



OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government, Housing and Planning Committee

Tuesday 16 September 2025

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 or by contacting Public Information on 0131 348 5000

Tuesday 16 September 2025

CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
SUBORDINATE LEGISLATION.....	2
Climate Change (Local Development Plan) (Repeals) (Scotland) Order 2025 [Draft]	2
PRE-BUDGET SCRUTINY 2026-27	6

LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE
23rd Meeting 2025, Session 6

CONVENER

*Ariane Burgess (Highlands and Islands) (Green)

DEPUTY CONVENER

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

COMMITTEE MEMBERS

*Meghan Gallacher (Central Scotland) (Con)

*Mark Griffin (Central Scotland) (Lab)

*Fulton MacGregor (Coatbridge and Chryston) (SNP)

*Alexander Stewart (Mid Scotland and Fife) (Con)

*Evelyn Tweed (Stirling) (SNP)

*attended

COMMITTEE SUBSTITUTES

Alex Rowley (Mid Scotland and Fife) (Lab)

Graham Simpson (Central Scotland) (Reform)

Lorna Slater (Lothian) (Green)

Collette Stevenson (East Kilbride) (SNP)

THE FOLLOWING ALSO PARTICIPATED:

Andrew Burns (Accounts Commission)

Blyth Deans (Audit Scotland)

Adam Henry (Scottish Government)

Ivan McKee (Minister for Public Finance)

Martin McLauchlan (Audit Scotland)

Derek Yule (Accounts Commission)

CLERK TO THE COMMITTEE

Jenny Mouncer

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Local Government, Housing and Planning Committee

Tuesday 16 September 2025

[The Convener opened the meeting at 09:38]

Decision on Taking Business in Private

The Convener (Ariane Burgess): Good morning, and welcome to the 23rd meeting in 2025 of the Local Government, Housing and Planning Committee. I remind all members and witnesses to ensure that their devices are on silent. Mark Griffin and Fulton MacGregor will join us online.

The first item on our agenda is a decision on whether to take items 5 and 6 in private. Do members agree to take those items in private?

Members indicated agreement.

Subordinate Legislation

Climate Change (Local Development Plan) (Repeals) (Scotland) Order 2025 [Draft]

09:38

The Convener: The next item on our agenda is an evidence session on the draft Climate Change (Local Development Plan) (Repeals) (Scotland) Order 2025 with Ivan McKee, the Minister for Public Finance. The minister is joined by Adam Henry, who is a senior planner for the Scottish Government. I welcome our witnesses to the meeting.

The instrument has been laid under the affirmative procedure, which means that the Parliament must approve it before it comes into force. Following the evidence session, the committee will be invited to consider a motion that recommends that the regulations be approved. I remind everyone that officials can speak during this item but not in the debate on the motion that will follow it. I invite the minister to make a short opening statement.

The Minister for Public Finance (Ivan McKee): Thank you for the opportunity to speak to the committee.

On 27 March 2025, the Scottish Government laid in the Parliament the 15th annual report on the operation of section 72 of the Climate Change (Scotland) Act 2009, as required by the act. Section 3F of the Town and Country Planning (Scotland) Act 1997 relates to greenhouse gas emissions from the use or operation of new buildings. It was introduced into the Planning (Scotland) Act 2019 by section 72 of the Climate Change (Scotland) Act 2009. It requires local development plans that are prepared by planning authorities to include policy that aims to avoid a specified and rising proportion of greenhouse gas emissions from the operation of buildings. The reduction of emissions is to be achieved by using low and zero-carbon generating technologies.

Ministers are required by section 73 of the Climate Change (Scotland) Act 2009 to report annually on the operation, effectiveness and continued requirement for section 3F of the 1997 act. Where that requirement is considered no longer to be necessary, section 73 of the 2009 act explicitly enables the repeal of section 3F by order. The most recent annual report concluded that

“... after 1 January 2025 the latest policy and regulatory position goes beyond what Section 3F can achieve and that the requirement to include policies within development plans under Section 3F is no longer necessary.”

That conclusion enabled the repeal order that is being considered today to be prepared under the existing provision in the Climate Change (Scotland) Act 2009.

Planning and heat policy related to building decarbonisation has progressed significantly since section 3F of the 1997 act was introduced, surpassing what section 3F can achieve. Maintaining section 3F places unnecessary and redundant resource burdens on planning authorities at a time when streamlining costs and processes in the planning system is vital.

The repeal of the legislation acts only on the requirement for planning authorities to include the section 3F approach in their next local development plans. Repeal of the legislation does not alter or repeal any current adopted local development plan policies that are a response to section 3F.

The principle of repeal was included in the 2017 consultation regarding the planning bill, which is now the Planning (Scotland) Act 2019. At that time, there was general support for the withdrawal of section 3F of the 1997 act. With the 2019 act giving the national planning framework an enhanced status as part of the statutory development plan, and national planning framework 4 now firmly established, section 3F requirements for local development plans are no longer required.

I welcome the opportunity to answer any questions that the committee may have regarding the details that are contained in the repeal order.

The Convener: I understand that the benefits of the proposed repeal are likely to be for those involved in the design of developments, those applying for planning permission, planning authorities and the Scottish ministers. That is because procedural and implementation burdens from the parallel operations of section 3F alongside NPF4, the new build heat standard and associated building regulations are resolved by the repeal of section 3F. Its repeal means that focus can be on applying the latest policy and legislation in relation to greenhouse gas emissions. In light of that, if the repeal goes ahead, I am interested to hear what steps architects and designers would be required to take under NPF4 and the new-build heat standard to ensure that their new developments minimise greenhouse gas contributions.

Ivan McKee: The new-build heat standard lays down the requirement to move away from heat sources that use fossil fuels. The standard is already in place and gives effect to that requirement. NPF4 does that through its range of policies; it has policies on climate and

requirements for planning decisions to be made in that light.

It is true to say that section 3F was of its time and it was useful in focusing on the requirement to reduce carbon emissions through local development plans. However, those requirements are now addressed through the new-build heat standard and NPF4, and there is no need to have an effectively redundant process that chews up resource.

The Convener: Could you give an indication of the climate policies that you have in mind in NPF4?

Adam Henry (Scottish Government): I will pick that up.

The Convener: Come on in, Adam; you could just rattle through the numbers.

Adam Henry: It will be covered by policies 2, 11, 19 and 26.

The Convener: Great. My second question might lead to the same answer. What requirements would there be on those who are applying for planning permission to consider how greenhouse gas contributions can be minimised?

Ivan McKee: The requirements are the same. Obviously, they would understand that the decision would be made in the context of NPF4 policies and the new-build heat standard, as we have outlined. For any plans that they expect to be passed, they would need to comply with the NPF4 policies and the standard.

