



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Local Government, Housing and Planning Committee

**Tuesday 9 January 2024**

**Session 6**



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**Tuesday 9 January 2024**

**CONTENTS**

|   | <b>Col.</b> |
|---|-------------|
| <b>DECISION ON TAKING BUSINESS IN PRIVATE .....</b> | <b>1</b>    |
| <b>INTERESTS.....</b>                               | <b>2</b>    |
| <b>BUDGET SCRUTINY 2024-25 .....</b>                | <b>3</b>    |

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**LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE**  
**1<sup>st</sup> Meeting 2024, Session 6**

**CONVENER**

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

**DEPUTY CONVENER**

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

**COMMITTEE MEMBERS**

\*Miles Briggs (Lothian) (Con)

\*Stephanie Callaghan (Uddingston and Bellshill) (SNP)

\*Pam Gosal (West Scotland) (Con)

\*Mark Griffin (Central Scotland) (Lab)

\*Marie McNair (Clydebank and Milngavie) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Martin Booth (Glasgow City Council)

Kirsty Flanagan (Argyll and Bute Council)

Sarah Fortune (East Lothian Council)

Jamie Robertson (East Dunbartonshire Council)

**CLERK TO THE COMMITTEE**

Euan Donald

**LOCATION**

The David Livingstone Room (CR6)



## Scottish Parliament

### Local Government, Housing and Planning Committee

*Tuesday 9 January 2024*

*[The Convener opened the meeting at 09:31]*

#### Decision on Taking Business in Private

**The Convener (Ariane Burgess):** Good morning, and welcome to the first meeting in 2024 of the Local Government, Housing and Planning Committee. I wish members and everyone who is participating or watching a happy new year. I remind members and witnesses to ensure that all their devices are on silent.

The first item on our agenda today is to decide whether to take item 3 in private. Do members agree to do so?

**Members** *indicated agreement.*

## Interests

09:32

**The Convener:** At this point, I invite members who wish to declare interests to do so.

**Marie McNair (Clydebank and Milngavie) (SNP):** I declare that, until 2022, I was a local councillor at West Dunbartonshire Council.

**Stephanie Callaghan (Uddingston and Bellshill) (SNP):** I declare that, until 2022, I was a local councillor at South Lanarkshire Council.

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

## Budget Scrutiny 2024-25

09:32

**The Convener:** The next agenda item is an evidence session on the Scottish Government's budget for 2024-25. We are joined by Martin Booth, who is the executive director of finance at Glasgow City Council; Kirsty Flanagan, who is the director of finance at Argyll and Bute Council; Sarah Fortune, who is the executive director for council resources at East Lothian Council; and Jamie Robertson, who is the chief finance officer at East Dunbartonshire Council.

I will start with some initial questions. I am interested to get a sense of any assessment that you have made of how the Scottish Government budget 2024-25 will impact on your local authorities. What is the estimated gap between what you require and what are you likely to receive from the Scottish Government in 2024-25? Will you have the necessary funds to fulfil your statutory duties? If there are gaps between what you require and what are you likely to receive, what approach will you take to fill them? I will start with Martin Booth.

**Martin Booth (Glasgow City Council):** It is difficult to be prescriptive at the moment because we got the settlement only on the day before Christmas, but the headline is that it is not a good settlement for local government. The headline figure of real-terms increases of 5 per cent is not really accurate, because that takes into account significant elements of funding that have been provided over the past couple of years, particularly for pay awards.

If we compare our budget at the end of the year with what our budget will be at the start of the year, we think that there will be a reduction. The floor mechanism has been set at 0.5 per cent below the average settlement, and the average settlement is -0.54 per cent, so the floor has been set at -1.04 per cent. That shows that the average is a negative figure. Inflation, which we all understand and are all facing individually and as households, is equally being felt by local government. We all understand the massive pressures that exist as a result of pay inflation, food inflation and construction costs inflation.

How will we deal with that? That puts pressure on all the services that we deliver, given the amount of directed spend in our budget. At the moment, we have to maintain teacher numbers and maintain our contribution to our integration joint boards. The areas where the budget pressure falls are a very limited part of our budgets; as I have said before, bins and libraries are the areas that are left. There is pressure on our statutory

services. There is pressure across the country, especially in Glasgow, on homelessness. The United Kingdom Government's policy on fast tracking asylum seekers is exacerbating that problem, particularly in the cities, but that will spread wider than the cities.

We will go through the normal process that we have gone through for a number of years and make cuts year on year, but that becomes more and more difficult every year. It is probably fair to say that what will have started out 15 or 20 years ago as efficiencies are not efficiencies any more; they are cuts. It is a very challenging budget across the board. None of us is expecting an easy time during our budget process over the next couple of months, and, for some authorities, it is really difficult.

**The Convener:** Thank you for painting that picture. Does anyone else want to come in on that?

**Sarah Fortune (East Lothian Council):** I am happy to come in on that. From East Lothian Council's perspective, I absolutely concur with everything that Martin Booth has said. This is a hugely difficult time, certainly for us. We are probably one of the fastest-growing authorities in Scotland. We have huge population growth and significant challenges at both ends of the spectrum, with significant increases in the number of children and in the elderly population. At the moment, this is a hugely difficult settlement for us.

I absolutely concur with what Martin Booth has indicated. We now face probably the most significant funding gap that we have ever experienced. We are looking at service cuts. You asked whether there are enough funds to meet statutory services, and that is questionable at the moment. We are trying to focus on the discretionary services, but, equally, as we all know, many of those discretionary services are absolutely the ones that support holistic early intervention and prevention. Things are hugely difficult; this is probably the most difficult financial settlement that we have ever experienced. There is also the issue of what it means for us as we go forward. Financial sustainability is absolutely critical for us.

**Kirsty Flanagan (Argyll and Bute Council):** We focused a wee bit on revenue there, but there is a cut to capital too, which is putting significant pressures on us. Capital has been fairly static for the past few years, and that has been really challenging for sustaining our assets. Now, it has been cut. The committee will be familiar with the challenges with reinforced autoclaved aerated concrete. That situation differs across the country, but we face RAAC challenges. In Argyll and Bute, we have costs as a result of a weather incident in October that will create significant pressure. Some

of us are looking at the learning estate investment programme, and we must now consider whether LEIP is affordable in line with the revenue and capital settlement, which is putting real challenges on the infrastructure in our communities.

**The Convener:** Thank you very much for offering that perspective.

I bring in Jamie Robertson. You do not need to worry about your microphone—we will take care of the microphones.

**Jamie Robertson (East Dunbartonshire Council):** That is great—thank you.

Without wanting to paraphrase anything that my colleagues have said—I absolutely agree with everything that has been said by the directors of finance—there continues to be a significant element of financial risk around all of this. There is still a lot of uncertainty in the system, and a lot of checking processes need to happen. As Martin Booth said, the detail of the settlement was given to us immediately before the Christmas break, and we continue to work through that detail with a view to setting budgets in February. A significant amount of work needs to be done in a very short period to cover that. There is a huge amount of financial risk in the system, and the fact that a huge number of areas are still to be fully quantified leads to a level of risk.

