example. Early in the pandemic, there was a rush to recruit school cleaners. There were not enough of them, because that service area had been cut due to local government funding cuts in the past 10 years. We cannot allow ourselves to get into that position again. The need for resourcing in those service areas will not go away any time soon.

The committee should also consider the fact that the world of work will also change. Local government is not immune to that. We conducted a survey of our members last year, asking them about the impact of working in the pandemic. Many of them had adapted their working environments to the pandemic and were working from home. A significant number had seen increases in their workload. I would be happy to share that survey with the committee. It received more than 12,000 responses from workers across Scotland. If arrangements such as working from home are going to continue, that will have to be funded. We cannot be in a position where low-paid local government workers have to finance increases in their fuel bills to facilitate home working caused by a pandemic that had nothing to do with them.

**Paul McLennan:** Has Unison contacted the UK Government about the consequentials that will come through? You have already touched on the role of local government in helping local communities. Is there anything else that you would like to add to that? Perhaps you could deal first with whether you have contacted the UK Government about the consequentials that come to the Scottish Government and then come down to local authorities.

**Johanna Baxter:** Our colleagues in Unison head office are in regular dialogue with the UK Government, particularly about local government funding and consequentials.

**Paul McLennan:** Have you heard anything yet about the consequentials?

**Johanna Baxter:** I have not heard anything specific about that.

**Paul McLennan:** Do you want to say anything else about what local government can do to help local communities and economies recover from the pandemic? You touched on what they are doing already. Do you want to add anything?

**Johanna Baxter:** There is a need for investment. We need a whole-system approach to thinking about health and wellbeing and education in our communities. Education is not just about teachers in schools; it is about the whole support system that exists inside and outwith schools. I can give an example. Due to cuts in recent years, youth centres such as the Kilbowie outdoor centre have been closed. That is a direct result of cuts to local government funding. People who use that service would be the first to tell you that it is vital to the development of our children and young people. It is those sorts of services, which are perhaps not immediately visible to the public, that have been at the sharp end of cuts in recent years.

If the Scottish Government focuses only on the role of teachers in schools, it will not be giving consideration to the whole support system for children's development, including outdoor education centres and after-school activities, that should be in place in Scotland. In the context of health and wellbeing, we need to view such things as community services, which link together with other community services such as housing, education, leisure and culture and with community organisations, families and neighbours.

09:45

We start moving away from that at our peril, because it means breaking down communities. We believe that those are local services, which should be delivered as locally as possible. There needs to be investment in those services. There needs to be whole-system thinking, specifically in relation to education and health and wellbeing.

**Paul McLennan:** Thank you.

**Miles Briggs (Lothian) (Con):** Good morning, Ms Baxter, and thank you for joining us this morning.

In a previous committee meeting, Unison outlined cuts to staffing and increased workloads and you have also mentioned that. Some of the figures that the committee has been given suggest that, since 2015, we have seen a 2 per cent higher employment level. We all know about the lack of social care staff—I certainly know about that in Edinburgh. Where does that employment figure come from and in what areas have you seen a loss of members?

**Johanna Baxter:** We have carried out several different surveys of members across local authorities in Scotland. I give the example that I referred to earlier: cleaning staff in schools. We have now seen the numbers of such staff increase, but that is a direct result of the needs of the pandemic and the resourcing that came with it. Library service staff, planning departments and human resources departments have all seen cuts. All non-statutory services have been impacted by cuts to local authority funding over the past decade.

There are particular concerns in relation to leisure and culture services, many of which are arm's-length external organisations but rely on local authorities for their principal funding. We can see the contribution that leisure and culture staff have made to the pandemic response: they have been redeployed to staff testing and vaccination centres and have delivered food parcels across local authority areas. All those staff have contributed in one way or another.

**Miles Briggs:** Scottish National Party and Green ministers have said that the budget will reduce inequalities. What is your opinion on that, given that we know that there are £371 million of cuts attached to the budget?

**Johanna Baxter:** It is highly unlikely that this budget will reduce inequalities, particularly if council tax is increased as a result of it. As I said earlier, council tax disproportionately impacts those on the lowest wages and it will likely be used by those local authorities that have been hardest hit by local government funding cuts.

In addition, taking away some of the education support grants—such as the pupil equity funding—will not reduce inequalities. The fact that the budget does not take into account demographic changes or inflationary pressures means that those issues will remain: the cuts will disproportionately impact those local authorities that have higher demographic and inflationary pressures.

**Miles Briggs:** That is helpful, thank you. Unison's submission to the committee says that it would support a degree of ring fencing in some budget areas as necessary. To which areas should that ring-fencing be attached for budgeting, given the pressures that local authorities are facing?

**Johanna Baxter:** The Scottish Government and COSLA consistently say that those ring-fenced areas are for Scottish Government priorities, which makes us ask why an inflationary increase for local government workers is not a Scottish Government priority. We certainly expect that a fully funded increase for local government workers should be built into that budget.

However, local authorities need greater flexibility in the amount of control they have over local budgets. For example, 80 per cent of North Ayrshire Council's budget is controlled by the Scottish Government, giving the council very little flexibility over the money that it has to spend. There must be a balance but, particularly in the year ahead, there needs to be a fully funded amount for an inflationary uplift for local government workers.

**Miles Briggs:** Finally, I want to ask a question about the national care service. Ministers have said that they will introduce the bill for that this year. A number of people, including COSLA and others, have expressed concerns about what that service will look like. What is your view of that, and what impact do you think it will have on your members and the recruitment crisis in social care that you have already talked about?

**Johanna Baxter:** That is a big question. We probably do not have enough time today to cover that in the detail that it deserves. Unison submitted

a very detailed response to the national consultation on the national care service, so I refer you to that for all our detailed comments. The case needs to be made for greater centralisation of those services. As I said earlier, our belief is that social care is a community service that is best delivered in the community with the aim of supporting individuals to continue living in the community, and it needs to be joined up with other local community services.

The other thing to say is that the proposed centralisation is likely to require significant local authority resources, time, and capacity to deliver it at a time when the pressure on them caused by the pandemic remains and is not going away. It will require significant financial investment from the Scottish Government that does not appear to be coming any time soon.

**The Convener:** We now move to questions from Elena Whitham.

**Elena Whitham (Carrick, Cumnock and Doon Valley) (SNP):** Before I start, I refer everyone to my entry in the register of members' interests, which states that I am still a serving councillor at East Ayrshire Council.

My first question this morning relates to the fact that Unison recently called on the Scottish Government to introduce incentives in the 2022-23 budget to attract more people to work in the care sector and to encourage social care workers to stay. Does Unison welcome the £233.5 million in this year's budget to help to ensure that the living wage is paid to those care workers? Should that money be ring fenced for that stated purpose?

**Johanna Baxter:** We always welcome additional investment, but it does not go far enough and is not reaching workers quickly enough to address the significant recruitment pressures that exist. We need to look at how we deliver fair work across the social care sector, which goes beyond local authority workers to those who are in the third and private sectors. As I said to your colleague Miles Briggs, we submitted to the Scottish Government a response on the proposed national care service, which gives detail on how we can best deliver fair work across the sector.

**Elena Whitham:** I have a question about your assertion that the Scottish block grant is to increase significantly next year. David Eiser of the Fraser of Allander Institute observed recently that next year's block grant is

"really not very generous at all".

Do you agree that, once non-recurring Covid consequentials are stripped out, Scotland's resource budget will be cut by 7.1 per cent in real terms and the capital budget will be cut by 9.7 per



cent in real terms? That gives rise to a difficult budget situation that is presented to the Scottish Government. The 5 per cent uplift for local government is therefore as fair as it is possible to be. You asserted that the Scottish Government's budget will experience a real-terms increase from Westminster.

**Johanna Baxter:** I am not here to answer for the Westminster Government. A number of publications have referred to an increase in the Scottish block grant from Westminster, and announcements were made recently about additional funding for the devolved Administrations to assist with the Covid recovery. My general point is that the percentage increases to the Scottish block grant that the Scottish Government gets from Westminster are not passed on to local government, although they might be passed on to other service areas.

I do not believe that the Scottish local government budget is as fair as it could be, and you would struggle to find local authority members who believe that. When 32 local authority leaders write to the First Minister to request a meeting to discuss their concerns about the Scottish budget allocation, that suggests that they do not believe that it is as fair as it could be. The fact that the Cabinet Secretary for Finance and the Economy did not even mention local government in the budget statement demonstrates to everybody the level of priority that the Scottish Government appears to give to local government.

A lot more needs to be done. Local government is in crisis and the local government workforce are on their knees. We are entering a set of pay negotiations that will be extremely challenging, given the Scottish budget allocation to local authorities. Given the anger that our members expressed about the conduct of negotiations last year, I cannot see how that anger will not feed into this year's negotiations. If an inflationary increase for local government workers is not delivered in the negotiations, the industrial landscape in local government will be extremely challenging.

**Elena Whitham:** Given what you have said, how does Unison respond to the fact that local government reserves have increased by about £300 million over the course of the pandemic?

**Johanna Baxter:** Reserves cannot be spent on many of the budget areas that local authorities need to spend money on. I think that Ms Forbes would give us exactly the same answer if we asked her about the Scottish Government's reserves, which have also increased. The argument about reserves is not valid, because reserves are tied up in a number of areas and do not provide a simple solution to the problems that local authorities face—reserves cannot be used on pay, for example.

10:00

**The Convener:** I will come in with a quick question for Johanna Baxter. When the budget was published, Heads of Planning Scotland and the Royal Town Planning Institute Scotland raised the concern that a long-term challenge lies ahead for planning and noted that, compared with 2009 levels, it is the most heavily cut public service sector. It has an overwhelmingly older workforce, with only 9 per cent of planners being under 30. In light of that, what are your views on how well budgets recognise staffing challenges for local authority departments such as planning?

**Johanna Baxter:** I do not think that the budgets take account of some of those staffing challenges. As I pointed out earlier, the non-statutory services have seen some of the biggest cuts to funding over the past decade, so it is no surprise to me that there is a recruitment crisis in planning.

That is certainly not the only service area in local authorities that has a recruitment crisis. As I said earlier with regard to some of the other cuts that we have seen, youth work services no longer exist in some local authority areas. There are certainly recruitment crises in waste services, and there are massive pressures in recruitment for early years learning, home support and social care.

I think that a lot of that goes back to funding and pay. If we want to attract people to these critically important roles, we need to pay them appropriately. These are not low-skilled roles; they are high-skilled roles that happen to be low paid. Fifty-five per cent of the local government workforce earn below £25,000 a year—those are not high salaries. When we live in a society where a social care worker could earn more per hour working in McDonald's than they could in their social care role, we have to ask where the priorities in our society lie. We need to invest in all those critical roles, and that requires money for pay.