09:45

The Convener: Anyone who wants to develop anything needs to be looking at the four NPF4 policies that Adam mentioned and the new-build heat standard, and then they should be moving towards carbon emission reduction.

Ivan McKee: They would have to comply with those policies, but there are other things in the planning system that they would also have to comply with.

The Convener: As no other member wants to ask a question, I turn to agenda item 3, which is the formal consideration of motion S6M-18057.

Motion moved,

That the Local Government, Housing and Planning Committee recommends that the Climate Change (Local Development Plan) (Repeals) (Scotland) Order 2025 [draft] be approved.—[*Ivan McKee.*]

The Convener: No member has indicated that they would like to contribute to a debate. Would you like to sum up, minister?

Ivan McKee: No need.

The Convener: The question is, that motion S6M-18057, in the name of Ivan McKee, be approved. Are we agreed?

Motion agreed to.

The Convener: The committee will report on the outcome of our consideration of the instrument in due course. I invite the committee to delegate responsibility to me, as convener, to approve a draft of the report for publication.

Members *indicated agreement.*

The Convener: Thank you, minister, and thank you, Adam. We will suspend briefly to allow you to depart before we welcome our next panel of witnesses.

09:46

Meeting suspended.

09:50

On resuming—

Pre-Budget Scrutiny 2026-27

The Convener: Our next agenda item is evidence taking as part of our scrutiny of the Scottish budget 2026-27. We are joined by Andrew Burns, who is deputy chair of the Accounts Commission; Derek Yule, who is a member of the commission; Blyth Deans, who is an audit director at Audit Scotland; and Martin McLauchlan, who is a senior manager at Audit Scotland. I welcome our witnesses to the meeting. We have around 90 minutes for this discussion. There is no need for witnesses to operate their own microphones. We have agreed that we will direct our questions to Andrew Burns in the first instance, who will distribute them as he thinks appropriate.

I will ask the first question, which is about the commission's call for transformational change. You said that there is not enough evidence that truly transformational change is taking place, but, last week, one council chief executive told the committee that they had a sense that the use of the word "transformation" was "too loose". What do you mean when you talk about a transformation? What does a transformed local authority look like? What should local authorities look like in 10 years' time?

Andrew Burns (Accounts Commission): Good morning. I thank the committee for inviting us to submit evidence and to expand on that evidence today. The Accounts Commission and Audit Scotland very much welcome the invitation. As you indicated, I am joined by Derek Yule, who is a member of the commission, and by two Audit Scotland colleagues: Blyth Deans and Martin McLauchlan. We look forward to responding to queries that you put to us.

I start by repeating an apology from Jo Armstrong, who is the chair of the Accounts Commission. Unfortunately for the committee—although not for her—today's session clashes with her annual leave. As she is on holiday, you are stuck with me and Derek Yule instead.

The committee has our written submission. As an opening gambit, I will read out a quote from the covering letter that Jo Armstrong provided along with our submission, and then I will address your point about transformation directly. She said:

"Councils have generally been effective in identifying and delivering efficiency savings at the same time as largely maintaining how services are performing. Relying on these savings alone, however, is not sufficient to meet the scale of the financial challenge, and maintain the levels and quality of the vital services that councils provide in the face of increasing demands on those services."

That leads me directly on to the issue that you have just raised, which is one on which the commission has been cajoling others for many months, if not years. We could have a long debate—many of us around the table have had that debate in different environments—about the quantum of money that is available to local government, but everyone can accept, surely, without getting stuck in a discussion about percentage points, that it is relatively static. Over the past 10 to 15 years, the financial envelope for local authorities has been really challenging for them to cope with. Although the commission recognises that the situation has improved slightly in the past few years, overall, it has been a very challenging time. When authorities have diminishing or static resources and face increasing demand, continuing to do what has always been done is no longer sufficient to keep services at the level at which all of us around the table would want them to be. That is why the commission has been asking for a transformation.

To come directly to your point, I note that the commission published a report about transformation in May last year. I will turn to Blyth Deans and other colleagues in a second to expand on that. In the report, we identify five principles for local authorities to aspire to and deliver. I will not go into the principles in detail, but they are vision, planning, governance, collaboration and innovation. Underneath those five principles, which are obviously nice words, there is quite a bit of detail about what each local authority should aspire to and attempt to do in that area.

It is important to say that there are examples of transformation in several local authorities across Scotland. Indeed, we have embedded the theme of transformation in our best value reports for this on-going year. Blyth Deans will correct me if I am wrong, but I think that I am right in saying that 10 out of the 32 local authorities have now reported, based on the theme of transformation, so we are building up quite a lot of evidence about what is and is not working well in that regard. By the end of the next cycle—within eight or nine months—all 32 local authorities will have reported.

Next year, we will be able to publish an update on the transformation report with the five principles that I have referenced. I hope that that will be of significant interest when it is published, which will probably be in the next parliamentary session.

The commission has been looking at those five principles. What we mean by transformation is a clear vision, clear planning, robust governance, innovation and collaboration, not just within the local authority and with other local authorities but across the local government family, including police and fire services, for example.

I will stop there. I hope that my answer will open up the discussion. Blyth Deans might want to expand on what I have said.

Blyth Deans (Audit Scotland): First and foremost, on how we approach that work, there is recognition that one size does not fit all for councils and that any transformative activity needs to meet the local context and the needs of communities and citizens. We have tried to frame our responses, through the “Transformation in councils” report, in a way that is appropriate to meeting those demands.

As Andrew Burns mentioned, there has been a focus on the theme of transformation in the current best value reports, and we have gathered some examples—we specifically requested examples of what transformational activity councils believed had been undertaken. We can gather such examples in order to present a national picture, establish benchmarks for progress, promote learning and gain a bit of traction across the country.

As Andrew said, 10 of the reports have been through our committee. Although those do not necessarily provide a perfectly representative sample of Scotland, they give us a feeling as to what is likely to come through as we gather more reports.

Without going into too much detail on the examples that we have so far, I can give the committee the main headings under which the examples would probably most naturally fit. The first is service redesign or rationalisation, although there might be an argument that reduction also comes into that category. The second is digitalisation of services and council contacts—the way in which communities and citizens engage with the council. As you might expect, there are a lot of online tools to support that. The final heading is collaboration with partners to improve outcomes.

It has been really welcome that the commission has received examples in all those areas. There is a bit of work for us to do, as a team, to moderate the examples and come up with a national report that presents that information in a way that is helpful for the sector.