**The Convener:** Willie Coffey has a supplementary.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Good morning. Martin, in your opening remarks, you mentioned the 5 per cent real-terms increase. You said that, rather than being an increase, it is actually a reduction. Do you have figures that you can provide to the committee to support that? The Scottish Parliament information centre is independent of government, as you know. Its briefing for today's meeting clearly shows that the settlement represents a 5 per cent real-terms increase, which it says

“is one of the largest year-on-year increases to the local government settlement seen over the past decade.”

There is quite a difference between what you said and what the independent briefing tells us. Can you provide the committee with something that will allow us to explore more fully what you said?

**Martin Booth:** Certainly. The SPICe figures compare our budget at this time last year with the budget at this time this year. They take no account of in-year commitments, where funding has been provided, principally around pay for teachers and non-teaching staff. There is also an adjustment. Two years ago, as part of the pay award, capital was provided that we could convert to revenue to fund pay. That has now been converted back, which is part of the reason why there is such a big

reduction in capital. From memory, that figure was £110 million.

**Kirsty Flanagan:** It was £120 million.

**Martin Booth:** That has all been added to the revenue.

Let me give you a comparison. It is as if I had been working in a job for 20 hours a week—let us say that I was earning £20,000—and I changed my hours so that I was working for 40 hours a week and was paid £40,000, and I then got a 5 per cent pay increase, so I was getting £42,000. It is like saying, “You have had a 110 per cent pay increase because last year you only got £20,000, and this year you are getting £42,000.”

You are not comparing like with like, because the comparison involves additional commitments that the Scottish Government has agreed to and which have been part of that process. The Government is not giving us any additional money to deal with inflationary pressures, nor is it giving us any additional money to deal with the quite significant demand pressures that Sarah Fortune touched on. There is a whole series of additional funding that has not been included. Therefore, the settlement represents a reduction. I do not have the figures with me in order to do an analysis of that, but we can provide those.

**Willie Coffey:** That is useful. Thank you.

**Kirsty Flanagan:** When we were at the committee at this time last year, we talked about the new deal. One of the things that we hoped for was that there would be one version of the truth, so it is disappointing that we are seeing reports of a 5 per cent increase. Yesterday, I briefed my leader on our budget position, and he said that the members think that it is a good settlement, because they have read that in the press. For us, however, it is not a good settlement, and it is a pity that there are different versions of the reality.

**The Convener:** Okay. Along with that, in its response to the budget, the Convention of Scottish Local Authorities stated:

“The Budget as it stands leaves not a single penny for transformational Public Service Reform”.

You have painted a picture of a very tight and difficult situation. We also have the agenda around transformation. Do you see any scope for that in the current context?

**Kirsty Flanagan:** We have been reforming for a number of years, and we will continue to do that. We will chip away at reform as and when we can, but the financial settlement that we have got makes it very challenging to do that. Martin Booth mentioned the directed spend for social care and teachers. That leaves us with very limited areas where we can make savings and limits our ability

to put in preventative expenditure. We do not have the same money to do that, and we do not have it on the capital side, either.

**The Convener:** Thank you. Would anybody else like to comment?

09:45

**Martin Booth:** We understand that there are pressures across the system, but it feels as though we are investing in solving the downstream problems rather than in upstream prevention, and that is challenging. We understand that that is really difficult. It feels as though there needs to be a very honest conversation about public services more generally and how we all work on that together. At the moment, it feels as though local government has got the rough end of the stick, in that its resources are being squeezed while more problems are falling its way with the demand pressures that sometimes come because of failures elsewhere.

**Jamie Robertson:** I reinforce that point from an East Dunbartonshire Council point of view. We have an established hierarchy through which we move to look at transformation, ending with services cessation and service cuts. Those are at the tail end of the options that we would look to exercise. Historically, we have worked through service transformation, redesign, co-design and all those different options in order to reduce the financial envelope through which the council works. As the directors of finance have said, the scale and scope of the challenges that we now face and the speed at which we need to reduce the financial envelope are such that the process becomes more challenging and there is an imperative to move to those more challenging cuts rather than the work that we have been doing historically, the opportunity for which is much reduced.

**The Convener:** Okay. Pam Gosal has a couple of questions.

**Pam Gosal (West Scotland) (Con):** Good morning and happy new year, everyone.

I have been speaking to councils right across Scotland, including all four of your councils. The general sentiment about the Verity house agreement is that it is definitely needed. All the councils welcome the agreement, but not one of them believes that it has been working. One council said that it could not think of a single initiative to which the principles of the Verity house agreement had been applied. Can any of you give an example of where the Verity house agreement has been applied and, if so, explain how that might be replicated in future practices?

**Martin Booth:** That is a very hard question to answer. The previous time that I appeared before this committee, a similar question was asked. We were slightly earlier in the Verity house agreement process, and, from memory, I said that it is important that we get the relationship between local government and the Scottish Government right but that actions will speak louder than words. At that stage, we had not seen a great deal of action to support that.

It is fair to say that the position is probably marginally better now, but we have still not really seen action. There have been some early discussions on things. For example, there have been early discussions on the fiscal framework, but nothing has come to fruition yet. There are some positive early signs, but it is actions that will matter.

**Sarah Fortune:** I will supplement what Martin Booth has indicated. We are all signed up to the principles of the Verity house agreement and what it hopes to do. We are definitely at the start of a journey rather than all the way through it. A good example of that is some elements of funding having been baselined in the local government finance settlement, which is always to be welcomed.

However, it is not just about baselining. As Martin Booth and some of my colleagues have indicated, we need to start looking at the level of directed spend. About three quarters of our overall budget is wrapped up in directed spend. Reducing ring fencing is one thing, but if all the policy commitments still have to be dealt with, that does not give any flexibility.

As I said, we are very much at the start of a journey rather than all the way through it, but the principles of the Verity house agreement are there and I would hold on to the agreement. The issue is now about how we move it forward.

**Kirsty Flanagan:** I concur with those comments. What has happened in the past six months since the Verity house agreement was signed has been disappointing, but we remain hopeful, because its principles are sound, as Sarah Fortune indicated. However, we are not seeing the actions from the agreement.

I am struggling to think of positives or of good examples. There has been a bit of press about some moneys in the settlement no longer being ring fenced. Some moneys are no longer specific grants, but we have been clearly told that we must continue to spend the moneys on the same purpose, so they are not really no longer ring fenced. We need much more flexibility along those lines.