To briefly touch on the earlier point about the forthcoming pay round, I will say that my concern is that, in just a couple of months, COSLA and the Scottish Government will be back in exactly the same position on pay as they were at the end of last year, when they only narrowly avoided mass industrial action in local government. If an inflationary increase does not transpire for local government workers this year, I fear that, this time, we will not narrowly avoid that but will see a very difficult industrial landscape ahead.

**The Convener:** At this point, I will bring in Mark Griffin.

**Mark Griffin (Central Scotland) (Lab):** Good morning. I want to come back to the issue around local government staff pay and morale and

councils' ability to deliver services. The cabinet secretary has said that the local government core budget is being protected in cash terms. Given inflation and demographic pressures, that means a significant cut, as we all know. How would your members react to being told that their wages are going to be protected in cash terms this year, with inflation running as it is?

**Johanna Baxter:** I do not believe that that would be welcomed. That is why I have referred to the very difficult industrial landscape that I think that we are facing in the year ahead. Let me cite a couple of examples.

We have talked about a number of different service areas where local government workers have responded fantastically to the Covid pandemic. However, although some workers have been rewarded for their contribution, the vast majority of local government workers have not. Yesterday, I was on a call with a head of HR for a local authority. It has had a request from its local national health service board to provide cleaning staff for high dependency wards in hospitals. Those local government workers are not used to working in a medical setting or trained to do so, and they are not deemed exceptional by the Scottish Government or "essential" for the purposes of the £500 Covid reward payment, yet they are being asked to undertake some of the most high-risk procedures in relation to supporting the pandemic response.

Quite frankly, our members feel that they have been completely forgotten by the Scottish Government in terms of their flexibility, commitment and professionalism during the pandemic period. I refer again to the survey of our members that we conducted last year on working under pandemic conditions. The impact of the pandemic on local government workers has been extreme. We were told by 27 per cent of members that the past year had such an impact on their mental health that they had to seek medical assistance. That is not a workforce that is just slightly stretched or a bit tired; almost a third of the respondents told us that they had needed medical intervention to assist their mental health as a result of the pressure caused by the pandemic.

Other more visible services—people in uniforms—have had recognition for their efforts, but much of the support that local government workers have provided has gone unnoticed and unrecognised. We are at a point where our members are on their knees and they require and deserve an inflationary increase to their pay this year. As I said, the anger and frustration that they are experiencing at the moment from that lack of recognition means that if that is not forthcoming in the next pay negotiations, which will start soon, I

think we will be in an extremely difficult industrial landscape.

**Mark Griffin:** Just to touch on the industrial landscape that you talk about, it is clear that local government workers have performed heroically through the pandemic and are still doing so. What will the situation be for public services in Scotland if a flat cash award is made to local government staff? We always rely on local government-provided services, but we have done so to an even greater extent during the pandemic. If a flat cash pay award is made, what impact will that have on those services in the coming year?

**Johanna Baxter:** It depends what the flat cash award is. If it meets inflationary pressures we might subvert the difficulty, but I very much doubt that it will. If we do not receive an inflationary increase for members, I suspect that they would vote to take some form of action to procure a better offer. We are a member-led organisation and it would be for members to decide in a consultative ballot whether to accept or reject an offer.

What I see every day is the level of anger and frustration among our members at the lack of recognition of their efforts, of the pressures that they have experienced from the decade of underfunding to local government and of the fact that they are absolutely exhausted. It is one thing to ask people to keep going the extra mile during a pandemic, but not rewarding them when they do so builds up a level of anger that is not easily dissipated.

In the ballots that we conducted last year, our members demonstrated that they are prepared to take action. The statutory industrial action ballots that were run by the three unions on the Scottish council joint trade union side had mixed results across the country, but, among those three trade unions, we had the capacity to deliver disruption to services in one half of local authority areas. We took a decision to target those ballots at selected groups, and the level of anger that was shown in those ballots demonstrated that, if those groups were to be balloted again at any time soon, it is very likely that they would vote in a similar way. I therefore urge COSLA and the Scottish Government to bang heads together and ensure that, when the joint trade union pay claim is submitted, an inflationary increase is delivered for our members who work in local government that recognises the significant and heroic efforts that they have made during the pandemic.

**The Convener:** We move to a final question, from Willie Coffey.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Good morning to our colleague from Unison. I go back to the settlement that was

discussed earlier. Do you accept that, as we read in the Scottish Parliament information centre papers that committee members have received, the overall total settlement for local government has actually gone up? It is a real-terms increase of £603 million, which is equivalent to a 5.1 per cent uplift. That is in the papers from SPICe, which, as we all know, is independent of Government. Does Unison accept that, so that we can clarify whether we are talking about cuts or uplifts?

**Johanna Baxter:** The budget settlement does not include or account for inflation or for demographic changes. If the Scottish Government gives local government more money but ring fences more of it for its own priorities, that does not deliver the funding and the flexibility that local authorities need to respond to the significant pressures that they face as a result of the pandemic, demographic changes and, in particular, inflation. As I said earlier, not accounting for an inflationary uplift to local government workers in pay negotiations is not adequate.

**Willie Coffey:** However, do you agree that an additional real-terms increase of £603 million is on the table? That is a 5 per cent uplift. You might say that it is not enough, of course, but do you agree that those figures are correct?

**Johanna Baxter:** The Scottish Government has told COSLA how local authorities will be spending most of their money. For example, as I cited earlier, 80 per cent of North Ayrshire Council's budget is determined by the Scottish Government; it does not control 80 per cent of the spending that is allocated to it. Although there may be an uplift, that is for specific priorities that are determined by the Scottish Government, and it is not a real-terms uplift, given that it does not account for inflation.

10:15

**Willie Coffey:** Okay. Let us leave that question there.

It was interesting to hear you agree with the Conservative member of the committee earlier about the impact of the budget on poverty and inequality. You must surely be aware that the Scottish Government spends £594 million on mitigating the effects of cuts that have been imposed by the United Kingdom Government. Among the standout items in that sum are discretionary housing payments, on which £83 million is still spent by the Scottish Government to make up for cuts by the UK Government. Do you recognise that that continuing investment by the Scottish Government makes a significant impact in reducing poverty and inequality in Scotland?

**Johanna Baxter:** I have seen no paper on the impact of discretionary housing payments on

inequalities. However, cutting PEF will not alleviate inequalities in some of the poorer areas of Scotland. We can pick figures from different parts of the budget, but a real-terms cut to local government funding, with local authorities' only option being to increase council tax to try to alleviate some of that, will disproportionately hit those on lowest incomes hardest. I therefore do not see that this budget will reduce inequalities—it will do quite the opposite.

**Willie Coffey:** I am talking about quite a substantial cherry to pick. That is £594 million that would otherwise not be spent. Some of that money is targeted towards the poorest and most vulnerable people in Scotland. Does Unison not recognise that continuing to do that is a worthwhile investment by the Scottish Government to try to alleviate the worst impacts that have been brought about by decisions taken by the UK Government?

**Johanna Baxter:** I will not comment on every single aspect of the Scottish Government's budget allocations, because many services are worthy of additional investment. However, the totality of the budget allocations to local authorities will do nothing to reduce the inequalities that local communities in Scotland are experiencing. I will not get into disputes between the Scottish Government and the Westminster Government, which are not for us to determine. I simply cite—yet again—the fact that there have been increases to the Scottish Government's budget that have not translated to local government. In our view, that is an issue that needs to be addressed.

**The Convener:** We have come to the end of our questions. I thank Johanna Baxter for being with us today—her responses have been very helpful.

We will suspend to allow for a changeover of witnesses.

10:18

*Meeting suspended.*

10:19

*On resuming—*

**The Convener:** Welcome back. We will continue to take evidence as part of our budget scrutiny. I welcome the witnesses on our second panel: Councillor Gail Macgregor is resources spokesperson for COSLA; Eileen Rowand is executive director of finance and corporate services at Fife Council and is also representing COSLA; and Martin Booth is executive director for finance at Glasgow City Council and is representing SOLACE. Thank you for joining us today.

We move straight to questions. If witnesses wish to respond or contribute to the discussion, please type R in the chat box to indicate that. We tend to direct our questions to specific people.

I will start. This question is for Eileen Rowand, but anyone else is welcome to come in. What are COSLA's views on the real-terms cuts to core revenue funding in 2022-23 and the impact that those could have on services, communities and employees?

**Eileen Rowand (Convention of Scottish Local Authorities):** Further to the SPICe briefing that was issued last week and COSLA's budget reality document, we agree that there is a flat cash settlement. However, taking into account national insurance and council tax reduction increases, there is budget pressure of £100 million. For a number of years, local government has had broadly flat cash settlements—that has been the average for my council over the past four years. That means that we have had to deliver significant savings to fund inflation and deal with demographic growth. We are now at a tipping point whereby the sustainability of local government is in question.

Looking forward to the next two years after this budget settlement, I am concerned about the sustainability of local government. We need to be clear about what local government's role will be, based on the level of funding that comes from the UK Government to the Scottish Government and then to councils. My plea is for you to look at the role that local government plays in improving health and wellbeing. There is a level of protection that is given to the health service. National health service boards will receive a 2 per cent increase, but councils will receive a flat cash settlement.

My final point is that the level of new commitments and burdens that are coming to councils is a good thing, but it is at the expense of core services such as roads, transport, bin collections and libraries. Local government is in a very precarious position.

**The Convener:** My next question is for Gail Macgregor. Considering that the Cabinet Secretary for Finance and Economy said that she did not recognise some of the figures that were used by COSLA in response to questions from the Finance and Public Administration Committee, what are your views on the yearly recurring debate between COSLA and the Scottish Government, and what solutions would you suggest to encourage co-operation between the two?

**Councillor Gail Macgregor (Convention of Scottish Local Authorities):** We seem to have a to and fro every year. I have been doing this for five years and we do not always agree on the figures. The discrepancies appear when we begin

to weed out the ring-fenced pots of funding, how much is notionally ring fenced and how much is directly related to Scottish Government policies. For example, last year, 58 per cent of the budget was directly related to individual Scottish Government policy pots. That has risen to 62 per cent this year. We absolutely do not dispute that there is more money in the local government budget, but I watched Johanna Baxter's evidence earlier on that additionality and how it is being presented, and the difficulty occurs when we look at what that money is for. As Eileen Rowland said, there is a £100 million decrease to our budget when national insurance and the council tax adjustment is taken into account.