The Convener: The commission has listed 11 barriers to transformation. It acknowledges that some of those are external—not within councils’ control—whereas others are internal. What are the most significant external barriers to transformation and how could the forthcoming Scottish budget help to address them?

Andrew Burns: The general query that you have put to me falls under the fourth principle that I mentioned, which is collaboration. I will set out what I think are the most significant barriers, but I

think that your point is that local authorities cannot solve the challenges by themselves.

In my opening comments, I briefly mentioned the need for collaboration with other local authority partners. We have some good examples in that regard. The three Ayrshire councils, in particular, are doing good work around bringing some of their service delivery together across their areas, which is pretty impressive in the current climate, because there is not a huge amount of that happening in terms of pure service delivery. There are really good examples of collaboration across local authorities.

10:00

Other examples of good collaboration are driven partly by city region deals across the wider local government family—that is, not just the 32 local authorities but their partners, such as the police and fire services, universities, colleges and so on. There are positives around that collaboration. Indeed, the commission is arguing in much of its feedback to local authorities, and when we come before Parliament, that it will be absolutely essential, as local authorities will not otherwise be able to deliver the quality of services that we all want with the resources that they have, given the ever-increasing demand—that is just not a circle that can be squared, or a square that can be circled.

On your question about the key blockages, the issue is undoubtedly linked to finance. Without dwelling on the quantum of finance, I would say that the issue concerns the fact that local authorities are still receiving only a one-year budget. I know that there is an aspiration in the Verity house agreement to change that, and I hope that that might be brought about through the upcoming UK budget and the subsequent Scottish budget. Without getting stuck in a debate about why this has not happened to date, the commission would contest, on the basis of the evidence that we have seen, that a move to a three-year budget programme for local authorities would be a major change and would unblock a significant barrier and allow local authorities to have a bit more of a medium-term planning timeline. It would give them a bit more scope to make decisions around the five principles that I just outlined. So, if I were to highlight one of the most significant barriers, it would be the annualised budget. If that could be extended to three years, it would make a significant difference.

There are other issues that we could discuss further, if you like. Ring fencing has reduced as the Verity house agreement develops, which has greatly improved the situation. However, the situation with annualised budgets has not yet changed. Of course, as I said, there is an

aspiration and, potentially, a likelihood that that could be about to happen.

The Convener: That is helpful, and the call for multiyear funding is relevant to the topic of the Scottish Government budget. I imagine that, if more people understood that the Scottish Government and our local authorities work to one-year budgets, they would be pretty shocked and amazed at what gets delivered on the back of that. The news that is coming from the United Kingdom Government is welcome. Let us see what happens.

I will move on now. Some of the other barriers might come out in the rest of the conversation this morning. Evelyn Tweed will ask the next questions.

Evelyn Tweed (Stirling) (SNP): Good morning, gentlemen. We do not normally have an all-male panel; it is quite unusual.

Andrew Burns, you talked about collaboration and whom local authorities are supposed to be working with in order to perform well. What changes have resulted from integrated joint services and community planning partnerships, and are we still seeing the same level of siloed budgeting?

Andrew Burns: We noticed that the panel is all male. When I appear before the Public Audit Committee tomorrow, it will be as part of a 50:50-split panel.

Your question touches on an important point. There is no doubt that collaboration is an issue for local authorities, as I said in response to the convener's earlier questions. We have good examples of community planning partnerships working well. However, the direct answer to your question is that progress is varied. It is good in some local authority areas and not so good in others in terms of collaboration within and across local authorities and external partners.

This is not universally true, but it tends to be the larger local authorities that have a more significant capacity to put revenue and resource into the development of partnerships, which might mean that they have a more effective network across a region. Some small local authorities are able to use that approach effectively but, generally, that tends to happen in the larger ones. As I am sure that you picked up from your discussion with the chief executives last week, it is a general truth that small local authorities have challenges that larger ones do not have across a whole gamut of areas, and this is one of them.

There is good practice happening in relation to collaboration within community planning partnerships and across local authorities, as

demonstrated by the example of the three Ayrshire councils that I mentioned earlier.

The transformation report, which is available on the commission's website and is alluded to in the evidence that our chair submitted in advance of today's meeting, contains clear examples of where collaboration has been effective and where it has resulted in budget savings and service improvements, but that picture is not universal across Scotland.

I link that to the convener's question about blockages, because a longer-term planning timeline would help. The on-going reduction in ring fencing, which the commission welcomes, will continue to help, as would more significant direction from the Scottish Government. The bid-in fund is good, but it would be much more effective if it were set across a three-year timeline instead of a one-year timeline.

Blyth Deans might want to add to that.

Blyth Deans: It might be helpful for me to touch on the evidence around shared services as part of the collaboration that is going on. Through our programme of best value reports, we will assess the extent to which shared services have been used in a local area. As I said in my response to the question on transformation, we will shine a spotlight on that and promote it across the country, so that the good aspects can be built on by other local authority areas.

I will give a bit of a flavour of what is going on. As Andrew Burns said, the picture is mixed and is inconsistent in terms of scale. It is difficult for us to offer a consistent view on the effectiveness of the use of shared services, because the examples are quite isolated and small scale. However, there are some examples that it might be helpful for the committee to be aware of, including the sharing of internal audit services across local authority areas. There are also examples of the wider internal audit function and revenues and benefits services being shared across multiple local authorities, as well as some services within education and children's services and waste management. In relation to roads, there is the example of Tayside Contracts.

There is quite a lot going on, but it might be helpful if councils could consider the lack of co-ordination at the moment and ways of bringing all that together in the wider transformation activity. There is also a point to be made about the sector-led transformation that is under way, led by the Society of Local Authority Chief Executives and Senior Managers and the Improvement Service. Digital shared services is one of the key pillars of that.

If there is a bit of traction and momentum with the sharing of services, that can only be a good thing, but it is also important to note that that

cannot be the only answer; it is just one part of the overall approach.

Evelyn Tweed: Do you feel that highlighting examples of good practice can help local authorities that are struggling with some of those issues to bring themselves up?

Blyth Deans: Absolutely. One of the aspects of the wider approach to transformation is the peer collaborative improvement project, which is being led by the Improvement Service, supported by SOLACE. It does exactly what you have suggested, by identifying where strong practice is, shining a light on it and engaging with councils to encourage them to learn from and take on board such examples as they develop their own approaches.

On behalf of Audit Scotland and the Accounts Commission, I can say that we are really supportive of that work. In our response to the pre-budget scrutiny letter, we made reference to the potential for our best value work to form a basis for some of that peer collaborative improvement work, too. It feels as though there is a bit of momentum building with that, and we are really happy to support what is being done.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning. I want to ask about the community dimension of the transformation of local government services. Andrew Burns, you mentioned the five themes of vision, planning, governance, collaboration and innovation. How far do councils reach out to communities to get their participation in transforming local government services?