**Jamie Robertson:** I concur with what my colleagues have stated. There is a strong

willingness to engage, and we have seen that through the work that has been done by the directors of finance in discussing and continuing to raise the issues. The principle of reducing ring fencing and opening up discretion to councils will serve local residents well, so we need to see through those commitments and ensure that there is a positive outcome for all. We are keen to work through to that, but the evidence is yet to come.

**Pam Gosal:** When we spoke to local authorities, it was highlighted that they face penalties if they attempt to make savings on teacher numbers even if there are declining school rolls. What impact do such requirements have on the physical flexibility in local authorities?

On the flipside, the challenges in East Lothian are different from those in Argyll and Bute. There are more challenges in East Lothian due to the growth that is taking place there. What does the ring fencing of funds in certain areas mean for local authorities and their flexibility? How does that allow you to innovate rather than look just at teacher numbers? My question is about both sides: decline and growth.

**Martin Booth:** The numbers in Glasgow schools are still growing, but the profile is changing: our secondary population is growing significantly, whereas our primary population can be represented by much more of a flat line. On average, almost 400 children join our school system every month. Often, English is not their first language, which brings challenges.

The challenge is that teacher numbers are an input measure, but we should focus on what we deliver. Teachers are not necessarily the right answer. I am sure that you have spoken to our colleagues from the Association of Directors of Education in Scotland and education professionals, who can provide the technical reasons for that. Education is not just about teaching—it is much broader—but the current approach means that there are restrictions.

We measure on a census day, but all sorts of other factors come into play on a census day. Who is off sick that day? What impact does that have? How many people are on maternity leave or long-term sick leave? Our figures are significantly higher than the census figures. We seem to have had a blip with our census data this year.

The reality is that it is about the resources to maintain teacher numbers. Whether it is the 1,140 hours of free childcare or the £145 million to maintain teacher numbers, the figures for the resources that have been talked about have not changed for years. However, the cost of employing a teacher has changed substantially over the past two years. We are being held to

account for funding that is not keeping pace with costs.

A number of our teachers are employed through attainment challenge resources, whether that is pupil equity funding or other funding. The cost of each teacher goes up, but the volume of funding goes down. Maintaining teacher numbers when the resources to support those teachers are not increasing means that something else has to give. That pressure is significant, particularly if the cuts fall on one or two departments in a council. If we were to make all of our cuts in the culture and leisure sector, for example, there would be a devastating impact on it. There would be something like a 55 per cent cut to our leisure budget, which is not sustainable if we are to have any sort of service in that area.

There needs to be a bit of realism and honesty about what is achievable and what the best way is to achieve it. Imposing an input-based control is not sustainable.

**Sarah Fortune:** Absolutely—I 100 per cent concur with what Martin Booth has said. In East Lothian, there is significant pressure as a result of our growing school rolls. We are having to build five new primary schools, and we have one new secondary school. That is huge and significant.

On the question about how that impacts on innovation, I absolutely concur with what Martin Booth indicated. It does not take just a teacher to raise attainment; we have to look at outcomes in a much more holistic sense. Looking at the issue through a narrow input-focused lens prevents us from taking a really innovative approach to what we are doing by aligning local outcomes with national outcomes in a much more holistic sense. We are forgetting what that does.

Our education budget is half of our overall budget, which is not untypical for most local authorities. If we take an input-focused approach rather than one that focuses on outcomes, we will never get the desired approach.

I concur 100 per cent with everything that Martin Booth said. The current approach is not the best way to support our communities.

**Kirsty Flanagan:** We have a declining school roll in Argyll and Bute, so the input measure of maintaining teacher numbers is not helpful at all. Having to keep teachers who are not needed due to the roll means that deeper cuts need to be made elsewhere across council services, which is also not helpful. I do not work on the education side of the business, but it probably does not help with innovation. In our smaller area, we might have looked at innovating—sharing headships or providing videolinks to ensure that students get a wide-ranging curriculum—but such things probably cannot happen in the same way because we know

that we cannot reduce our teacher numbers, so the current approach is not helpful.

I understand that attainment has improved. That is what we need to look at. At the end of the previous calendar year, the councils whose teacher numbers had gone down—ours was not one of them—had conversations about whether some money would be clawed back. That is not a great situation for anyone to be in at the end of a financial year, particularly when we have the settlement that we have.

There is still uncertainty about whether we will have to maintain teacher numbers next year. I do not think that we have had that in writing yet as part of the settlement, but we assume that that will be the case. There is uncertainty about coming forward with proposals to balance the budget, because we do not know whether we will have to maintain teacher numbers and whether there will be sanctions, as there are in the current year.

**Pam Gosal:** Jamie Robertson, East Dunbartonshire is an area of growth.

**Jamie Robertson:** It is. It is an area where there is significant demand and significant pressure. East Dunbartonshire Council has done an awful lot to manage that demand, but the situation remains exceptionally challenging. In addition, we have performed well historically in closing the attainment gap. We have done a number of things, such as amalgamating our additional support needs schools. A fantastic new school has been developed to support those in our community.

It is important to reflect on the fact that that comes at a significant cost. Our early years budget is of the order of £9.8 million, but we commit significantly in excess of that. Like all other councils represented around the table, our education budget is one of our most significant ones. That additional spending comes at a cost to our core services, so the overspend or the additional commitments to the 1,140 hours of free childcare will likely be highly in excess of the costs as a whole for our finance team. Those are the sorts of decisions that are being taken to commit additional resources across our estate, but that obviously comes at a significant cost elsewhere in the council's budget.

**Pam Gosal:** Thank you.

10:00

**Mark Griffin (Central Scotland) (Lab):** Good morning. I would like to probe a bit more the difference between the Government's rhetoric about the uplift to local government funding and the pretty bleak picture being painted by you guys from the coalface, essentially.

The Accounts Commission has said that, in the 10 years between 2013-14 and now, local government has had a 2.6 per cent real-terms increase. However, Martin Booth pointed out that, when you look at that increase, you can compare it with going from working 20 hours to 40 hours and see it as an increase in budget, so you could say that, mathematically, that figure is correct. Can you drill down deeper into that and outline, in cash terms and policy terms, what those extra 20 hours a week mean? We know about the 1,140 hours, free school meals, IJB contributions and teacher numbers. Are you able to set out what services you provide over and above those that you were providing in 2013-14 and what they cost you? How do you compare that with the 2.6 per cent uplift that the Accounts Commission talked about?

**Martin Booth:** It is challenging to answer that very technical question without having had warning about it.

**Mark Griffin:** I am more than happy for you to give an answer in writing, if that is easier.

**Martin Booth:** It would be. It is difficult to do, because it is a moving feast. You have highlighted the significant areas. I think that the total funding for the 1,140 hours is now £900-and-something million, including the £591 million that was baselined this year. That funding has not increased in those years, but the costs have, and, in fact, the bit that was not the £591 million was not protected prior to this. That is significant growth in a service.

Free school meals are another significant additional cost, as are the, albeit much smaller, free music tuition and removal of curricular charges, also in education. All those things have made a difference.