We signed up to some of the £800 million-worth of ring-fenced Scottish Government policy commitments that we have to deliver, but others were imposed on us. The difficulty will come in trying to establish better partnership working with Government. What is needed, and what Kate Forbes and I need to concentrate on, is the development of policies. Rather than the Scottish Government announcing a policy and a fixed pot of money associated with that policy, it would be far better if better consultation took place with local government through COSLA and our member councils to ensure that whichever policy the Scottish Government announces and wants to deliver is fit for purpose.

I give the example of free school meals, on which the manifesto committed to a roll-out across primary schools in 100 days. There was an unrealistic expectation as to how councils could deliver that roll-out and an unrealistic pot of funding was put towards it, and the Scottish Government has had to row back from that commitment.

It is important that, when we develop the crucial policies that can help with inequalities in our communities, we do so in partnership and ensure that we get the best policy that will deliver the best outcome for our communities. If we have to continue with those ring-fenced pots, which leaders do not like because they like local autonomy—we might move on to that point—my plea to Government is that we co-construct those policies to end up with better outcomes.

**Meghan Gallacher (Central Scotland) (Con):** I refer members to my entry in the register of members' interests, as I am a serving councillor for North Lanarkshire Council.

COSLA released a statement that heavily criticised the Government, as councils face a real-terms reduction in funding of £284 million this year. Is COSLA concerned that some councils might have to increase council tax significantly to offset the cuts that the Scottish Government has administered? What impact does COSLA feel that

that increase will have on taxpayers, particularly people whom the pandemic impacted and who are struggling to make ends meet?

**Councillor Macgregor:** I have never seen our leaders as angry as when we went through the figures for the settlement and the relaxation around council tax. It was unanimous: council leaders of all political persuasions were deeply disappointed in the settlement, which—when we factor in the additional pressure around ring-fenced pots that we will have to deal with—makes for a challenging landscape.

There was even more anger about the fact that the Scottish Government has the ability to raise income tax and chose not to do so, essentially passing the buck to local government to fill the funding gap that has been caused by insufficient funding in the block grant and the settlement. Leaders are angry that the pressure is now put on them to make difficult decisions locally—I know that Meghan Gallacher will know that better than most.

I do not see an appetite from leaders to hit households any more than is necessary—leaders and councillors across Scotland understand the pressures that households are currently under. Any above-inflation increase in council tax would be seen as unpalatable. I suspect that we might see an inflationary increase around the 3 per cent mark, as we have seen in recent years. There is anger that the funding gap needs to be filled by councils making tough decisions, rather than the Scottish Government.

The impact in relation to economic development and Covid recovery will be even more challenging because we already have a reduction of circa £371 million in our settlement but are expected to continue to do what we are doing, deliver on the Scottish Government's current and new priorities, and look at pay aspirations, too. The aspiration in the budget of a living wage of £10.50 puts real pressure on local government. The councils' budget reports that are coming through now look very challenging.

We want to deliver for our communities, but the question of where we have to cut to continue with the ring-fenced pots of protected elements has been a cause for difficulty.

**Meghan Gallacher:** Thank you, Gail. I think that Martin Booth wants to come in.

**Martin Booth (Society of Local Authority Chief Executives and Senior Managers):** I want to clarify that council tax is a relatively low percentage of councils' income—it is only about 14 per cent in Glasgow and might be as high as 19 per cent in other authorities. For Glasgow, if council tax were to be used as the sole source to close any financial pressures, it would need to be

increased to 20 per cent of our income. As Ms Baxter pointed out earlier, such an increase would impact disproportionately on our poorest citizens. It is a tool to help to close a budget gap, but it is not the sole solution by any stretch of the imagination.

10:30

**Meghan Gallacher:** Thank you for that input, Martin.

I have a quick follow-up question about the letter that council leaders wrote to the First Minister about the unacceptable cuts to local government funding. Has COSLA received any update from the Scottish Government regarding the meeting that was requested? Will a meeting take place and, if so, what are leaders hoping to achieve from it? Can I hear from either Eileen Rowand or Gail Macgregor on that?

**Eileen Rowand:** I will hand over to Gail, because she is best placed to answer that question.

**Councillor Macgregor:** We wrote to the First Minister on 24 December and received a response yesterday from Ms Forbes. It was not sent directly to me; it was sent to the 32 council leaders. My understanding at this point is that the First Minister is not willing to meet council leaders. Obviously, we will pursue that.

**Meghan Gallacher:** Thank you.

**The Convener:** We will move to questions from Willie Coffey.

**Willie Coffey:** I would like to ask the question that I tried to ask the Unison representative earlier, on the total settlement. I think that Councillor Macgregor would be the best person to answer.

Do you recognise the independent figures from SPICe that we have in our papers, which show that the settlement is increasing to £12.5 billion, which represents a real-terms increase of £603 million, or 5.1 per cent? We can argue about whether it is enough, whether we could do more or whether more is needed, but do you at least recognise those independent figures as being accurate?

**Councillor Macgregor:** My answer may surprise you. Yes, I recognise the figures as being accurate, and that, in its totality, more money is coming to local government. However, a huge amount of that funding is going through local government rather than to it; we are merely a conduit in the delivery of some payments and policies. The funding is not directly to local government; it is being vired through local government.

Over and above that, as we have already stated, a huge amount of the funding pot is ring fenced for the delivery of early learning and childcare, the expansion of free school meals, music instruction and so on—we could list a plethora of things. Councils have been delivering on a large number of those policies over the past 10 years but, due to budget cuts, councillors have had to make really difficult decisions at the local level—perhaps to take out music instruction, for example, or to impose charges for it. Further down the line, the Government has ridden in on a white horse and put funding towards that policy. That really undermines the role of local government, because we have had to make incredibly tough decisions over the years to protect social care, education and many other services at the expense of some things that are now being funded directly from Government. That takes away local autonomy.

An example that I think Johanna Baxter also mentioned is funding that is going towards teachers. Teachers have been relatively protected over the past 10 years, with teacher numbers being protected. Putting additionality in for teachers might be highly valuable in North Ayrshire, but the Borders might require social workers, and Dumfries and Galloway might require investment in roads. The key thing is that these overarching ring-fenced pots for policies do not necessarily fit individual councils. If there is additional funding that can come to local government, our plea would be to give us the flexibility to spend it where it needs to be spent, whether that be on mental health, support for children or whatever.

It is not that we do not recognise that there is additionality in the system—there absolutely is. The difficulty is that the restrictions and protections that are put on that funding make things difficult for local government, because we still have to deliver all the other things that are within the core.

**Willie Coffey:** Thank you for your fair response to the overall figures in the settlement, which are in black and white and have been independently produced by SPICe. I appreciate your response.

On ring fencing and so on, Johanna Baxter said that 80 per cent of North Ayrshire Council's budget is controlled by the Scottish Government, but our papers say that the Scottish Government has said that 92 per cent of funding to local government is controlled by local councils. There is a huge difference there, and the truth probably lies in between.

There are shared priorities all over the place, as you said yourself. Is it not a little unfair of some representatives to say that it is all Scottish Government diktat, when—at the end of the day—it is mostly about shared priorities?

**Councillor Macgregor:** Again, I will not disagree with you, Willie. An awful lot of what we do together is incredibly valuable. Early learning and childcare is a prime example. The issue is what happens if we do not maintain our core budget. Once a particular service has become embedded in a council, it becomes part of the core. You can continue to put the cherry on top of the cake, but if there is no cake left there is not an awful lot to support the cherry.

We have ring-fenced funding, which is very much about Scottish Government policy priorities and is determined by the Scottish Government, as I said to the convener. We need to develop those policies in partnership, to ensure that we get the best possible delivery. We then have the statutory services, which we are obliged to do in a certain way, and we have protected services. There is an awful lot in there. Perhaps Johanna Baxter was hinting at that: the 80 per cent represents more than the ring-fenced funding and takes in protected and statutory services.

Our modelling shows that the proportion of the budget that is accounted for by directed services has gone from 58 to 62 per cent, which leaves only 38 per cent of the budget to sustain the cuts. We cannot take cuts from the 62 per cent; we can take them only from the 38 per cent, which makes the landscape very difficult.

**Willie Coffey:** Okay. Thank you.

**The Convener:** We will move on.

**Paul McLennan:** We have heard the discussion about whether there is a real-terms increase; I want to focus on the Covid pressures that all local authorities, including mine, still face. I asked Unison whether it has contacted the UK Government about Covid consequentials, which were in the previous year's budget but are not there this year. I asked David Kennedy from COSLA about that in the middle of December. Has COSLA written to the UK Government to ask whether Covid consequentials or additional funding will come to the Scottish Government this year, given that there will certainly be Covid pressures in this financial year and probably beyond it?

**Councillor Macgregor:** We have not written directly to the UK Government about Covid consequentials. We absolutely recognise that there are on-going pressures to do with Covid. Councils are dealing with those pressures every day, in many ways. Our leisure and sport facilities and culture facilities are prime examples in that regard, in that we are seeing an on-going loss of income in those areas—Martin Booth knows an awful lot about that. That gap needs to be filled.

Every time I have met Ms Forbes—and we have a good relationship—I have offered to make a joint

submission to the UK Government and to stand shoulder to shoulder in that respect. It is incredibly important that we look to protect services in Scotland, whether they are delivered by local government or the Scottish Government. I will continue to commit to that joint approach.

Ms Forbes has preferred to deal with the Treasury on her own, and I totally respect that, but it is important that local government and the Scottish Government stand together where we feel that there is a bit of a discrepancy around funding. We know that the Covid pressures are not going to go away any time soon. A good settlement for local government would be the ideal thing but, as always, the devil is in the detail when it comes to how we get there.

**Paul McLennan:** Obviously, we can ask the cabinet secretary about that. Has COSLA estimated—

**Councillor Macgregor:** Sorry, Paul, but if I could just add something, the presidential team and I met Michael Gove in December. That was the first meeting that we had had with him on the levelling-up agenda. We have passed the issue to him, too.

**Paul McLennan:** On the additional Covid pressures, has COSLA estimated, or asked local authorities for their estimates of, the additional costs that have come through? I know that East Lothian Council, which is my local authority, has done that. I appreciate that that is not the easiest piece work to do, but is there an approximate figure that COSLA has arrived at to say that the pressures for the next year that are directly related to Covid will be £X? If there is going to be an ask made of the UK Government and if consequentials are to come through, what are we asking for?