Andrew Burns: That is another good point. Communication with communities underlies almost all those areas, particularly collaboration and innovation.

The transformation report, which we made reference to several times in the opening discussion, illustrates some very good examples of where transformation has been effective and has taken local communities along the journey, making them feel that things have been done with—and not to—them. That sounds a little glib, but it is such a crucial difference. When local communities feel that things are being done to them, they tend to, quite rightly, resist and challenge them. All the evidence that the commission and Audit Scotland see across our best value work and performance audit work illustrates that, time after time.

Without quoting any direct examples, I will say that many of the challenges that local authorities are struggling with in rationalising budgets hinge around a lack of early enough and deep enough local community engagement. The evidence that we have received from the 10 authorities that have

already got back to us, which Blyth Deans alluded to, illustrates that early and deep community consultation helps with effective transformation. Trying to transform without that consultation can be done, but it will not be as effective as trying to take communities with you so that they feel that things are being done with them and not to them. I hope that that addresses part of your point.

I can see that Derek Yule wants to come in.

Derek Yule (Accounts Commission): Thank you, Andrew. I will add some comments that are more on the negative side. To stress the points that Andrew made, in recent years, we have seen evidence of councils going back on budget proposals, which illustrates that there has not been the degree of community engagement that there needed to be at an earlier stage, and people have even been taking legal action against those councils. We have been concerned about that.

Andrew Burns's points are very pertinent to the discussion. I recall a recent best value audit visit that we did with a council. The council highlighted that one of the real barriers to change that it was facing involved local groups mounting vociferous campaigns against proposals. That illustrates the point that early community engagement is critical to getting radical change.

Willie Coffey: Have we seen enough of that early engagement across the board? For example, the committee has seen great work in North Ayrshire on community wealth building, where the early participation of communities that Andrew Burns talked about is really paying dividends. As I understand it, great stuff is going on in Fife as well, which I think is transformative. Are you seeing enough of that across the board to push the agenda a bit faster?

Andrew Burns: I am afraid that the honest answer to that question has to be no. We have also seen the North Ayrshire example that you made reference to, which is very effective and commendable. There are many other examples that are equally effective and commendable, but they do not make up a majority of the 32 local authorities by a long chalk, I am afraid.

As commission members and Audit Scotland officers, we understand that it is really difficult at the local authority level to take your community along with you and to involve them at an early enough stage. It is really hard. I do not want us to come across, through my comments or our evidence, as frustrated that local authorities are just not getting on with it. We completely understand that it is hard, but if you look at the findings from any of our best value reports, or the conclusions or recommendations from any of our performance audit work, whether directly from the commission or from the Auditor General, you will

see a pretty much universal call for earlier engagement with local communities. The consistency of that message says to us that it is not happening enough across the breadth of local government in Scotland.

Willie Coffey: Is there a wee bit of work to be done in illustrating to some authorities what transformation looks like and what it means? Is there an issue there? Is that one of the barriers?

10:15

Andrew Burns: That is a fair point. Colleagues might want to come in on that, but the answer is yes—there is a barrier. That was partly picked up in some of the debate that Evelyn Tweed's question prompted. Good examples are out there. Blyth Deans mentioned the work that SOLACE and IS—the Improvement Service—are doing. The commission's September meeting was held last week and we had a private session with SOLACE officers. I am trying to underscore Blyth's point that we—the Accounts Commission and Audit Scotland—work as closely as we can with SOLACE and the Improvement Service to do exactly what you alluded to, Willie, which is to raise awareness of good practice.

I have mentioned it a few times, but when we come to publish our one-year-on transformation update report—although it will be more than a year on—it will have a lot of concrete evidence of what has gone well and some evidence about things that have not gone so well.

Blyth Deans: It might be helpful for the committee to be aware that we set out some principles of transformation in the "Transformation in councils" report in order to provide a reference point for councils to assess where they are against what a transformed council might look like. It is encouraging to hear that councils are using that on a self-assessment basis as a chance to take a step back and reflect on where they are against those principles. As Andrew Burns said, we hope that that will be built into any follow-up work that we do in that area. The national report on the 32 local transformation reports will also build on that particular story. It is encouraging that councils are proactively assessing themselves against those principles.

Willie Coffey: Okay, great. My other question is an interesting one. It comes from what the chief executive of Clackmannanshire Council, Nikki Bridle, said last week. I had better use her words. She said that, at the same time as councils are

"transforming and reforming, our auditors ... need to be in the same space",

and that, in terms of evaluating new and complex models,

“some of the traditional skill sets might not be as relevant”.—[*Official Report, Local Government, Housing and Planning Committee*, 9 September 2025; c 44.]

I had to use the exact words—I hope you do not mind. I would be interested in your response to that comment.

Blyth Deans: You will be surprised to hear that I listened to Nikki Bridle’s evidence—[*Laughter.*]—so I was expecting that question. I recognise and acknowledge the point that the chief executive made last week. However, the vast majority of relationships between local authorities and audit teams are constructive and positive, whether those teams are internal to Audit Scotland or external in the form of the private firms—remember that we have a mixed model in Scotland, which has strengths as well as challenges, but the commission would contend that it primarily has strengths.

There will always be times when Nikki Bridle’s point flares up; for example, when there is an issue around a particular challenge inside a local authority and tensions rise. There is no point in denying any of that, but it is important to stress that the vast majority of the relationships between the 32 local authorities and auditors, whether the auditors are private or are internal to Audit Scotland, are extremely positive.

I will not claim that local authorities welcome being audited by Audit Scotland every year, but they certainly welcome its output in the main, because even when the output is slightly negative, they pick up, respond to and use the findings of the commission and the recommendations that come from Audit Scotland. That goes back to Blyth’s point about how councillors are already picking up on the five principles of the transformation report that we published. I note the chief executive’s point, but I will stress, as I have a couple of times, that the vast majority of relationships between auditors and all 32 local authorities are extremely positive.

Willie Coffey: Do the councils always agree with your recommendations?

Blyth Deans: Derek Yule might want to come in on that.

Derek Yule: I was going to come in before Willie Coffey asked that supplementary question—you have caught me on the hop. The short answer is no, which is quite understandable. Councils will not always agree with every recommendation. The vast majority do. There is engagement before a report is issued and the report usually captures the authority’s response.

The point that I was going to make is that the audit of local government is probably different from that of the private sector. Auditors of the public sector have a slightly wider remit than you would

expect; in the private sector, they have a much greater focus on the actual accounts. The work that is done around best value would be one example of where the remit is wider.