It would be a significant piece of work, and we would need to come back to you with a reconciliation.

**Mark Griffin:** When we look at budgets year on year and even when we try to compare with 2013-14, when police and fire services were taken out of the budgets, it would be helpful for us to know that we are comparing apples with apples, rather than comparing apples with pears, as we seem to do every year. That would give us a real understanding. It would be helpful if the committee and Parliament were able to provide assistance in cutting through what is sometimes a disparity in the projection of figures between local and national Government. It would be good to get anything that you can provide on that.

My second question is on a particular area of pressure in local government. The Local Government Information Unit's survey said that the biggest short-term and long-term pressure for budgets is adult social care. What is the driver of

that pressure? Is it purely population growth among our elderly residents, or is there a different reason? What should government do with this year's budget settlement to address that pressure?

**Martin Booth:** Demographics are definitely a significant part of that. Not only do we have a higher number of people in the various elderly age categories, particularly in the older age categories, but people are presenting with far more complex care needs and they are surviving things that they would not have survived in the past, but with much greater care needs. We introduced IJBs or health and social care partnerships a few years ago, but not a massive number of years ago and my view is that we have not allowed them time to bed in and to start to make a difference. They are now starting to make that difference.

The integration of health and social care was a positive move, and trying to change it now, without having given it time to bed in properly, is not helpful. It adds to the workload of a group of staff that is very busy to begin with. The proposals for a national care service have not helped. It is my personal opinion, not the opinion of the Chartered Institution of Public Finance and Accounting necessarily, that removing that threat would help. The pressures are well known, and I am sure that others have examples.

**Sarah Fortune:** I absolutely concur with what Martin has said. A lot of the pressure is to do with the growing demographic, but there is also the fact that people's needs are much more complex than they have ever been. I agree that we all want to improve outcomes in social care. We have huge pressures in our social care sector. Certainly, the sector in my authority is facing significant financial pressure—more than it has ever seen—in the next year and across the next four years and it will be hugely difficult for it to deliver.

The assertion about a national care service is, I suppose, a distraction from the actual problem, which is that there is not enough funding to support us in what we are trying to achieve, and that often causes a number of distractions, both locally with our staff and across health and social care partnerships as a whole, when the focus needs to be on driving outcomes and what we can do. It is very difficult. Equally, it is often a distraction from public sector reform, where the issue is about there not being enough resources relative to the demands and pressures in the whole system.

There are a lot of positive things about the integration agenda. However, we sometimes forget that it takes a much more holistic approach to improve all local government outcomes. If we do not have good housing, good health and early intervention, outcomes cannot be met through the

health and social care system alone. A holistic approach needs to be considered. Ring fencing by stealth often prohibits much greater emphasis on the integrated outcomes that we are hoping to achieve.

**Jamie Robertson:** I absolutely concur with everything that has been said. In recent years, there has been a higher level of economic activity as people move through different ages and get older. That is a measure of long-term health and, potentially, mental health issues also. Local authorities and councils have a significant role to play in improving education, housing and employment as social determinants. We need to be mindful of all the different factors and roles that local government can apply, as part of the whole-system approach to and investment in health and education, to help to manage those factors.

**Stephanie Callaghan:** I thank the panel for all the information that you have given us already. We have heard about some fundamental disagreements around funding levels and ring fencing. How confident do you feel about a fiscal framework being agreed between the Scottish Government and councils in the next few months? We can start with Kirsty Flanagan.

**Kirsty Flanagan:** I have not been heavily involved in that, as one of our other director of finance colleagues takes a lead on the fiscal framework. Argyll and Bute is focused on the visitor levy because that would be of real benefit to us.

As Martin Booth said, there seems to be quite slow progress on the fiscal framework work, so I am not seeing a lot of it at the moment. Hopefully, the visitor levy bill will go through. I think that it is due to go through in a couple of months, but then it will have a long lead-in time and I am not sure how confident I am in its progress.

**Stephanie Callaghan:** That is all right. I am happy for anyone else to come in.

**Martin Booth:** More generally on the fiscal framework, rather than the individual tax-raising powers, we need to get to an agreed position on how local government is funded.

The survey that the LGIU in Scotland carried out recently was referred to earlier. The LGIU is carrying out surveys and working on information on where in the world local authorities are more effective. Italy is coming forward as an example. The LGIU is going to produce a report in the near future about the legislative position of services that are delivered by local authorities. Local government seems to work better in countries where it has a clear fiscal role in providing services and the funding is provided for it to deliver those services. That funding model and how it works within our system is really interesting.

I hope that we will start to take that forward and to learn from how other systems work how we can come up with a framework whereby the funding for local government is determined much more by a formula and by need rather than, if I am not being rude, the kind of horse-trading that goes on just now.

**Sarah Fortune:** I have not been quite as heavily engaged with the national fiscal framework agenda. The focus for individual councils is on setting a balanced budget that is within our legislative requirement. Anything that we can do through the fiscal framework will be important as part of our future financial sustainability.

Martin Booth mentioned the LGIU survey, part of which was a clear and stark warning that the issues around financial sustainability are much more critical and acute than they have ever been. The fiscal framework is important in setting out how we deal with that in the future, but we are still trying to deal with the here and now, and that financial position and the acuteness of the financial sustainability issue across all local authorities are fundamental. How we drive that forward in the context of ensuring on-going financial sustainability for the sector is important. It is hugely difficult and is a key and critical turning point, and that was backed up by LGIU.

**Stephanie Callaghan:** It is critical to have that framework at this point in time.

**Sarah Fortune:** Yes.

**Stephanie Callaghan:** The Verity house agreement was strong on multiyear certainty, but we do not see that in this budget and financial circular. What impact does that lack of multiyear funding have on local authorities and their partners? How does it impact on the workforce and service delivery?

**Martin Booth:** We have talked about that on a number of occasions. It is not logical or common sense for an organisation that is the size of a local authority to be given a one-year settlement and for it to plan only one year ahead. We are not planning only one year ahead; we all have medium-term financial strategies and we are all looking at them.

However—and I should stress that this is my opinion—I would rather have a one-year settlement with some certainty. If the Scottish Government is only getting a one-year settlement from the UK Government, we would have to make a lot of guesstimates in trying to do a three-year settlement. If there is a lack of certainty, people tend to be more prudent. Therefore, the danger is that we get a really bad three-year settlement, which might lead to us making deeper cuts than required. When you make a cut, it is difficult, but when you then have to row back on it, you have

still created that upset for communities and staff. I understand why we are on one-year settlements. We need certainty rather than speculative multiyear settlements, but we should have rolling three-year settlements all the way through government, and that needs to come from the UK Government.

10:15

It is really challenging because we are an onward provider of funding, particularly for voluntary and third-sector organisations, and that is challenging if we do not have budget certainty.