**Councillor Macgregor:** I might pass that to Eileen Rowand and Martin Booth, as they have been directly involved in the data gathering.

**The Convener:** If you would like to come in now, Eileen, that would be great.

**Eileen Rowand:** I will add some context. At the end of the financial year, in March 2021, a lot of money was passed to local government from the Scottish Government. That was done partly because there is a limit to the funding that the Scottish Government can hold. When councils closed their books last year, we carried forward around £700 million of Covid moneys. We anticipate that we will have to use that money over the next two years, so we have been working closely with our colleagues in councils to look at their estimates.

The Covid moneys will not be sufficient going forward. We have plans in place for the coming year, but there will be pressures, and we have to

support the Scottish Government in ensuring that we make cases for additional funding where it is required.

There is a lot of scrutiny of councils' reserves and of why we are holding such an increased level, but a large part of it is because of the Covid moneys, which we will no doubt need—and more.

**Paul McLennan:** I know that analysis has been done, and I know that that is not the easiest piece of work to do, as I said to Gail Macgregor, but will there be a stage in the next month or two when COSLA will say, for instance, that it needs an extra £200 million or £300 million to get it through? Will there be a point where you can work out approximately how much would be required from the UK Government to come down through consequentials and so on? To return to a point that Gail Macgregor mentioned, it could then be a matter of liaising with the Scottish Government to ask the UK Government about that. Will there be a point soon when we will know an approximate figure that could be required? We can talk about the £371 million that COSLA highlights. We can dispute it one way or another, but could the additional funding that would come through help to negate that figure?

**Eileen Rowand:** A lot of the Covid moneys will be used within this financial year. We have been working with colleagues to see what will be carried forward into 2022-23, but I would say that it is less than 40 per cent. Within my council, and according to other colleagues, we are seeing an impact from the loss of income and from the additional costs, certainly for leisure services and the likes. We expect that to continue for two, three or four years.

Once we get to the point where we need to make a call for additional moneys, we will work closely with the Scottish Government. We have been focusing on the current year, and we are looking forward to next year, but it is more of a medium-term exercise.

**Paul McLennan:** Thank you—that is appreciated.

**Martin Booth:** As Eileen Rowand has said, it is difficult to know what will happen in the future—we do not know what the future holds. Our position before the turn of the year would be different from what it is now, because we did not know about omicron in November. The situation is changing all the time. Going forward, our lost income probably presents the biggest challenge.

10:45

Earlier, when Ms Baxter was giving evidence, there was a discussion about culture and leisure services. We have had to provide a large amount of support to our culture and leisure trust to ensure

its continued viability. That will not be for just last year and this year; it will go on for several years until public confidence is rebuilt and people return. Glasgow Life, which is the culture and leisure trust in Glasgow, had direct earned income of £38 million, excluding the contract from the council. That fell off a cliff—it disappeared overnight—and we anticipate that it will take four or five years for it to recover to that level. Providing that level of support to Glasgow Life is really difficult, and I imagine—the figures will not have come through yet—that the omicron outbreak over the past few weeks will have set it back on that challenge. We do not know how much support will be needed, because we do not know how long the situation will continue.

**The Convener:** Thank you, Martin. We will move to questions from Elena Whitham.

**Elena Whitham:** I welcome the panel. My first question is directed to Gail Macgregor from COSLA. The figures from Her Majesty's Treasury, as published in a "Block Grant Transparency" document, show that the Scottish Government's resource budget has been cut by £2.6 billion in real terms between 2021-22 and 2022-23. Taking that together with the real-terms capital budget cut of 9.7 per cent, does COSLA agree that the Scottish Government's budget position is quite difficult and that the focus must be on the priorities that are shared by local and national Government, such as lifting children out of poverty?

**Councillor Macgregor:** Thanks, Elena. It is lovely to see you.

That is a very difficult comparison. The budget in 2021-22 had all the additional Covid consequentials, which was a very large amount of money. We need to compare 2020-21 with 2022-23 to get a more accurate comparison. Comparing with last year's funding does not give an accurate picture. We have already said that we will require additional Covid funding; we will need on-going support through Covid. If there is an argument about whether the Scottish Government should go to the UK Government to request additionality in that respect, we absolutely think that it should. However, comparing last year's budget to this year's budget is not a true comparison.

In COSLA, we are looking at pre-Covid figures and where we are at now, and not at Covid in the middle. We are still in the middle of the pandemic, so additional support may be required in many areas, and there will be additional pressures. However, the key thing is not to compare with 2021-22. We tend to look for trends over a longer period of time. Our tables track back from today to 2013-14. That gives a much more accurate comparison.

**Elena Whitham:** Thanks for that, Gail. I have some questions about the £1.3 billion that will be transferred to local government from other portfolios during 2022-23. I know that there has been a long-standing request for some of the consequentials that relate to social care to go to local government, as opposed to always going to health. Is that money welcomed? To what extent will that be ring fenced? Is that the right thing to do? How does that work in practice, if that money is coming from other portfolios into local government?

**Councillor Macgregor:** Yes—any money that comes into local government is obviously welcomed. As you will know, we have been in on-going discussions with the Cabinet Secretary for Health and Social Care as well as Ms Forbes and the wider Cabinet. We need to continue to push the case for additionality to come from health into our integration joint boards and our local boards. Integration is absolutely key. If we can deliver services that prevent people from ending up in acute care in hospital or support them to stay in their home, that will take a massive burden off health. Therefore, those discussions need to continue.

As you know, we have had additional support for paying the real living wage in health and social care. We have negotiated that during my tenure over the past five years, and we continue to do so.

Ring fencing will probably always be needed in some areas, when there is joint agreement and there are joint party commitments. What is key is continuing to look at how to support our communities in the context of council services such as leisure and parks and of our health and wellbeing agenda, so that we can try to keep people from going to hospital in the first instance, which will save the NHS a huge amount of money.

**Eileen Rowand:** The £1.367 billion that is coming from other portfolios is all committed to things that we must deliver, except for a small element that is for the living wage. As Gail Macgregor said, the bulk is being passported through councils to partnerships. There is money for additional teachers and support staff, but the bulk is to deliver new things. The money is welcome, but it does not help with our core underlying problem.

**Elena Whitham:** Thank you for adding that. I think that we all agree that money is definitely well spent on the shared priorities that we seek to achieve, which will have a significant impact on communities.

My final question is for Gail Macgregor. COSLA's blueprint for local government called for the



“Removal of a cap on Council Tax so that this is a truly local tax.”

You touched on that. I will move on to ask about the proposed fiscal framework, for which we have been waiting for a long time. The cabinet secretary has said that it will enable us to have multiyear settlements. I would like to get a feeling for the perspective of Gail Macgregor and COSLA on that. COSLA asked for the council tax cap to be lifted. How will the negotiations about a fiscal framework take us to the next level of local flexibility?

**Councillor Macgregor:** You ask about a really important piece of work that we have been doing for the past couple of years. It was put slightly into abeyance by Covid, as were many things—not least the working group that was looking at a replacement for council tax. We are absolutely looking for local autonomy on tax-raising powers, whether they relate to council tax, the transient visitor levy, the workplace parking levy or a number of other things that we are looking at.

We are reinstating the conversation with the Scottish Government. COSLA has had a useful cross-party working group to look at ways of empowering local government more, and it will report soon to leaders. We discuss the subject with the Scottish Government all the time.

People are looking at remodelling the fiscal framework between the UK Government and the Scottish Government as well, so the processes have to run in tandem. The key principle for us—as I suspect is the case for the Scottish Government in relation to the UK Government—is having more autonomy in deciding how to raise and spend additional funding. In a lot of ways, we are on the same page. We will pick up such conversations, and I hope that we will run with them.

The key point is that we need budget stability. If we get two-year or three-year budgets, that will assist us with pay negotiations and service delivery. Year on year for the past 10 years, we have had budget cuts and budgets that were late—whether the reason related to the UK Government or the Scottish Government—which has meant late budgets for us that have led to late decisions about services that would be cut. Budget longevity and an understanding of a two-year or three-year budget plan will enable us to invest in a far better way in capital and revenue terms and to ensure the sustainability of the services that we deliver.

Such an approach would also give a bit of stability to our third sector and voluntary partners, which are invaluable in delivering services for us—that is usually on a commissioned basis. The budget uncertainty has meant that we could not

give them contract certainty. If we have a pattern of UK Government settlements and Scottish Government settlements that enable a three-year plan and a three-year budget, that will be immensely helpful.

**Elena Whitham:** Thank you very much for that, Gail. Does Eileen Rowand want to comment on that, or did she want to come in on the previous question?

**Eileen Rowand:** It was on the previous question.

**The Convener:** We will now go over to Miles Griffin for a question.

**Miles Briggs:** You are mixing us up, convener—it is Miles Briggs and Mark Griffin. *[Laughter.]* It is new year—I will let you off.

**The Convener:** I am sorry about that, Miles.

**Miles Briggs:** It is okay.

**The Convener:** We will go over to Mark Griffin.

**Mark Griffin:** I have a quick question off the back of Unison’s evidence. Unison is making the case for an inflationary pay uplift for local government staff. Does Councillor Macgregor feel that that will be possible? Can such an offer be made within the budget settlement?

**Councillor Macgregor:** I heard Johanna Baxter earlier. With the settlement that we have, it will be difficult to make a pay offer at an inflationary level. We have not yet had the pay claims from the unions and we will work hard to try to make the absolute best pay offer that we can when they come in.

A difficulty that we have had in recent times is that public sector pay policy has raised an aspiration in the public sector as to where pay will be pegged. Local government is not covered by the public sector pay policy, so we are not included when the Parliament talks about it and no additional funding comes to us for it, but it immediately raises the aspiration that we will automatically match whatever that policy is.

As I said, the aspiration to provide a wage of £10.50 an hour is ambitious. It will be very difficult to fund it through the local government settlement. Other areas of the public sector seem to be getting additional funding for it, but local government has had no additional funding for public pay. That makes it difficult for us going into the negotiations because our staff have done a tremendous job over the past two years. They do a tremendous job anyway in an ordinary year, but in the past two years they have been exceptional.

Johanna Baxter made the point that local government staff are not terribly well paid in the first instance compared to staff in some other

sectors. We need to address that in the longer term, but it will be an incredibly challenging time to make a pay offer that respects and rewards our workforce when we get no additionality from the Scottish Government to do that.

**The Convener:** I have a question for Gail Macgregor. Given the unique pressures that the three islands authorities face and the complex services that they run with their limited resources—for example, ferries—what is the impact of the real-terms reduction in their overall revenue allocations for next year?