If there is concern that auditors are perhaps not up to speed, I implore councils to engage with their auditors at an early stage, especially if they are doing something radical. The auditors should be prepared to help councils through that process, highlight areas of concern and raise issues that should be considered further.

It is important to get the balance of risk right. It is not always easy at the start to know what might transpire in the course of a project. As I said, if councils are doing something different or radically transformative, they should engage with their auditors at an early stage to ensure that the auditors are aware of what is happening, so that councils can avoid criticisms that might come at a later stage.

Audit Scotland’s quality assessment unit engages with all the audit firms and auditors across the country three times a year, I believe, to get an assessment of how the auditors themselves are performing. As I said, we engage with councils directly and indirectly, and they are asked at the end of each year how they view the audit. If there are any issues or concerns about the audit, there is a forum in which those can be raised.

Blyth Deans might want to add something.

Blyth Deans: I feel like this might be my right of reply as an auditor.

I will build on what Andrew Burns and Derek Yule have said. As auditors—certainly within Audit Scotland and our performance audit and best value team that Martin McLauchlan and I head up—we provide detailed guidance ahead of each of the thematic rounds of best value work. That will bring a degree of consistency in terms of the materials, the structure and the methodology that auditors use, which should be helpful in terms of the councils’ experience of engaging with their auditors.

We also have a local government sector forum meeting, which brings all the auditors of local authorities together three times a year to discuss the emerging issues and challenges. At those meetings, much as Derek Yule said, if there have been any isolated incidents at specific councils, we can discuss them as a group and work on a resolution, if required, or come up with an approach that works best for all involved.

That takes place alongside the detailed consultation and engagement with councils. Recently, the commission consulted on its work programme, which involved discussions with SOLACE and directors of finance. There are

opportunities to feed some of that back to us, and we can act on that to ensure that the most appropriate arrangement for delivery is being used.

Willie Coffey: All councils have an internal audit function throughout each council. For many years, when I was on the Public Audit Committee, we focused on the duties and roles of internal audit compared with external audit. Should any council's internal audit function come up with the same ideas and proposals that are suggested in the Accounts Commission's reports? Why should we need another layer that, in effect, says the same thing?

Andrew Burns: I may well bring in officer colleagues to help me with that. This is tempting fate, but I would point to what has happened to some of the local authorities in England, such as Birmingham and Nottingham. There is a whole set of reasons for what went wrong in those two specific examples, but the fact is that things went badly wrong and external management and audit had to be imposed on the councils.

I do not doubt for a second that there is a lot of truth in the argument that the removal of the equivalent of the Accounts Commission in England a long time ago contributed to the situation—I note that the current UK Government is consulting on a potential return of something similar to what used to exist in England and now exists in Scotland. However, the point that I am trying to make is that part of the story around the failure in some of the local authorities in England has been about the lack of external, if not necessarily internal, audit.

That underscores the importance of audit. We need it. As I said, I do not want to tempt fate here, but to date, although all 32 local authorities across Scotland face undeniably major pressures and have to make unbelievably difficult decisions, none of them has got into a situation similar to what happened to some councils down south. We are not going to sit here and claim that that is just because of auditors, but we would contest that the audit framework in Scotland has definitely played a part in keeping everybody on the financial straight and narrow. There needs to be that external and internal check.

Derek Yule: The other point that I would make is that internal audit and external audit should—and do—work closely together, in order to avoid duplication.

From my previous experience, internal audit, by its very nature, tends to look at core systems, and I know that external audit will rely on that work as part of its assurance work. There should not be a duplication of effort. Blyth Deans will probably know this better than I do, but there should be a

good working relationship between internal and external audits to ensure that they are not duplicating effort—each should rely on the other's work.

The Convener: Thanks for asking that question, Mr Coffey—it is important to be clear that there is no duplication.

I note that Andrew Burns said that local authorities do not welcome being audited, but I think that being audited is part of the relationship—it is like two sides of the walnut, in a way. It creates essential feedback loops for councils to keep them on the straight and narrow, as you said, Mr Burns. That relationship is important.

Before I ask about the invest to save fund, I want to come back to the question that Willie Coffey brought up about councils working with communities. The Minister for Public Finance made a statement to the Parliament on the public service reform strategy, during which he talked about a range of things—he simplified a lot of things—and said that the Scottish Government is going to

“unlock the potential of the third sector”.—[*Official Report*, 19 June 2025; c 56.]

You talked about the challenge around communities feeling that things are being done to them and the importance of councils being more collaborative and engaging with communities in a way that goes beyond consultation. However, the idea of unlocking the potential of the third sector concerns me because it involves the idea of organisations in the sector—which are mostly run by boards of volunteers—picking up quite a lot of things that public services and local authorities can no longer handle. What are your thoughts on that? Should we be concerned that we are pushing things into the third sector and that that is not a space that has a feedback loop?

Andrew Burns: That is a valid point. I am not sure whether you are aware, but I was convener of the Scottish Council for Voluntary Organisations for six years, so I am familiar with the issue. It is something that the Accounts Commission, Audit Scotland and the Auditor General see happening a lot.

I have not read the minister's statement in detail, but I imagine that the issue that we were discussing earlier about moving to three-year budgets might have been what was behind that comment. A multiyear budget from the UK Government might lead to multiyear funding for local authorities later this year or early next year, and I am sure that the committee is aware that the voluntary sector in Scotland has been pressing for multiyear funding from local authorities. This is all speculation, obviously, but one would hope that

multiyear funding from the UK Government would flow all the way through to voluntary sector organisations. That would help them to plan better in the same way that it would help local authorities. I guess that the minister was referring to the fact that that would enable them to help with community engagement, which would improve the quality of collaboration.

I absolutely take the note of caution behind your question and agree that there is a careful balance to be struck, so that there is not a dependency on the voluntary sector as opposed to local authorities delivering services directly. However, there is no doubt that the voluntary sector is being depended on more and more in the climate that we are all working in. The point that I am trying to drive home is that I think that a multiyear funding settlement that flows right through to third sector organisations would be of enormous benefit and would help to ease some of the valid concern that you have about too much being put on them within next year's framework.

10:30

The Convener: That is helpful. Multiyear funding will be good, but we are still looking at a lot of great work that is volunteer run and I imagine that colleagues find the same when they go out to meet development trusts or organisations that are doing that work. I find that there is a smaller pool of people who want to be on boards and take responsibility for compliance and all that kind of thing. That is not your job, but when we talk about the delivery of services by local government, it is good to recognise that things are also moving to the third sector.