About 18 months ago, we made a decision in Glasgow to commit to a three-year communities fund project, so we have provided it with that level of sustainability. It was an incredibly difficult decision to do that when we do not know what our budget will be.

It is also incredibly difficult for the voluntary and third sectors. The reality is that they come to the end of December every year and, if they have not got guaranteed funding for the following year, they need to give staff notice. Doing that every year makes it difficult to retain good staff, when that is the sustainability position that they are in. We understand how difficult it is throughout the supply chain, but we need that to be built into the national system.

**Kirsty Flanagan:** Martin has made a lot of the points that I would have made. It is easier for our members to focus on multiyear budgets if there are multiyear settlements. It is hard to get them to focus on and set a budget for the year ahead, so it would be helpful if we had multiyear settlements.

Last year, we had discussions about what level those settlements would be set at. If it is too high a level, it is not helpful, because the devil is always in the detail of the settlement, so it would need to be at a level that was helpful to councils.

Martin Booth picked up a point that I was going to pick up. If organisations do not know what their funding is to be until the end of February, that is wholly unhelpful for them. A couple of organisations have had to issue redundancy notices in advance of knowing their funding. We will look at that and see whether we can commit a year in advance, but we are taking a risk on that, because we have only single-year settlements. Some certainty would be helpful for our decision makers at our local authority.

**Stephanie Callaghan:** It sounds as though there is quite a bit of discussion to be had between local government and national Government to sort this out and find a solution that works for everyone.

**Kirsty Flanagan:** Yes.

**Stephanie Callaghan:** Thank you.

**Willie Coffey:** I have two questions: one on workforce challenges and one on the council tax freeze announcement. Will you give us a flavour of how you see the workforce challenges panning out? We have mentioned that there has been a switch from capital to revenue to help to support staff pay claims of, I think, £121 million. I think that that was repeated last year. Is that the way to do that kind of thing? Are you confident that local authorities can meet the pay demands that you might anticipate next year with that kind of mechanism in place, or do we need something else? I will start with you, Martin Booth. You mentioned it.

**Martin Booth:** We are all suffering from inflation across the board, and pay inflation is such a significant element of our cost base. The workforce accounts for about 60 per cent or 65 per cent of our total spend, so it is a significant cost. Our workforce across the board works hard, but they are not the best-paid people in society. We have a significant element of lower-paid staff, and we are all very supportive of driving up the living wage. We want our staff to be paid a wage that they can afford to live on, but funding that brings challenges from a financial point of view. That needs joint working, with the Scottish Government and local government working together on that. It needs the UK Government working with us on that, as well, because of the scale of the workforce pressures.

It continues to be really challenging to recruit social care staff. Recruiting our lowest-paid staff is challenging because of the demands. Whether you want to work in hospitality, retail or social care, they now all pay the same. Working in social care is quite a hard job for lots of people, so paying a higher level is important, but we have to be able to afford that.

Recruiting at senior and professional level is virtually impossible. Two years ago, I told the committee that we just could not recruit. We went to the market and tried to recruit, but we got no suitable applicants, so we took on lots of graduate trainees and apprentices. That was for accountancy, and it is the same with surveyors and lawyers. We cannot recruit and easily retain our first-level professionals, because the private sector will pay more. We have recruitment and retention challenges across the board, and it is incredibly difficult.

We need to have a much wider discussion about how we deliver public services. The financial challenges are at a level at which sustainability is a significant issue. In the LGIU survey in Scotland, I think, of 43 people who were surveyed, 42 had serious concerns about the future financial sustainability of their organisation. I do not want to

be flippant, but I think that the other person perhaps did not understand the question. I think that every local authority and most public bodies in Scotland are in the same position: our long-term financial sustainability is at significant risk.

**Willie Coffey:** Are there any other views?

**Sarah Fortune:** I am happy to supplement a few things that Martin Booth has said. The workforce challenges, including recruitment and retention, are huge across all scales and sizes.

You asked whether this was the right way to support pay negotiations. My view is that it is not. We have only just secured the local government pay deal for 2023-24. That creates significant uncertainty and adds to all the challenges that Martin set out about recruitment and retention. Many of our staff are in the lowest-paid sector. The demands are absolutely huge, and having that level of uncertainty during the year is not appropriate for our highly valued workforce. Remember that the pay awards for teachers and local government staff have not been fully funded. That has created significant pressures. The mechanism and the complexities of the funding flexibilities for pay are difficult. It diverts attention from the real issue of on-going financial sustainability, which is where we need to focus our attention.

These are just the final couple of things from me. We have been innovative, similar to what Martin said. Because of all the recruitment issues, we have had to grow our own. That has been great; it creates innovation. However, trying to achieve that innovation within the funding envelope is difficult because, although we need trainees to progress, we also need people who can support the trainees through all that. We have been very good and have tried to create many more apprenticeship schemes, which is great. It is growing our workforce in a different way, but it creates challenges.

From my perspective, which is that of a relatively small authority, the current pay negotiations are putting a huge amount of pressure not just on the cost of the public sector but on our pay and grading structures, which are hugely difficult and complicated. There are a lot of lessons to be learned in how we look at that.

**Willie Coffey:** Thank you for that. Does anyone else have any views on workforce issues?

**Jamie Robertson:** It is probably worth saying that, for local government as a whole, the percentage growth of staff has been fairly static. That is different from what we see elsewhere in the public sector. As colleagues have said, the model is suboptimal; it does not provide a level of clarity. There are ways in which to manage the capital elements. My professional view is that

capital funding should remain for capital projects and revenue funding should remain for the day-to-day running costs of an organisation, but I recognise the pressures that all spheres of government are under. Obviously, local government has suffered detrimentally and disproportionately, which is a view that is backed up by the statistics for the overall percentage growth in the area. That masks detailed underlying movements. There are significant variances in, as Martin Booth has said, the professional grades, as well as those who provide essential front-line services.

**Martin Booth:** I will clarify something that Jamie Robertson said. The figures on the local government workforce for the past few years show that there has again been an increase. That increase is a result of the 1,140 hours of childcare and free school meals but also the fact that a number of authorities, Glasgow City Council probably being the main one, have transferred a number of former arm's-length external organisations—ALEOs—back to the council family. In Glasgow, the better part of 9,000 staff members transferred from Cordia back to the council. That makes the stats look like that, but it is not comparing like with like.

**Willie Coffey:** Do you have anything on the workforce issue, Kirsty Flanagan, or will I move on to council tax?

**Kirsty Flanagan:** I have nothing to add.

**Willie Coffey:** My other question, colleagues, is on the council tax freeze announcement, of which you are well aware. There is £144 million, which is equivalent to a 5 per cent figure. The big question is whether that is enough. If it is not, what should it be?