**Councillor Macgregor:** The islands are incredibly challenging because it costs more to live there than it does to live on the mainland. On paper, they get more per head of population, so it appears on the surface that they get more than other areas, but whether that is sufficient to cover their budget pressures and the strains in those rural and remote communities is a conversation that I will have with James Stockan fairly soon and will continue to have with islands authorities.

We want the islands authorities to be as supported as possible. In previous budget rounds, additional funding has gone to the islands when we have had stages of the budget process. Obviously, we have a different situation now because we have a co-operation agreement between the Scottish National Party and the Greens. I will work hard with the islands authorities to ensure that they feel as supported as possible and, if they require additional support to approach the Government, we will give them that as well.

11:00

**Eileen Rowand:** There is a real-terms reduction for all councils. Concerns have been raised about the islands authorities but, as Gail Macgregor outlined, they receive the highest share or allocation per head, which is quite considerable. They receive that share because of the way in which they have to deliver their services.

In relation to the settlement, the impact on councils will vary. That links to how the money is distributed and the updated indicators, which are influenced by population and the likes. We offer councils a degree of protection so that they are not as adversely impacted by movements in the indicators when it comes to their settlement. We have a floor, which protects councils.

It is quite a sensitive area, but we have to look at local government funding in its totality and to work with individual councils that have concerns, so that we understand why there are movements and what can be done.

**Miles Briggs:** I have a couple of questions on the impact of council tax increases. In the year

before the pandemic, council tax debt increased by 25 per cent to more than £95 million. Previous evidence that has been given suggests that there will be a 3 per cent increase in council tax. What impact assessment has been done on the potential for people to be pushed into council tax debt by the budget?

I will start with Gail Macgregor, but if other witnesses want to come in, they can put an R in the chat function.

**Councillor Macgregor:** I think that it would be better to pass that question to Martin Booth or Eileen Rowand, because they have been working on the matter more closely.

**Eileen Rowand:** There are pressures on our council tax debt collection already. In Fife, for example, we have a £1 million issue already, which is clearly causing us a problem. With pressures on household expenditure, energy price increases and the likes, we expect that we will work more closely with households to encourage them to pay and to put in place payment plans to assist them.

I flag up that changes to council tax reductions will be introduced from April. The intention is to provide more support to people who require it. When we moved from housing benefit to universal credit, there was a change in the cohort of people who received support, so we are trying to address that.

I expect that the budget will continue to impact on people paying their council tax, because I envisage that most councils will be looking at a 3 per cent increase. That will increase pressures on households.

**Miles Briggs:** Does Martin Booth want to add anything?

**Martin Booth:** I think that Eileen Rowand has covered the issue. Our experience is that we have had a fairly marginal reduction—but still a reduction—in our collection rates during Covid. We expect those rates to recover, but putting up council tax will not help that position. We will work very closely with households to support them as much as we can, but we are definitely very aware of that risk.

**Miles Briggs:** My next question is about how councils are likely to push down on some cost pressures so that they do not have to increase council tax above inflation. Previous settlements have led to cuts to services, so in which areas can councils consider making cuts, increasing charging or reducing services? What will that look like across Scotland?

**Martin Booth:** It will be increasingly difficult to close the gaps. After a number of years of austerity, there are not many easy options left. We

are looking across the board, and it is important that I state that anything I say is my opinion; it is for our elected members to take final decisions. However, we will look at every single area of service delivery.

The opportunity to increase charges is fairly limited. Quite often, we are a provider of last resort, so the people who would be impacted the most by charging would be those who we would like to impact on the least. Therefore, that is a challenging area. There have already been moves to rewild green spaces, which means that the grass is cut less. Maintenance budgets for roads and pavements are likely to come under scrutiny.

Some of the additional education services that we provide in Glasgow will definitely be under challenge. Among the school population in Glasgow, more than 100 different languages are spoken as a first language. The support for English as a second language will undoubtedly come under challenge. Glasgow has a specialist dyslexia unit that provides support to teachers for children who suffer from dyslexia and similar conditions. That specialist unit will come under pressure. Glasgow is very proud of the impact that its nurture provision has had on educational attainment but, again, that additional resource will undoubtedly come under pressure as part of the budget decisions.

I have referred to the pressure on leisure and cultural services. At the moment, Glasgow has not reopened all its venues after Covid, and the ability to reopen all of them will come under increasing pressure.

**Councillor Macgregor:** I highlight the disproportionate percentage of cuts that we have had in certain areas of the budget in recent years. We have had an increase in the education and social care budgets of circa 22 per cent, which is absolutely fine and valid and has gone towards certain policy commitments. However, we have also seen a 17 per cent reduction in roads and transport budgets, a reduction in culture and leisure budgets of circa 8 per cent and a reduction of around 5 per cent in budgets for planning, building control and economic development.

A disproportionate amount of cuts are having to come from a very small part of council budgets to ensure that we can continue to deliver the ring-fenced overarching policies. During the pandemic, when businesses were reopening, we had a huge shortage of environmental health officers, so we needed to rally and suddenly put additional funding into that particular budget to get more officers. If we continue to erode our roads and transport, planning, building control, backroom and digital work budgets, there is a disproportionate impact on those services and how we can deliver.

In the work on the fiscal framework, we are seeking greater ability to raise planning fees and to look at building control fees. That is very low-hanging fruit and it will not bring in a fortune, but every little bit can help. Obviously, we will work with the Government to develop other areas as well.

**Miles Briggs:** Given the funding formula, which councils are least able to meet that challenge? My area, which is Edinburgh, receives the lowest funding per head of population, but we know about the pressures on social care and housing there. Most of the delayed discharge problems that NHS Scotland faces are actually in the capital. Do you know, from the discussions that are going on at national level in COSLA, which councils are most likely to need the largest council tax increases?

**Councillor Macgregor:** I do not have that information to hand, but we could potentially provide the committee with it.

**Miles Briggs:** That would be helpful. Thank you.

**The Convener:** I thank Councillor Gail Macgregor, Eileen Rowand and Martin Booth for joining us and providing us with very useful responses to our questions.

I now suspend the meeting to allow the witnesses to leave.

11:09

*Meeting suspended.*

11:13

*On resuming—*

**The Convener:** We will now continue to take evidence as part of our budget scrutiny. I welcome our third and final panel of witnesses this morning. They are; Kate Forbes, the Cabinet Secretary for Finance and the Economy; Shona Robison, the Cabinet Secretary for Social Justice, Housing and Local Government; Caroline Dicks, who is an investment manager for the Scottish Government; Ellen Leaver, who is deputy director of the Scottish Government's local government and analytical services division; Catriona MacKean, who is the head of better homes; and Ian Storie, who is the head of local government finance. Thank you for joining us today. If the witnesses wish to respond or contribute to the discussion, they should type R in the chat box to indicate that.

Before we get going with questions, I invite the Cabinet Secretary for Finance and the Economy, followed by the Cabinet Secretary for Social Justice, Housing and Local Government, to give brief opening statements.

**The Cabinet Secretary for Finance and the Economy (Kate Forbes):** It is good to join you this morning, convener. I appreciate that you have had a long evidence session already this morning, and that the Deputy First Minister and Cabinet Secretary for Covid Recovery provided you late last year with a detailed written response to a range of questions, so I will keep my opening comments fairly brief.

11:15

I will start with a comment that you will not be hearing for the first time, but I need to be clear at the outset: this project has been hugely challenging. The Scottish Fiscal Commission, which is the key forecasting body, states in its economic and fiscal forecasts report:

“Overall the Scottish Budget in 2022-23 is 2.6 per cent lower than in 2021-22, after accounting for inflation the reduction is 5.2 per cent.”

It is against that backdrop that we are discussing the local government budget this morning.

Our budget has had a laser-like focus on three key challenges: tackling child poverty, climate change and economic recovery. We are endeavouring, in the budget, to strike a balance that will, with limited resources, ensure parity of funding across sectors. The budget that has been published for next year confirms that even in the face of the significant economic uncertainty that has been caused by the pandemic, we are providing councils with—among other things—a real-terms increase of more than 5 per cent to their overall budgets for our shared priorities for the coming year. Local authorities have been key partners with the Government—perhaps never more so than during the pandemic, as we tackled it together to protect communities, businesses and public services. They will clearly play an important leadership role, as we move forward.

I recognise the importance of planning as part of the process. Our transformation of the planning system will help both to streamline the system and to free up resources to enable the good-quality development that we will need in the future. To support that, we will introduce new fees regulations that will help to ensure that applicants, rather than the taxpayer, cover the costs of processing planning applications. We are also investing in digital transformation of the planning system. I mention that because I know that it has been raised in the past.

I will stop now and hand over to my colleague, Shona Robison, who will say more about the settlement in relation to her portfolio.

**The Cabinet Secretary for Social Justice, Housing and Local Government (Shona**

**Robison):** I thank the committee for inviting me to today. I, too, will be brief.

To reiterate what Kate Forbes has said, I say that developing the 2022-23 budget has been challenging and has involved making difficult decisions and choices, but the ones that we have made should help to lift children out of poverty, provide investment in social care and help to tackle the climate emergency.

Our budget for next year will increase funding for affordable housing by £174 million, so we can continue with the important work that was started back in 2007 to ensure that everyone in Scotland has a warm, safe and affordable place in which to live. We are allocating £831 million to delivery of 110,000 affordable homes by 2032, of which at least 70 per cent will be available for social rent, and 10 per cent will be in our remote, rural and island communities. More than £80 million will be allocated to discretionary housing payments for housing support and to mitigate fully the UK Government’s bedroom tax. We are making a further £10 million available for our ending homelessness together fund, as part of our investment of £100 million in transformation funding between 2018-19 and 2025-26.

The 2022-23 budget provides our local authorities with a fair but affordable settlement of more than £12.5 billion under the most challenging of circumstances. That will provide £554 million extra for health and social care, £145 million for additional teachers and support staff and £94 million to support the expansion of free school meals. It gives local authorities a number of fiscal flexibilities, including full autonomy on council tax rate setting, as they requested, and a commitment to collaborate on a fiscal framework for local government.

I look forward to your questions.

**The Convener:** Thank you very much for that. I will start off the questions; I direct the first at Kate Forbes. I am aware of the future plans to publish multiyear settlements, which I strongly welcome, but what else can the Scottish Government do to help local authorities to tackle long-term challenges and to plan strategically?

**Kate Forbes:** That is probably one of the most pertinent questions, right now. The committee will know that, alongside the budget that we published in December, we published our consultation for the spending review. That review will, as the convener has referenced, provide certainty for all parts of the public sector on what their budgets will look like for the next three to four years.