I have a question about the invest to save fund. I am interested to hear your views on that and how future iterations of the fund could support more collaboration and flexibility, which are one of the five pillars you would like to see happen.

Andrew Burns: I might well bring in my colleagues to speak in more detail about that, convener. We alluded to it a bit in response to some earlier questions but, in direct response to your question, the Accounts Commission and Audit Scotland have welcomed the development of the invest to save fund. Overall, it is a relatively small quantum and we would like to see it grow over the years.

There is also a payback mechanism within the current fund and I know that local authorities have raised concerns about that. However, as I understand it, the commission and local authorities have welcomed the design and development of the invest to save fund.

I think that the fund came about as part of the Verity house agreement discussions and, although

it sounds as though we are stuck on multiyear funding, it needs to be part of the wider fiscal framework. That might not be a subject for this morning, but I know that the committee has previously discussed it in detail. The fiscal framework has not yet been delivered as part of the Verity house agreement but, a bit like multiyear funding, it is anticipated that it will come this year. If that happens, it might help with the development of the fund that you have referenced. It could be made larger and we could maybe look at the payback rules.

I can see that Derek Yule wants to come in to expand on some of that.

Derek Yule: One of the challenges for councils is that they are too busy fighting to keep the show on the road to release the resource, including staff time and expertise, to drive a transformation agenda. Andrew Burns alluded earlier to one of the barriers that we see, perhaps particularly in the smaller councils. It is difficult for them to free up resources to implement a change process, because they have to keep delivering services while they are trying to do that. The creation of some sort of fund, which might allow for additional resources to be brought in to help councils to deliver change, would be welcome.

In our submission, we highlighted Scottish Borders Council, which was working on invest to save principles before the Scottish Government's fund was announced and recycling the savings that came from that to plough them into more innovative projects. One of the challenges that we hope the invest to save fund will help with is the creation of a resource that will enable councils to drive further change.

The Convener: Thank you.

We now move to the theme of budget challenges.

Alexander Stewart (Mid Scotland and Fife) (Con): There is no doubt that that every council has been managing efficiencies and savings for the past decade, and they have done it in different ways to ensure that services continue. That is already part of their DNA and processes. However, we are hearing that those savings are not going to be enough in future. It has been suggested that the cumulative savings that councils are facing could be £1 billion by 2027-28. Given that they have already made many savings, how can they prepare to bridge that gap without diminishing services and losing the service level agreement to provide for the communities that they represent?

Andrew Burns: All 12 of us on the commission recognise that local authorities face a really difficult challenge. Many of us have direct local government experience, so we understand how

challenging the situation is. Audit Scotland officers and the Auditor General are also acutely aware of the significant challenge that all 32 local authorities face, whether they are big or small, as you have outlined in your question. Capacity sometimes helps, but it does not always resolve problems. Sometimes, there are advantages in being small, despite what I said earlier.

I refer back to the covering note that Jo Armstrong, the commission's chair, added to our submission when the committee asked us for evidence, which I mentioned in my opening comments. She clearly indicated that local authorities have been good at managing the situation over the past 10 to 15 years. They have balanced their budgets, made savings and transformed services—I would perhaps use a small t, but they have had to change and alter services.

As I discussed with Willie Coffey, no local authority in Scotland has fallen over financially, as some in England have, or has had to have external governmental assistance or management input. It is crucial to stress that the commission feels that local authorities have managed the situation to date. However, the point that Jo Armstrong makes in her covering note and which the commission makes in its evidence is that that will, incrementally, become more and more difficult as budgets remain broadly static—I know that they have risen slightly in the past couple of years—despite there being increasing demands. That is the point behind your question.

There are also other issues, which we have not dwelled on this morning, such as the age profile of the population. There are more young people and more older people, but there are fewer people in the middle—those of working age who deliver council services, including education and social care, for really young people and older people. Therefore, demand for those services is increasing, whereas incomes are static. That is why making transformative changes—we debated the transformation report that Blyth Deans and others referenced earlier—will be ever more important. We have examples in that regard in the evidence that we have submitted, and we will have more once we have reports from all 32 local authorities next year. As Blyth Deans mentioned, so far, we have reports from 10 local authorities.

The commission does not have a magic solution to the challenge. I would be lying to say otherwise. If there was a magic solution, local authorities would have found it already. One size will not fit all. Derek Yule mentioned Scottish Borders Council's very successful spend to save fund, which is self-replenishing, and we have recently received other really positive best value reports. In our submission, we reference Dundee City

Council, which has done a lot of innovative and transformative work. However, what those councils have done will not necessarily apply to other local authorities, such as the City of Edinburgh Council, Glasgow City Council, Clackmannanshire Council or any other that you wish to mention.

No one size will fit all, and there is no easy solution to the challenge, but local authorities need to find a way through it, because, unless I am missing something or you can tell me something that I am not aware of, budgets are not about to magically increase and demand is not about to magically decrease. The problem ain't going away; it will only become more acute. That is why we, along with the Improvement Service and SOLACE, which are doing proactive work on all these issues, are encouraging local authorities to look at the transformation report and embed the five principles in all that they do.

I do not know whether any of my colleagues wants to expand on what I have said.

Derek Yule: As Andrew Burns said, there is no magic wand, but I can give the assurance that we are monitoring the situation closely. Every six months or so, the commission receives a set of what we see as key statistics. One of the things that we look at is not the absolute cash value of savings but the percentage of savings that a council needs to make. That is a way of monitoring financial sustainability and identifying whether any councils have a larger challenge than others. We ensure that councils have medium-term financial strategies that include projections at least three to five years ahead. We have a dialogue with the sector on the assumptions behind those strategies, and we ensure that a council's capital investment strategy aligns with its medium-term financial strategy.

A lot of safeguards can be built in. We see one of our key roles in the process as monitoring what is happening in the sector and ensuring that nobody falls off the edge of a cliff.

Alexander Stewart: You say in your report that you expect papers and financial monitoring to be provided to elected members. I had the opportunity to be a councillor for 18 years, and that was very much the case. My council had strong financial management; it had short-term, medium-term and long-term plans. However, it is evident that that is not happening everywhere, and some councillors are not aware of the implications or the overall financial position that their council is in. What evidence is there that that is not happening? What evidence is there that some councils are not showing strong and clear financial management and giving elected members the opportunity to see what the problems are and how they could be resolved?

Andrew Burns: Thanks, Alexander. That is another important point, which links back to Willie Coffey's earlier point about internal and external audit. That underscores the importance of internal audit, in particular of making sure that, inside local authorities, without dependence on external audit backing things up, elected members are aware of the global picture for their local authority area.