**Kirsty Flanagan:** It is not enough. It is well known that the £144 million that has been offered as 5 per cent is not equivalent to 5 per cent. For us in Argyll and Bute, it equates to 4.5 per cent, not 5 per cent. A recent LGIU survey showed that 83 per cent of councils were looking at a minimum increase of 5 per cent. Although 5 per cent has been offered, that will not be enough for many councils. In Argyll and Bute, our planning assumptions were for 5 per cent, but those were my planning assumptions as a director of finance. That was not done in discussion with members, and it is members who set council tax. One of the things that we always look at once we get our settlement is what council tax needs to be. In the light of the settlement that we have now had, as a director of finance, I certainly would have been looking at applying a higher percentage than that which I had in my planning assumptions based on the settlement. I think that a number of other councils will also be in that position.

What should it be? That is a really difficult question, because we are all in a different place. A few councils have gone public. I think that Orkney was at 10 per cent. For me, it needed to be somewhere towards 8 per cent in order to be realistic. I appreciate that the funding is not there to provide that, but I question whether the council tax freeze announcement was the right thing to do. If councils were allowed to raise our own council tax rate, allowed to set our rates and then given the £144 million, that would be ideal. We should push for that, but I know that that will not happen. It was also about protecting families against the cost of living. I question why you are not raising the rate for the people who can afford it.

For me, 5 per cent is not enough. It is a discussion that all our councils will be having. I am not sure whether there is scope for the figure to be revisited with the Scottish Government, but it is not enough for probably most councils.

10:30

**Martin Booth:** There is a cut of about £62 million to the core revenue budget. That takes the £144 million down to £80-something million, which is 2.8 per cent, but remember that that is an average. If you are at the floor, where you are going to lose -1.04 per cent, with the multiplier effect on council tax, that takes away all of that 5 per cent, even without the cut. For some councils, that will take them back to zero, so there will be no growth from council tax at all.

We have not worked through all the figures, because we are still working on the settlement. On a -1.04 per cent floor, however, with the multiplier effect on council tax, the 5 per cent will, for lots of councils, be taken up by that.

**Jamie Robertson:** I concur with everything that has been said. It is an important statutory lever that council tax is set with reference to affordability and the residual financial gap. It is a really important local democratic lever that should be exercised with reference to individual circumstances.

Kirsty Flanagan mentioned the cost of living, and councils will have been providing cost of living support to the people with most need in our communities. That will vary across the piece. I undertook a range of planning assumptions in excess of 5 per cent to provide a level of assurance that we could set a balanced budget. To a certain extent, that option is not totally in my hands now. That is an important consideration. Also, when you look at the shortfall in the budget, you see that the £144 million does not equate to 5 per cent. Brief calculations show that something along the lines of 2.8 per cent would be a closer

figure. Obviously, that is not sufficient for us to set a balanced budget.

**Sarah Fortune:** I absolutely concur with all that my colleagues have said. It is definitely not enough support and is not equivalent to 5 per cent for us. In East Lothian, we have been pretty vocal about our funding gap being equivalent to a 32 per cent increase in council tax. Whether we would ever have got there politically is a different story, but that was the scale of our funding gap. To align with what Jamie Robertson said, you should not tax in advance of need, and your council tax should be your closing arena.

We are obviously looking at this as a one-year position, but it is also about financial sustainability. If we had the ability to set our taxes locally, most would go well in excess of 5 per cent. That would increase our tax base for the next year and mean that fewer cuts would be required. There is an issue about on-going financial sustainability. The situation limits that and certainly adds additional pressure and risk to our on-going horizon.

With regard to protecting families who are on cost of living support, everyone is facing on-going financial pressures, but the council tax reduction scheme should support most of those who face the most extreme circumstances. Obviously, it is a national choice, as colleagues have said, that, as council tax is raised locally, it is for councils, in legislation, to set the level of council tax. That flexibility has largely been taken away from us at a time when, actually, financial sustainability is crucial.

**Willie Coffey:** I have a final point. Do you ever get the opportunity to ask, or consider asking, the public what their views are about increases to things such as council tax? We could probably guess the answer, but do you ever do that? I have been an elected member for a number of years and remember the screaming and shouting about increases to council tax year on year—"It is a disgrace. Get rid of it"—and the Scottish Government then freezing it for nine years. There is a history on both sides of huge increases, then flat settlements, and so on. Where do you see us going with it? Can you give us a glimpse of that? Have you asked the public in your areas how they see that tax, whether they expect an increase year on year and whether they would be happy with that? What is the perception in your areas?

**Martin Booth:** We do an annual public consultation on our budget process to get a feel for what the public want to do. The public are very protective of services and understand the need to charge more, through user charges and council tax. I think that, when you actually speak to them about council tax, the thing that people understand least is why it is based on 1991 values. From that point of view, how council tax works does not

make any sense to a layperson. They also have a perception that council tax pays for a much higher percentage of local government services than it does. They are quite shocked when I tell them. In Glasgow, the figure is only around 14 per cent. It will be higher in other authorities—maybe up to the high teens—but people are shocked about how little of a council's budget comes from council tax. Revaluation, and understanding how it is calculated and whatnot, is a much bigger issue.

**Willie Coffey:** Thanks. Do you have any views on the public perception, Sarah?

**Sarah Fortune:** I am happy to come in. Similar to others, we go out annually with a consultation, and the majority response has been that people would rather see an increase in council tax than a cut to services. We can equate it to pounds per week; as Martin Booth said, the public can often misconstrue what a particular increase would mean and what it would buy, so we set out a range of figures to show what it would mean. In the responses that came through, an overwhelming majority said that they would rather see council tax rises of, as we set it out, up to about £5 per week, which could equate to around 10 per cent. They would rather see that than a reduction in core services. That is probably not everyone's response, but certainly a majority of the responses were in favour of that.

**Willie Coffey:** You did not mention the 32 per cent, though.

**Sarah Fortune:** The 32 per cent has definitely been in the public domain. It was set in our council chamber and has run through all our financial reports and planning, so the public are well aware of the challenges in East Lothian.

**Willie Coffey:** Jamie, do you have anything on public perception?

**Jamie Robertson:** Yes. Like others, I think that it is a standing tenet of good governance—this is a conversation that we have been having with the Accounts Commission in terms of best value—to demonstrate that we consult as broadly as possible, not just on council tax but on all the options. One thing that we and others are more minded to do is not just to gather information and evidence but to reflect back to our local communities in terms of, "You said, we did". It is about actively closing that circle in good governance. We take the statistical analysis of what our residents have said alongside our budget papers. We go so far as to include unabridged comments that the communities have put in.

In respect of Martin Booth's reflection, our communities are protective of and pragmatic about the services that we deliver, and that speaks to effective engagement with our communities. There is always scope to enhance that, and we have

moved from the “Call, click, come in” approach to putting things in the digital domain. We are advertising on Facebook and Instagram to get as many people to consult with us as we possibly can. That has given us the good data and good engagement that we need to make sustainable decisions that are consistent with our long-term strategies.