I am conscious that when it comes to long-term reform and prudent use of public finances, being able to plan longer than annually is absolutely essential. We had already taken steps to do that

on a capital basis last year, but with the UK Government spending review having been published on 27 October, we can now proceed.

The key is that the consultation process should be as engaging as possible; I do not want the review to be a Government document that is published without input from our partners. I have already had a number of conversations with COSLA's finance spokesperson, Gail Macgregor, on how we can ensure—notwithstanding some of the uncertainties that face local government in the light of changing personnel, situations with elections and so forth—that over the next six months we engage considerably with local government through my relationship with her.

The other part to consider, which was referenced by the previous witnesses, is that we have been in long-standing discussions on building a fiscal framework for local government. The letter to COSLA that was published alongside the budget confirms our commitment to undertaking intensive collaborative work on that framework. It is unfortunate, but understandable, that a lot of local government and Scottish Government time has been consumed by the mission to deal with Covid. I hope that that intensive work on a framework will allow for more flexibilities and more empowerment for local government officers to make decisions that are best suited to their local authority areas.

**The Convener:** Thank you for that. In the previous evidence session I raised the question of the yearly recurring debate between COSLA and the Scottish Government. You have already touched on your desire for more engagement and more collaboration, and Councillor Macgregor said that the idea is that policy be developed in consultation with COSLA and local authorities. I would love to hear a little bit more along those lines about other areas on which consultation and collaboration could happen.

**Kate Forbes:** Prior to publication of my budget this year, and in previous years, I have met Gail Macgregor regularly. I cannot remember the details off the top of my head, but there were probably three or four intensive meetings in the immediate run-up to the budget. I meet Gail regularly to talk more generally, but in those meetings I had very intensive conversations with her in order to get a full understanding of the pressures that are facing local authorities—I do not dispute that there are pressures—and to understand our shared commitments.

Sometimes, during the yearly debates, as the convener understandably put it, we lose sight of the fact that many commitments are shared by COSLA and the Scottish Government. I say COSLA because it is the body that represents all

local authorities—each local authority will have slightly different nuances.

The other thing that we have done this year, which is unusual, is that Shona Robison and I have between us endeavoured, over the past two months, to meet every single local authority—their chief executives and local authority leaders—to make sure that we have a handle on their local circumstances. Although COSLA will, understandably and rightly, present a blanket approach for local authorities, we wanted to ensure that we also understand the challenges that are faced in each area, so the invitation to meet went out to local authorities. I cannot recall precisely how many I have met and how many Shona Robison has met.

We have endeavoured to get the high-level view from COSLA and to get into the detail of each local authority area. The challenges that Inverclyde Council faces are different from those that Moray Council faces, and those are different from the challenges that Glasgow City Council faces. The conversations that we have had hugely informed our budget. A lot of financial commitments might not be taken into account in the annual debate about core budgets.

There are two issues that I hear about regularly from individual local authorities and from COSLA. The first relates to the challenges around social care, which is why we have significantly increased social care funding. Incidentally, I point out that I have tried to ensure that consequential funding for health and social care has gone to local authorities precisely because I know of the social care pressures that they have cited.

The second issue is income inequality and the fact that the pandemic has exacerbated the challenges that are faced by the most vulnerable people in society, which is why we are rolling out free school meals further, in collaboration with local authorities.

I do not want to speak for COSLA, but I think that it and individual local authorities would agree that the two examples that I have cited are important shared commitments, which is why they have been prioritised as part of the overall local government settlement.

**The Convener:** Does Shona Robison want to come in on my first question about supporting local authorities to tackle long-term challenges in planning or on potential solutions for encouraging co-operation between COSLA and the Scottish Government?

**Shona Robison:** As Kate Forbes said, there is a good and very close working relationship with COSLA. As she does, I meet COSLA's leadership regularly and, as she has done, I have met a number of individual local authority leaders and

chief executives. That was really useful in getting into the detail under some of the priorities. Affordable housing is a key priority for nearly all local authorities; we managed to discuss it in those individual meetings. A number of projects and examples of potential collaborative working have emerged from those meetings, which is helpful.

There will, clearly, be a number of major pieces of work on the fiscal framework, on Covid recovery—which is key—and on tackling child poverty. We take a collaborative approach with COSLA; I know that local government is committed to working with us to tackle child poverty. The debates that we have on the quantum and the figures sometimes do not tell the full story about the work that goes on behind the scenes between the Government and local government on shared joint priorities.

**Meghan Gallacher:** I have questions for both cabinet secretaries. My first is for Shona Robison.

Councils are struggling to maintain vital services because of the levels of cuts that have been administered by the Scottish Government in recent years. Earlier, we heard examples of the cuts that councils have had to make in order to balance the books. Does the cabinet secretary accept that that is due to decisions by the Government to cut local government budgets year on year, and that it has led to councils being unable to provide for their communities? I am not talking about the Government's key priorities; I am talking about the basics, including education, bins and roads.

**Shona Robison:** My first response to Meghan Gallacher is to say that the Scottish Government's budget comes, by and large, from the block grant that we receive from the UK Government. We have had years of austerity, and difficult decisions have followed the settlement.

If we compare the funding situations north and south of the border, it is clear that the challenges that Scottish local authorities face are in a different ballpark from the challenges and cuts to local government funding that local authorities south of the border have faced.

11:30

Meghan Gallacher talked about funding above the core settlement. We have many key joint priorities with local government, including tackling child poverty and ensuring that we support education and social care. The money going into social care has increased considerably. I hope that those priorities are shared across the Parliament.

Difficult decisions have to be made. As part of the budget discussions, it is open to parties to come forward with amendments to the budget, but

a party wanting more money to be spent in an area of government requires that the party say where the money should come from. I am sure that we will get into such detailed discussions over the next few weeks.

**Meghan Gallacher:** I have a question for Kate Forbes. Council leaders have written to the First Minister to request a meeting to discuss the budget settlement. As we heard from Councillor Gail Macgregor, the First Minister has declined that request. If the Scottish Government is confident in its defence of the local government settlement, why has the First Minister declined such a meeting with council leaders?

**Kate Forbes:** My answer is that the First Minister has not declined the invitation. Rather than me disputing the characterisation of the letter of response, it would be easier for me to share it with the committee, so that the committee can read it.

Local government leaders wrote to the First Minister and me, and I responded, as I have responsibility for local government finance. The letter of response states clearly that I look forward to meeting the COSLA presidential team on, I believe, 20 January. If I have got that date wrong, I will correct the record. I am happy to share the response, if that is permitted.

**Meghan Gallacher:** That would be useful.

**Elena Whitham:** I know that this matter has been touched on, but I will raise it again, given its significance. Given that the budget year is particularly difficult for the Scottish Government in relation to the real-terms cut to the block grant, and if we think of the £2.6 billion from the resource budget alone, how has the Scottish Government focused on shared priorities with local government, such as lifting children out of poverty, building more affordable homes, investing in social care and tackling the climate emergency? How will the vast in-year transfers from other portfolios help to deliver on those critical shared priorities? We need to consider some of the latter aspects—I am thinking specifically about housing—in relation to a whole parliamentary session and not a single year. We will start with Ms Forbes, and Ms Robison might want to come in on housing.

**Kate Forbes:** I appreciate that there is a lot of experience and expertise around the committee when it comes to local government—I have said so when I have been in front of the committee previously. Elena Whitham has extensive experience of local government.

I will take a brief step back from the question to say that nobody disputes that the budget is hugely challenging overall. In the light of those challenges, I made a conscious decision to identify three priorities that we could really get behind and

focus on and in which we could maximise our efforts.

As I said in my opening remarks, the first priority is child poverty, because the pandemic has had a hugely detrimental impact on some of the most vulnerable people in society. The second priority is continuing to tackle Covid, because—despite the fact that there were no Covid consequentials—Covid is clearly still with us, and that effort goes hand in hand with economic recovery. The third priority is tackling climate change and helping us to shift our investment in that regard.

How does the local government budget come into that? We cannot achieve any of those three aims without local government—of that there is no doubt. Local government is not only a valued partner rhetorically; I engage with local authorities and rely on them, and I work with them every day—certainly, my teams do.

The local government settlement in the budget can be characterised in two ways. First, the core budget is protected in cash terms. I understand that inflation is having a significant impact on all budget lines, but I cannot inflation proof any budget line when inflation is running at 5 per cent or more, because the overall budget that I receive is not inflation proofed.

Secondly, there is real-terms growth to the overall settlement. I have referenced certain elements, but I will just note that there is £68.2 million for child payment bridging payments, an additional £64 million of resource and £30 million of capital to facilitate the expansion of free school meals, £353.9 million for health and social care integration and £200 million on top of that from health and social care consequentials.

All of that goes towards the three big objectives. I think that people in local government would identify that education and social care are parts of their core remit and would therefore agree that it is fair to say that providing support for teachers and social care helps. However, I do not and will never dispute that these are challenging times. I have huge respect for local government leaders who, like me, have to make difficult decisions in order to reach a balanced position and invest in their priorities.

**Elena Whitham:** Will Shona Robison say something about housing and about the idea of looking at it over a parliamentary session as opposed to a single year?

**Shona Robison:** As I set out in my opening remarks, the affordable housing budget is increasing by £174 million, which breaks down to a £40 million increase on the previous published capital spending review figure and an increase of £134 million in financial transactions. That brings the total that is available for affordable housing

across the parliamentary session from £3.444 billion to £3.618 billion, which is a 21 per cent increase compared with the previous five years. That will be phased across the five years, and the figures will differ from year to year, but what is important is the quantum across the five years.

We are well aware of some of the pressures that are on that. We know that the construction industry faces on-going market condition pressures, which is why there will be a targeted review of the Scottish Government's capital spending review in early 2022, alongside the resource spending review. That will be important. We need to ensure that the investment delivers the affordable housing that is badly needed across Scotland, and we know that it will go a long way towards doing so.

**Elena Whitham:** I have a final question for Kate Forbes, which relates to something that she has mentioned and on which we heard Councillor Gail Macgregor set out her clear position. The fiscal flexibility that has been looked for is being given through the removal of the cap on council tax rises. There is a lot of discussion about the fiscal framework—Gail Macgregor mentioned the negotiations between the Scottish Government and the UK Government in terms of reworking that agreement. Will you reiterate how important the work on the fiscal framework will be? How quickly can we expect that to be agreed?