Like you, I was a local councillor for 18 years, and I am relieved to say that, in the main, I also always had access to good city-wide—it was here in Edinburgh—fiscal information, budgetary frameworks and so on. You are right—Derek Yule alluded to this in his previous point—that medium-term financial plans probably do not exist for all 32 local authorities. I think that they exist for the majority, but not all of them. If you were to glance, if you so desired, at a random set of findings from the Accounts Commission's best value reports, you would undoubtedly see requests for medium-term or longer-term financial planning often repeated.

It is probably reassuring that, often, when we make that request in a finding, it is followed up. That links back to an earlier question, but I cannot remember who asked it. Although local authorities might not shout, "Hooray—Audit Scotland is coming in to audit us," they respond constructively to our findings 99.9 per cent of the time, and embed what we recommend into forward programmes. If we highlight the glaring omission of a medium-term financial strategy, it is often delivered.

Alexander Stewart: As you have identified, there is a necessity to have an overview. You are there in a capacity to guide and give scrutiny at the end of the day. Some councils have kept reserves and tried to manoeuvre and play around with other finances to keep themselves in a stable position, but that is not the case for all councils, because not all of them have the same opportunity to do that.

It is interesting that you identify that elected members are not always given all the information, because that should be the case. If they are part of that local authority, they have collective responsibility to manage its finances. As you have also identified, if that does not happen, some may fall off the edge of a cliff.

We do not want to go down the road of putting councils in special measures or taking them over in any shape or form, because, at the end of the day, the professionals and the officers in a council organisation are there to advise and give clarity. The elected representatives make the decision, but it is based on the guidance and scrutiny that they have been provided with to ensure that they have stability. I hope that that is still the case—I have been out of local government for a decade.

Your saying that in your report flags that that could be an issue.

Andrew Burns: In essence, I 100 per cent agree with your point. I will bring in Derek Yule, who wants to expand on that.

Derek Yule: We are not aware of any major areas of concern. In our dialogue with auditors, one of the questions that we ask as part of the best value process is about how officers and members work together. I can recall that, in several discussions with particular councils, we have posed the question about the relationship between elected members and officers. Auditors will attend committee meetings and feed back their observations on the degree of challenge and the quality of information. On the whole, it seems to be fairly positive. The vast majority of audit reports that I have seen have the phrase "sound financial management" as part of that.

10:45

As I alluded to earlier, an area in which there is a bit of concern is where councils have reversed budget savings proposals. That suggests that, in that area, the dialogue has perhaps not been as good as it could have been. Sometimes, that is as much between elected members and the communities as it is between elected members and officers, but there is an obligation on auditors there.

I am an accountant, and I make the observation that accountants are very good—or very bad—at writing what turn out to be fairly technical reports. It is almost like they are written by accountants for accountants. They have to remember the audience and put it in plain English to make sure that people are fully aware of the information. There are areas in which improvements can be made.

Alexander Stewart: My last question touches on the human rights budgeting that has been talked about. You say that councils provide limited information on how budget reductions impact particular groups and communities. Is the commission aware of whether human rights budgeting is being used by councils to make spending decisions? Is part of that process now coming through?

Andrew Burns: As we allude to in the evidence that you have quoted, we are aware that that is being used on occasion, but the point that we are making is that it needs to be more universally applied.

Alexander Stewart: There is not enough of them doing it.

Andrew Burns: Correct.

The Convener: Before I bring in Fulton MacGregor, who is online and has a few questions, I want to pick up on something that was talked about last week, which is now a thread that has started to come through the pre-budget scrutiny. There is a limited envelope and there are different pressures. The pressures that have been highlighted to us are early years provision, free school meals and adult social care—those are the looming pressures that most local authorities face. There has been a call for a national conversation with people about what they should expect from their traditional public services, given that there is a shift in direction—local authorities need to make available that provision, which is important, which means that they need to look at reducing other services, such as libraries.

I want to bring that issue into the scope of the budget challenges piece, because that is the conversation that we are having. There are those three critical areas, but most people maybe do not understand that a big shift is happening. People are going about their daily lives, but they do not understand that there are issues that need to be addressed quite critically and rapidly. We must address the ageing population, as well as the Government commitment in the Verity house agreement around tackling childhood poverty.

I do not know whether I have a question in there, but I want to bring that issue in. Has that come into your thinking?

Andrew Burns: It makes perfect sense, and it links directly to the demographic pressures that I referenced a few moments ago. The population profile is growing at both ends of the age spectrum, ironically, which is putting pressure on local authorities. That links directly to the three areas that you just referenced—free school meals, early education and social care—which are primarily aimed at those two ends of the demographic profile. That is what is increasing in Scotland, and there is the bit in the middle that probably most of us sitting around the room today fall into. There is no doubt that there is a gearing effect, for want of a better phrase—the demand to deliver in those three areas at both ends of the demographic profile puts a disproportionate pressure on the other areas that local authorities are responsible for delivering in.

Local authorities provide some areas of service delivery that are non-statutory that they could come out of, but there are some areas that are statutory that they cannot come out of and that are not at those two ends of the demographic profile.

There is no doubt, based on the evidence that comes before the commission—and Audit Scotland and the Auditor General, I am sure—that local authority services such as libraries and leisure services, including swimming pools, and

the delivery of environmental services, planning controls and so on get a disproportionate gearing impact on them because of the protection around education and social care budgets.

Derek Yule might want to expand on that.

Derek Yule: I wonder whether I could separate free school meals from the other two areas that were mentioned, which are demographic changes.

A lot of additional money has been put into local government to deliver free school meals. One of the challenges that that has created is the amount of funding for the policy. Local government would say that, at the start, it was fully funded, because there was cost involved and there was a lot of discussion about that. However, when the budget went into the main grant settlement, the funding did not keep pace with the spiralling costs, particularly the cost of wages and price inflation. In the dialogue that we have with councils, we hear that that is an extra pressure on them. A policy initiative was introduced but, with each passing year, there has been no additionality to help to maintain the level of service.

Other policy areas, such as teacher numbers, also come up relatively frequently in the dialogue that we have with councils. As Andrew Burns said, the more that is directed towards policies for which the core funding does not keep pace with the demand, the more additional pressure is put on other areas in which, although they might be covered by statute, the statute is not as specific about what councils have to deliver. For example, we have probably seen a disproportionate level of challenge for on-going funding for libraries, leisure and so on.

The Convener: That is helpful. It is good to pull those three threads into the conversation. Derek, I appreciated you separating out the issue of free school meals and pointing out that, although funding has been applied, it has not kept pace. That was helpful.