**Willie Coffey:** Many thanks for that.

**Kirsty Flanagan:** We consulted on that last year. Like others, we found that the public generally want to protect the services that we deliver, because they value them, and, if there had to be a council tax rise, they were open to that. Local government has been put in a difficult situation this year with the announcement of the council tax freeze, and it will be challenging for councils to decide what they are going to do. If we as a council do not accept the council tax freeze, we will not get the money, and I do not know what will happen with that money, or how it will be used or diverted. It will be a really difficult situation, because the public will have the perception that council tax has to be frozen. If local government then comes along and does not freeze it, it will be challenging for constituents, even though they have that view on protecting their services.

**Willie Coffey:** Thanks.

**Miles Briggs (Lothian) (Con):** Good morning to the panel. Thank you for joining us today. I have a few questions on different topics. My first one is on the three shared priorities in the Verity house agreement and specifically on the net zero priority. Given what we have heard about cuts to capital budgets—Kirsty Flanagan outlined them in some detail—what impact do you think that they will have on realising your net zero commitments?

**Kirsty Flanagan:** It is challenging to realise some of the net zero commitments, because we do not have the funding in place, and there is uncertainty over some funding. Infrastructure is required. For example, there may not be the infrastructure across the country for electric vehicles.

I feel that net zero is linked to climate change. We had a significant weather incident in Argyll and Bute at the beginning of October, and three bridges were damaged and a road was taken out. We are having to take a lot more mitigation measures due to climate change and are having to use funding for that. It is really challenging.

We totally agree with the policy on net zero and with moving in that direction, and we want to do it, but it is more expensive to put some of those measures in place. It is challenging for us in Argyll and Bute. We have a public-private partnership waste contract that runs until after the biodegradable municipal waste landfill ban, and

that will lead to increased costs for us. Delivering on net zero comes with pound signs.

**Martin Booth:** It is a very challenging area. We try to look at it as a city rather than as a council but, with a lot of the things that we need to do, there is no business case that stacks up. We estimate that the average cost to retrofit every house or every living unit in Glasgow is about £40,000 to save somewhere between £500 and £1,000 a year in energy bills. That is not an investment that stacks up. It needs a lot of external money to really make a difference to net zero.

These cuts have stopped the council's ability to start to do some of the in-house things that could be done. Decarbonising our fleet is expensive. An electric bin lorry is about double the price of a diesel one, and a hydrogen bin lorry—the technology does not really work yet—comes in at about three times the price of a diesel one. There are challenges in managing that cost base and making those investments that need a much broader view to be taken than we can do internally. Business cases work for some things, but there is a whole host of things for which the business case does not stack up and public sector funding is needed.

**Jamie Robertson:** A lot of really good work is going on across all spheres of government to understand the costs that are associated with housing, fleet and embedded carbon. Rather than building new buildings, the councils are maybe refurbishing them, so there is an incremental process with that kind of general awareness. As Martin Booth and Kirsty Flanagan said, our capital grant from the Scottish Government is of the order of £7 million a year. Our ability to achieve net carbon zero within that financial envelope is significantly curtailed, and there will need to be additional capital resources allocated to enable that to happen. That is part of an on-going conversation around whether there is a lot of funding out there. A lot of the funding is piecemeal, and a lot of it is bid-in funding. There needs to be consolidation of all those individual elements to provide a level of certainty and a level of funding that will enable that to happen in an effective way and in alignment with our joint aspirations.

10:45

**Sarah Fortune:** I have one more comment. We all have that aspiration on net zero—it absolutely has to be there, and the public sector needs to lead by example. However, as others have set out, the funding constraints mean that it is much more difficult. There are also a number of grant elements of funding; it is not just the capital funding. Our regeneration capital grant fund has

been cut by 27 per cent, so, at a time when we are saying that net zero is a priority, something that enables us to support the move to net zero is being reduced, and that does not stack up. That is just one additional example.

**Miles Briggs:** That is helpful, and it links to my next question. Argyll and Bute Council and Glasgow City Council have declared housing emergencies. As it stands, the Fraser of Allander Institute suggests about a 37 per cent cut over the past two years to the housing budget. What decision making is taking place around the housing and homelessness emergency, and where will that be prioritised, given that both councils have declared a housing emergency?

**Kirsty Flanagan:** We are prioritising housing, but we are obviously having to allocate funds for that ourselves. We are having to look at interventions. The issue in Argyll and Bute is that we do not have a lot of house builders wishing to come beyond the Helensburgh area to build. It is just too expensive for them. In some areas, to build a house on an island could cost £400,000. It is just not affordable. We are struggling to recruit people because there is just not the housing for them to live in. There is not housing for locals either. We also have a number of second homes. That is the challenge in Argyll and Bute. We are trying to see how we can innovate and break down barriers to attract people to come to the area or supplement the cost of housing in order to create more. We have not yet fixed the problem, but we are working on it.

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

**Martin Booth:** Glasgow is a different proposition to Argyll and Bute, geographically if nothing else. We are not a housing provider, so there are extra challenges there, but we are working very closely with all our registered social landlords and other housing providers. We are working hard to free up land wherever possible. We have also started to look at whether other buildings can be retrofitted. There are lots of areas of Glasgow where buildings that used to be housing became offices. Those may move back to housing. That will not necessarily help directly with homelessness, but it will have a knock-on effect and benefit in that no matter what housing we provide will help the situation. It is a massive challenge, and it has been exacerbated in Glasgow by the asylum issue.

**Sarah Fortune:** By way of context, and from a different perspective from where Kirsty Flanagan sits in Argyll and Bute, as I mentioned before, East Lothian has a growing population and significant house building is going on. We have acute housing challenges. At a time when there is such pressure across the housing sector per se, with

the reduction in available funding, we are looking at our capital programme and wondering whether we can afford to build affordable housing in the same way. That has had a massive impact on a different scale. For us, it is important to try to stimulate the economy, get growth in and provide additional houses. However, at the same time, because of all the reductions coming through, we now have to see whether we can slow that down. Looking at all our programmes, we are trying to be innovative, and we have a mid-market homes model. However, it is not easy. At a time when we drastically need the housing, this reduction is acting as a deterrent rather than an enabler that would support what we are supposed to be doing.

**Miles Briggs:** Since the budget was announced, I have had a number of emails from community groups in the third sector that are concerned about the situation. In previous meetings and inquiries, we have heard about, for example, their amazing response in providing support during the pandemic. Where does the third sector sit in your planning so that those partnerships can be protected as far as possible? Councils inevitably start by protecting their organisation and taking in-house the funding that is handed down to such organisations.

**Martin Booth:** I mentioned that, a year and a half ago, we committed to a three-year budget, so those organisations still have another year of funding. It is not a short-term issue in Glasgow. However, how that is managed is an on-going issue, for the reasons that you gave.