**Kate Forbes:** The work is hugely important—it is one of my top priorities. I would like it to be completed as a matter of urgency, so that local government, COSLA and the Scottish Government are happy with it. You will know that we have also committed to a citizens assembly on sources of local government funding, which will look at taxation, too. Work has begun to prepare for that.

**The Convener:** I will take a little dive up north and ask a question that I put to the previous panel. Why have the three island local authorities received real-terms reductions in their overall revenue allocations in 2022-23, when they face unique pressures and when, historically, they have been underfunded for the additional services that they manage, such as ferries?

**Kate Forbes:** If I remember correctly, it was two years ago that I ensured that, for the first time, there was specific additional money for ferries in the local government settlement, which was warmly welcomed, particularly by those in the northern isles.

The local government settlement is distributed in full under a needs-based formula. That is discussed and agreed each year with COSLA on behalf of all 32 local authority members. As part of the overall methodology, the islands receive the special islands needs allowance and, as I heard a

witness on the previous panel mention, additional funding is embedded in the methodology to meet the additional costs of providing services in island communities. The provision in the core methodology and the special islands needs allowance means that there is additional funding in the process to recognise the additional needs.

I am open to any review of or changes to the methodology. That would need to be the result of a request by COSLA—I would not impose it on COSLA. If I received such a request—because, for example, some local authorities felt that the approach did not take account of their unique circumstances—I would be open to an intensive piece of work being done to review the methodology.

**Miles Briggs:** I welcome what we just heard, because many councils have for too long expressed concerns about funding. My local authority—the City of Edinburgh Council—is the lowest-funded council, and NHS Lothian is the lowest-funded health board. I hope that both those things, and not just council funding in general, will be looked at.

I have a question for Kate Forbes about council tax increases. Following your budget, what is the average level of council tax increase that councils are likely to set?

**Kate Forbes:** I will resist answering that question, for one very good reason, which I will unpack. Local authorities have long asked for flexible and discretionary tax-setting powers, so my saying what I expect of them would run the risk of undermining that position. However, just as I have to make tax decisions that reflect the challenges that face households and our particular budget needs, so I would expect local authorities to do likewise and to take into account the burdens that are on households now, as well as the need to fund local services.

Miles Briggs will know that for years—perhaps for 14 years, although neither of us has been in Parliament for as long as that—local authorities have requested the discretion to set council tax rates, and they can do so this year. He will also know that, as a result of the freeze that we had for a number of years, band D council tax bills in Scotland are significantly lower than those in England and Wales. However, it is clearly a challenging time for households.

**Miles Briggs:** From reading between the lines, I guess that we should expect nothing above a 3 per cent increase for inflation, which is what COSLA outlined previously. I take it that that is your expectation, too.

11:45

**Kate Forbes:** I will resist setting out any expectations, because that completely flies in the face of giving local authorities discretion. However, on average, a 1 per cent increase in council tax raises about £30 million, so 3 per cent would raise about £90 million, which is what we used to fund the freeze last year. That is the kind of ballpark figure that you are talking about when you reference 3 per cent.

**Miles Briggs:** I think that all MSPs are acutely aware of the cost-of-living crisis, especially in relation to increases in energy costs. A significant increase in council tax would hit many people hard. Has there been an impact assessment of any increase? I know that Shona Robison has told other committees that the council tax element of people's outgoings is one of the hardest taxes for people to pay. Will above-inflation increases push more people in Scotland into poverty?

**Shona Robison:** The first thing to say is that, thankfully, council tax is lower in Scotland than elsewhere, which is helpful. Further, and importantly, the council tax reduction scheme is there to ensure that no one has to pay a council tax liability that they cannot be expected to afford. Presently, about 480,000 households—nearly one in five—benefit from a council tax reduction, and that is important. The local government budget includes £351 million to compensate councils for the reduction in council tax receipts that derives from the operation of the council tax reduction scheme.

Taken in the round, the basket of measures that support families—including discretionary housing payments, the Scottish welfare fund and the benefits and supports that are paid through Social Security Scotland—demonstrate that the Government has a good track record in this area. The Scottish child payment is critical, and we have committed to doubling it. Those measures are available in Scotland and nowhere else in these islands.

**Miles Briggs:** That basket of measures has resulted in a 25 per cent increase in council tax debt to more than £95 million. It is clear that those who are least able to pay council tax are in arrears—councils are reporting that.

What else will the Government do on the issue of any increases in council tax? It is clear that the cost-of-living issue will impact on those who are least likely to be able to pay more council tax, especially if the increase is above inflation, and many councils could bring in council tax increases that are way above inflation.

**Shona Robison:** All Governments have to look at the cost-of-living issue—for example, we have been calling on the UK Government to be far more



proactive in tackling rising food and energy costs. The cost-of-living pressures are being felt across the whole of household income and expenditure. Of course, the Scottish Government has a responsibility to support families as best we can. I outlined in my previous answer some of the ways in which we are doing that, including through the welfare fund, discretionary housing payments and the Scottish child payment.

We announced a winter package of £41 million to support families with food and fuel costs and other household income pressures. Our Government has a good track record on supporting families, but we need to look at what more we can do. I am always open to discussions about how we can support families. The next few months will be really challenging, particularly in relation to energy costs, and it cannot be just the Scottish Government that responds to that. We need more from the UK Government to support families and household incomes.

**Kate Forbes:** I will answer the question in two parts. The first is that, although I do not want to constantly compare households north and south of the border, it is important to do so, because the same overall settlement is involved, as a result of the Barnett formula. Shona Robison has said that council tax is lower in Scotland than elsewhere. We should remember that, on average, council tax went up significantly in England last year after a number of years of rises, whereas, in Scotland, there has not been the compounding effect of an increase last year. That is precisely why, on average, band D charges are about £590 more in England and £423 more in Wales than they are in Scotland.

On what we are doing, witnesses on the previous panel alluded to the fact that, from April, we are reforming the council tax reduction scheme, with £351 million being baselined in the local government budget for the policy costs. We have changed the scheme to ensure that we do not miss people as a result of changes to universal credit. In other words, we are trying to cover as many eligible households as possible. For the past few years—certainly the past five years—the money that we have provided to cover council tax reduction schemes has been higher than the demand, so there has been headroom for local government to manage that.

My final point is that we cannot look at council tax arrears in isolation. Challenges with paying council tax are part of a challenging financial situation for households. We cannot look at the council tax reduction scheme, for example, in isolation from our wider budget commitments. There is £197 million in my budget to double the Scottish child payment and extend it to under-16s. Over the past few months, Shona Robison has

taken forward a huge amount of work to provide additional support to households.

We need to look at the wider support. Without getting too political, a lot of that is compensating for a welfare system that does not help families when they need to be helped. Removing £20 a week from households will not help them to pay their council tax.

**Miles Briggs:** With respect, I say that it is SNP councillors who have spoken out against the current proposed budget in a letter to the First Minister. It is not just Conservatives; it is clear that SNP council leaders are not content with the budget that you have proposed.

Do you accept that local government is not receiving the full allocation of Barnett consequentials that it should receive as a percentage, and that, in fact, an additional £371 million should be provided to local government in Scotland?

**Kate Forbes:** I question the basis for your figures. I do not recognise those figures. I will go back to my opening comments. In fact, do not use my words—use the words of the Scottish Fiscal Commission, which has said:

“Overall the Scottish Budget ... is 2.6 per cent lower”  
next year than it is this year, and that,  
“after accounting for inflation the reduction is 5.2 per cent.”

At the same time, I have protected in cash terms the local government core budget as well as delivering a 5 per cent increase to the overall settlement. I question Miles Briggs’s figures, as they are not entirely consistent with what the Scottish Fiscal Commission has said.

**Miles Briggs:** They are not my figures; they are COSLA’s. It has specifically said that there is a £371 million cut to councils across Scotland. All the SNP council leaders have signed a letter to the First Minister complaining about that.

**Kate Forbes:** Where I was disputing your comments was on the point that our budget settlement allows for inflation proofing of all budgets—it does not. Our overall quantum does not allow us to inflation proof all budgets. The £371 million that COSLA has cited takes into account the impact of inflation. I am open and upfront about the fact that I cannot inflation proof all budgets.

With the overall quantum that we have received, which obviously has been stripped of all Covid consequentials and has not been inflation proofed, we have tried to be as fair as possible in distributing the funding. I go back to Shona Robison’s point that, if you think that there are areas where funding should be increased, which is a perfectly legitimate position, I need to know

where that money comes from, because I have maximised the spending power in the budget for next year.

**Miles Briggs:** If that is the case, where did the additional £100 million come from that was found beyond the budget that you announced to Parliament?

**Kate Forbes:** I assume that you are talking about the funding for business support relating to omicron.

**Miles Briggs:** Yes.

**Kate Forbes:** That is in this year's budget, which is fundamentally different from next year's budget.

**Miles Briggs:** What allocation did that £100 million come from?

**Kate Forbes:** Actually, it is more than that—we have announced £375 million. As you will know, a lot of it is from the UK Government, and £200 million is from our budgets. That comes from a number of sources. I think that the First Minister has set out that some of it is from the health portfolio, through consequentials that were received earlier in the year, and it also comes from a requirement for every portfolio to contribute to the costs. Every portfolio is now managing budget pressures in order to get to a position of balance this year.

I cite the fact that, in previous budgets, some of the funding for the following year has been based on carry forward. For example, as we come towards the end of the financial year, we can sometimes look ahead and identify where there might be late money that we can carry forward. In this year's budget, there is no forecast headroom at all that can be carried forward into next year's budget. From that perspective, this is an unusual year. The fact that no funding has been identified that we can carry forward illustrates just how challenging next year's budget will be and how challenging this year's budget is.

I will make one brief final point. One advantage of having an early budget is that we can give more certainty to taxpayers, local authorities and so on. However, there are drawbacks. The later you are in the financial year, the more certainty you have of where you will land in the current financial year. Because we set the budget so early, we base it on forecasts, which this year say that there is no headroom available to carry forward to next year.

If there are late consequentials, we expect supplementary estimates in the next few weeks from the UK Government when it finalises what this year's budget looks like. If there is anything available from that, we will either need to use it for pressures this year or there might be something

that we can do into next year, but that will be quite late on in the process.

**Miles Briggs:** Thank you.

**Willie Coffey:** Good morning to both cabinet secretaries. The COSLA spokesperson who we heard from earlier was gracious enough to acknowledge that the overall settlement is £12.5 billion, which is a real-terms increase of £600 million and the equivalent of a 5 per cent increase. There has been a lot of debate on that during this session.

My first question is for Kate Forbes and is on the methodology. That was discussed earlier, so I hope that she does not mind. My good friend and colleague Miles Briggs said that Edinburgh is hard done by through the settlement, but Edinburgh is getting more of a percentage uplift than, for example, East Ayrshire, Inverclyde, Glasgow and Dundee. Is population one of the factors in the methodology, so that if an authority loses substantial numbers of its population, its overall allocation diminishes? Do you recognise that such local authorities still have to deliver by and large the same level of service to a diminishing level of population, and it is very difficult for them to do that? Will you consider that issue in any further review of the model for awarding cash to local government?

12:00

**Kate Forbes:** The methodology takes account of population, among many other things. I might bring in Ian Storr to talk more about what the methodology includes and does not include. However, to go back to a comment that I made in response to a previous questioner, I am open to reviewing the methodology. Every local authority has unique circumstances. The Highlands, where I am a resident, might have fewer people, but there are a lot more miles of road that need to be maintained. In Edinburgh, there might be a higher population and different challenges. Ayrshire will have its own unique challenges.

The methodology is hugely complex, because it tries to take into account all those unique circumstances, and, as I said, there are special allowances for the islands, over and above the methodology. The methodology endeavours to do that, but I am not beholden to it. If there was an appetite to review it, I am open to that. I have already had conversations with local authorities that are seeing exponential population growth—or decline—about ensuring that the methodology takes that into account.

If the convener does not mind, Ian Storr might want to say more on what the methodology includes and does not include.

**Ian Storr** (**Scottish Government**): I do not have a great deal to add to Ms Forbes's comprehensive summary. The distribution formula is hugely complex. It has 73 pages of tables that include things such as road length, teacher numbers, flood management, building control and waste disposal. All those factors are weighted in the distribution formula on a council by council basis.

Each additional spending line is considered by the settlement and distribution group, which is a joint group between the Scottish Government, local authority directors of finance and COSLA. The group considers all additional spending lines and the most appropriate methodology to distribute them. For example, with the recent funding for teacher numbers, that was done on the basis of pupil numbers, with a weighting added for deprivation.

Individual spending lines are given their own distribution formulas, which are then factored in. Taking that approach across all the individual services gives a hugely complex formula. All the decisions by the settlement and distribution group are then endorsed by COSLA leaders. Ultimately, as Ms Forbes said, the matter is jointly agreed with COSLA, so it would be difficult for the Scottish Government to impose a different distribution formula without a specific review request from COSLA.

**Willie Coffey**: It is worth making the point, so that we can have that discussion. By any stretch of the imagination, if some authorities are getting a bigger settlement than authorities such as East Ayrshire, Inverclyde, Dundee and Glasgow, where poverty and inequality are probably much higher than in those other authorities, that surely has to call into question whether the modelling is weighted correctly or appropriately for the circumstances.

I will leave that question for a future discussion and will move on to my second question, which is also for Kate Forbes. In the previous evidence session, the representative of Unison said that the budget does nothing to tackle inequalities in Scotland. Can you give a direct response to that and outline for the committee how the budget tackles poverty and inequality?

**Kate Forbes**: Tackling poverty and inequality is one of the three top priorities in the budget. In fact, such is our commitment and effort, we have perhaps not funded other things in order to maximise the support for tackling child poverty in particular and poverty and inequalities more generally. Shona Robison will be able to speak at length about the commitments in her portfolio. I can speak about the funding that backs that up to ensure that we are tackling poverty and inequality. Local government is the most critical partner in

that. Whether we are talking about support in education, free school meals or doubling the Scottish child payment, those are all financial commitments that the Government is choosing to make. That means that there is less funding for other things but that is the right decision to make because of our commitment to end the scourge of poverty in Scotland.

Shona Robison is probably better equipped to speak about the policy commitments because it is her portfolio.

**Shona Robison**: To reiterate what Kate Forbes said, a huge amount in the budget is aimed at Covid recovery, supporting household budgets and tackling poverty. That has meant that difficult decisions have been made because we cannot fund everything.

The budget provides for a continuation of child bridging payments in advance of the doubling of the Scottish child payment by the end of the year. Other measures help low-income families, such as the scrapping of core curriculum charges and music tuition fees, the expansion of the school clothing grant and the extra £64 million of revenue funding and £30 million of capital funding to support the expansion of free school meals.

As I said in my opening remarks, more than £80 million is being allocated to discretionary housing payments for housing support. That is to fully mitigate the UK Government's bedroom tax. If we did not have to use that money to mitigate the bedroom tax—if the bedroom tax was scrapped at source, which we have urged the UK Government to do—we could divert it to other anti-poverty measures but, meanwhile, we have to maintain that funding.

We are making a further £10 million available for our ending homelessness strategy. The housing budget is an anti-poverty measure in itself. Affordable good-quality housing is a key anti-poverty driver and being able to increase funding by £174 million against the backdrop of a really tough budget has been extremely important. That budget is also an important economic lever, as it ensures that we can support local economies through the house building programme.

In the round, the budget tries to focus on supporting household incomes and families on low incomes at a very difficult time.

**Paul McLennan**: Good afternoon, cabinet secretaries. I will touch on the continuing impact of the Covid pandemic. Kate Forbes mentioned the discussion about Covid consequentials. I know that Shona Robison and the Deputy First Minister have raised that as well. What progress has been made in discussions with the UK Government about that? COSLA and Unison also raised it. Do

we have an estimate for how much the situation has impacted on the budget?

**Kate Forbes:** I have another meeting with my counterpart in the UK Government in the next few weeks—in fact, it might be this week. I think that it is. I apologise; it has been brought forward because of omicron. Covid consequentials are one of the most frequently raised issues on my agenda for meetings with the UK Government, so I will again talk about the need to cover them.

Off the top of my head, I cannot think of any budget that has been immune to the impact of Covid. Whether it is justice remobilisation or the need to remobilise hospitals and wider social care services, Covid has an impact right across the board. Nonetheless, we have a budget from which Covid consequentials have been stripped out. Over the past two years, they have amounted to about £14 billion. Last year, it was about £4 billion. That money will not be available but we still need to absorb the costs of Covid because we cannot wish it away. That means that Covid is clearly a priority, so we rightly have to meet the costs of it, but that puts pressure on other things that we want to do. That is how I frame the matter.

One of the last things that I did in the past financial year, just before purdah started, was to allocate an additional £275 million of Covid consequentials to local government, over and above the £259 million—if memory serves—of Covid consequentials in the settlement for local government. A considerable amount of funding was allocated to help local authorities with Covid pressures.

However, those payments were clearly one-off Covid consequentials in the same way that Covid consequentials are one-off payments for us, which makes it harder for local government—in the same way that it makes it harder for us—to deal with the on-going costs of Covid without additional funding to deal with it.

**Mark Griffin:** Given how heroically local government staff have performed throughout the pandemic, and how frustrated they have been at not receiving a pandemic bonus payment or a pay increase at a similar level to NHS staff, do the cabinet secretaries feel that local government staff deserve an inflationary pay rise this year to cover the increasing cost of living?

**Kate Forbes:** Will I answer that one?

**The Convener:** Go ahead. I think that Mark wanted Shona Robison to respond as well.

**Kate Forbes:** We have set out our public sector pay policy. I have been up front and open with the unions that I cannot inflation proof all elements of the public sector pay policy and that we have

chosen to prioritise the lowest paid to ensure that those pay policies are inflation proofed.

Pay is a matter for local government—I have responded to Mark Griffin many times on that point. Pay for local government employees is a matter for the local authorities, which are responsible for managing their own budgets. Pay for local government staff will be negotiated between the trade unions—GMB, Unison and Unite—and COSLA through the Scottish joint council.

Local government employees have responded heroically. Day in and day out, I have seen their work on the front line, distributing welfare payments or business support grants. I would like a scenario in which all key workers are recompensed for the work that they do, but I have responsibility in our public sector pay policy—obviously not applicable to local government—and we have set out our own policy choices.

**Shona Robison:** I do not have much to add to what Kate Forbes has said, other than my comments on the record that we appreciate and recognise the extraordinary efforts of council workers and the role that they and many others across the public sector have played in the fight against the pandemic. As Kate Forbes has said, we are not a member of the SJC, and pay negotiations are a matter for local authorities.

**Mark Griffin:** If they watched earlier evidence panels, both cabinet secretaries will have heard from some representatives about the surveys that they have done of their members and about their consultative ballots this past year. The cabinet secretaries will also have heard from local government workers in their constituencies about how undervalued and angry they feel because there has been a failure to reward them for the amount of work that they have done.

Last year, there was a real prospect of strike action disrupting public services, which the Government's provision of additional funding to make a more generous pay offer averted at the eleventh hour. However, we know that COSLA has said that, this year, making an inflationary pay award would not be possible with a flat cash settlement for the core budget.

What would the cabinet secretaries say in response to the prospect of industrial action being taken this year by local government and public sector workers who do not feel valued because of a lack of an adequate pay offer? Such action would have an impact on public services on top of the disruption that we have already seen because of the pandemic—I know from personal experience the impact that disruptions to nursery and primary school education can have.

**Shona Robison:** I will start, then hand over to Kate. We obviously want to avoid strike action and hope that the unions, local government and COSLA will continue to discuss pay so that strike action will be avoided.

Mark Griffin mentioned local authority pay. Although it was difficult to do so, I was able to find in my budget a one-off payment of £30 million to support COSLA in its pay negotiations for this financial year. That is not baselined into next year.

I appreciate what Mark Griffin has said. I hope that we can avoid strike action, and that pay discussions will continue and come to an amicable resolution.

**Kate Forbes:** To echo Shona Robison's comments, industrial action is in nobody's interests. There is a process of negotiation through the Scottish joint council, of which the Government is not a member. I engage regularly with Gail Macgregor as the COSLA finance spokesperson with regard to financial challenges and budgetary conditions, but pay for local government staff is ultimately a matter for negotiation between COSLA and the unions.

**The Convener:** We have come to the end of our questions. I thank Shona Robison and Kate Forbes for joining us this morning. As agreed earlier, we will consider items 3 and 4 in private.

12:17

*Meeting continued in private until 12:45.*



This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

---

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

---

All documents are available on  
the Scottish Parliament website at:

[www.parliament.scot](http://www.parliament.scot)

Information on non-endorsed print suppliers  
is available here:

[www.parliament.scot/documents](http://www.parliament.scot/documents)

For information on the Scottish Parliament contact  
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: [sp.info@parliament.scot](mailto:sp.info@parliament.scot)

---



The Scottish Parliament  
Pàrlamaid na h-Alba