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

**Sarah Fortune:** We work closely with partners across our community planning partnership, including the third sector. Similarly to other councils, we try to give them as much certainty as we can. Going back to some of the conversations that we have had, though, given that about three quarters of our budget goes on directed areas of spend, that naturally places significant pressure on some of the areas of discretionary spend. That is not easy, and we are trying to do what we can. We are trying to work in partnership, but we have a wholesale challenge there.

**Miles Briggs:** That is helpful.

My only other question is about the impact of RAAC, which I know that all councils have been working on. Perhaps you could provide us with written evidence on that, unless there is anything specific that you want to put on record today.

**The Convener:** We have a bit of time if anyone wants to talk about the challenges that you face around RAAC.

**Martin Booth:** The situation is varied across the country. We have had only a couple of instances in Glasgow, so it is not a significant issue for us, but I know that it is very significant for some councils. I do not know whether Sarah Fortune wants to come in on that.

**Sarah Fortune:** We have had a significant issue with RAAC in one of our secondary schools—Preston Lodge high school. I am pleased to say that we have a solution that we are working through. The issue has taken up a significant amount of officer time and significant additional costs. We have surveyed all our public buildings. We have RAAC not just in our school estate but across our other public buildings, and we have been prioritising the school estate. I suspect that it is a massive issue across the public sector, and we need to deal with it by taking a much more holistic approach to supporting that work. We need much swifter intervention to provide support, as well.

**The Convener:** Thank you. I will bring in Marie McNair.

**Marie McNair:** Good morning to the panel. I wish you a happy new year.

Councils across Scotland continue to pay for capital programmes and projects that are funded by various public-private partnership agreements, some of which were negotiated a number of decades ago. How much of that debt are your local authorities saddled with? Have those schemes provided good value for money?

**Martin Booth:** We have a significant PPP estate. All our secondary schools and one primary school were refurbished or rebuilt on that basis. The contract has been running for a number of years—in fact, we are now starting to plan for the end of that contract. We are starting to carry out surveys and whatnot, because the conditions of the contract are that the buildings have to be left with a certain life—for example, the boilers and roofs have to be in a certain condition. We are starting to work on that to make sure that the private finance initiative—PFI—contractor does the work that it is required to do so that, when the buildings are handed back, they still have a life.

At the time, PPP was the only game in town—it was our only way of funding. In the past, we looked at whether there were opportunities to refinance or reduce costs, but there were not. We are now getting towards the end, so we are planning for the future. We will have a school estate that still has a significant life left, and we will have finished paying off the contract.

**Marie McNair:** As the contract ends, obviously, the costs increase as well. Can anyone else share their comments on PPP?

**Kirsty Flanagan:** Can you clarify what you mean about when the contract ends?

**Marie McNair:** Obviously, the cost of paying back the PPP increased as you got to the end of the contract each year.

**Martin Booth:** We are getting into a technical area. The legislation at the time said that we had to write off the building costs over the length of the contract. Two years ago, there was a service concession, which allowed us to alter that to write it off over the life of the building. That created quite a significant benefit to local government finances. The Scottish Government has closed that again, and I do not really understand why, because it is good accounting practice to write off assets over their useful life and not over a notional contract period. We are still paying, however, so from a cash point of view, we will be in a better position when we finish the contracts, but we will be depreciating them over a longer period.

**Marie McNair:** We can raise that with the minister.

Does anyone else want to comment on PPP?

**Sarah Fortune:** I concur with Martin Booth. We got all of our secondary school estate largely through PPP contracts. As Martin said, it was the only game in town at that time, and we needed to invest significantly in our school estate. If we had to take that decision now, would we still go down that route? I am not sure that we would, but it was appropriate at that time.

Now that we are planning for the end of the contract, naturally, every year, we get the same questions from elected members. Obviously, we are locked into the contract, which, at a time of high inflation, often raises questions, but it is about looking much more holistically. For us, it is about planning now how we can manage our school estate towards the end of the contract. I have not much to add to what Martin said.

**Marie McNair:** On council tax, which we have touched on, have you made any assessment of how many people have been managing to pay their council tax during the cost of living crisis and the impact of arrears? Have you considered how the freeze will prevent some families from getting into arrears again?

**Jamie Robertson:** We have continued to work with all residents and encouraged them to pay through a variety of mechanisms to ensure collection throughout the cost of living crisis. During Covid, we saw a slight dip in overall collection levels, but it was of the order of half of 1 per cent. We held collection through sheriff officers in abeyance for a time to allow residents to continue to pay and make payment arrangements,

and we supported them through those sustained arrangements.

There are different views on council tax collection depending on your demographic. We have continued to sustain high levels of collection, because a lot of our payments are through direct debits, which gives us a level of overall certainty. That varies across the piece but, from our perspective, we have continued to support and ensure collection to safeguard the public purse.

**Martin Booth:** Apart from the first year of Covid, when we had a slight dip in collection rates, our collection rates have been pretty consistent; in fact, we are ahead of target for this year.

11:00

**Sarah Fortune:** We are in a similar position. We have managed to sustain relatively high levels of council tax collection. We have tried to supplement our approach with a financial inclusion service. Similarly to what Jamie Robertson talked about, we try to support people to pay and to maximise their benefits, and we are signposting them. We have not seen a significant reduction in collection rates; in fact, we largely managed to sustain those during the pandemic.

**Marie McNair:** That is interesting, given that everyone is struggling. It does not really matter what your income is now with the cost of living crisis that we face.

**The Convener:** I have time for a brief supplementary from Willie Coffey.

**Willie Coffey:** Thanks again, convener.

To go back to the capital allocations issue, I have another SPICe table in front of me. I am scared to ask Martin Booth this question, so I will ask Sarah Fortune instead. It shows that East Lothian's capital allocation has gone up from £7 million last year to £25 million. That change stands out in the table, as most authorities show a reduction. Do you know why that is? We think that the extra funds might be a flooding allocation but, even taking that into account, East Lothian's capital allocation is going up.

**Sarah Fortune:** I would need to come back to you on our capital allocation. Our general capital grant this year has reduced from last year by about a quarter of a million pounds. As part of the flood prevention scheme, we have two schemes on-going. We have significant funding for the Musselburgh flood prevention scheme, which is going through due process, and for the Haddington flood prevention scheme, which has seen significant increases but, as part of our overall general capital grant, we are seeing a reduction of about a quarter of a million pounds.

I am more than happy to come back to you on the SPICe table. Certainly, that is an area that we will look at, but there is not a line through to our intelligence on what we are seeing in the information. However, I am more than happy to provide some supplementary information to you.

**Willie Coffey:** Many thanks for that.

**The Convener:** Thank you very much for giving your perspectives and a picture of the budget settlement for local government.

We agreed to take the next item in private. As that was the last public item on our agenda, I now close the public part of the meeting.

11:02

*Meeting continued in private until 11:23.*



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