I will bring in Fulton MacGregor, who has a number of questions on budget challenges. He joins us online.

Fulton MacGregor (Coatbridge and Chryston) (SNP): Good morning to the panel. Councils are generating more income from fees and charges for certain services. Do you feel that councils assess the impact of increased charges on individuals and communities, or is it more the case that charges are put in and that is it?

An example from my local authority is the new charge for the brown bin, as it is known locally, which caused a wee bit of an uproar. Meghan Gallacher will be aware of that, and so will Mark Griffin. That is just one example. There are other examples where more is being charged for leisure

services in order to cover costs. How does that fit in with preventative policy approaches? In what ways are councils assessing the impacts on people?

Andrew Burns: I cannot help but comment that as a resident of Edinburgh—and sitting here in Edinburgh—I already have to pay for my brown bin to be emptied, I am afraid. However, I completely get the point that you made, at both a personal and a collective level. It links to earlier discussions and points about the use of human rights legislation and consulting communities.

I am not going to sit here and claim for a second that the City of Edinburgh Council got its consultation on the introduction of brown bin collection fees 100 per cent correct, but I sensed that the fees were implemented relatively painlessly. I am pleased to say that that happened long after I had left the local authority.

The charge has increased over the years, but not significantly. There is no doubt that local authorities are now increasing charges in all sorts of areas to accommodate and resolve budget challenges.

I reinforce the point that I made in response to a couple of earlier questions, which is to underscore the need for local authorities to consult communities fully, properly and meaningfully before such charges are introduced. That links to a point that Derek Yule made about how, sometimes, local authorities have reversed away from budget savings that were to be made through closing or changing a service. Often, behind that is a lack of proper communication and consultation with communities at an earlier stage. That causes all sorts of problems in getting a balanced budget.

The commission sees a mixed picture in the evidence that we get. Some authorities are good at this and some are not as good. That comes through in the challenges that arise because of particular budget decisions, which colleagues have referred to.

Derek Yule: The first point is that, if councils propose increases in fees and charges as part of a budget proposal, they should do an equality impact assessment for each fee, as with any proposal. To reassure Mr MacGregor and respond to his question, I note that the council involved should have done an equality impact assessment, and the work that we have done suggests that councils are doing that, although perhaps to varying degrees. It is important to make the point that they should be doing such impact assessments.

I do not want to labour the point about brown bins, but I remember that, when I worked for a council, a proposal was made to do away with the brown bin service because it was a non-statutory

service, and elected members were not happy about that proposal. They took the view that we would rather introduce charges than see the service disappear.

I am not sure whether that is helpful, but it is relevant in the context of the discussions that councils are having. It is interesting to see one council introducing charging for a particular service now when other councils have been charging for the same service for years.

Part of the work that we encourage councils to do is to look at what other councils are doing. I hope that they do that across a range of areas, including when considering their strategies for fees and charges. There is a lot of data out there on the levels of charges—what councils are and are not charging for. We are seeing an increased reliance on charges as an alternative to some budget cuts.

Blyth Deans: I will build on that point. As part of the budget briefing that we published in May, we assessed the extent to which councils carry out equality impact assessments as part of setting budgets. All but one of them completed the assessments. Councils are pretty good at that, and they are pretty good at consulting.

Tracing that activity through to how it has influenced a decision shows less consistency. We had some examples where that was quite clear, but improvements could be made to how the increase in particular fees and charges was influenced. We will continue to look at that as part of our annual budget analysis.

Fulton MacGregor: I will come back in on councils looking at what others are doing. That is a great idea and it should be happening. North Lanarkshire Council looks at other councils, as other councils look at it, but that cannot be only about mimicking or bringing in a service because another council has brought in the same service. All the assessments and engagement might have been done in one council area but, if the change is just replicated without the same engagement elsewhere, that is where issues can start. That was just a wee point.

My second question is on the reduction in the use of ring fencing that has happened in the past three years. Councils are telling us that there are still too many restrictions on how they can use their funding allocations. Andrew Burns, what more do you think needs to happen to allow councils to have more autonomy in how they spend their money? Do you have any other ideas?

Andrew Burns: I said earlier that one size does not fit all, and I completely agree with what you said—you cannot just take what one authority has done and do it in another authority. Derek Yule is 100 per cent correct that councils should be looking at everything, and it is reassuring to hear

him say that North Lanarkshire Council is potentially doing that, but it does not necessarily mean that things can be transplanted to other areas. Looking at what other authorities do is very good practice, but it does not mean that one size fits all.

11:00

On the question about what else could be done to release the pressure on local authorities, I will undoubtedly link back to the point about the full development of the Verity house agreement. Although it has been progressed to an extent, I do not believe that the fiscal framework has been published yet. We have certainly not got sight of it as a commission or as Audit Scotland.

I understand that the fiscal framework is pretty fully developed, but it has not yet been finalised and signed off by the Government and the Convention of Scottish Local Authorities. Delivering on that would make a huge difference. It links to multiyear funding and potentially the three-year funding framework.

As I touched on earlier, the reduction in ring fencing has been a very welcome development, but it could still go further. It has also been slightly counterbalanced by the demands on local authorities to deliver national policies. Although money might not be ring fenced, there are policy demands around early years, which we have discussed, and around social care, which we have touched on, that local authorities cannot avoid delivering on. That is a form of de facto ring-fencing pressure, which is still there on local authorities.

The delivery of a full fiscal framework—which is, I hope, coming—as part of the Verity house agreement should help to resolve and alleviate many of those issues. I do not know whether colleagues want to add anything. I hope that that helps, Fulton.

Fulton MacGregor: Yes—it does. I have one final question. We heard at last week's meeting that the allocation mechanism that is used to distribute Scottish Government funding is not working as well for some smaller local authorities. Will you outline how a new fiscal framework can help to overcome some of those issues for councils that are as small as some of those that we took evidence from last week?

Andrew Burns: You might not be surprised to hear that I am going to completely duck that question and say that the detail of that is an issue for the Scottish Government and COSLA to resolve when they publish—I hope—the fiscal framework. The commission does not have a view on the detail of that. I have outlined the principles that we think that it should deliver on, and which

are in the original Verity house agreement that was signed by COSLA and the Scottish Government several years ago. It is up to those two bodies to thrash out that detail.

I know that lots of you in this room will fully understand that the issue is unbelievably sensitive. The commission would not opine on the detail of the allocation of moneys across all 32 authorities, but we encourage the Government and COSLA to finalise the fiscal framework as quickly as possible.

The Convener: It was useful that the point that the fiscal framework needs to include the funding formula came up in last week's meeting. That is the difficult bit. We heard from the smaller local authorities that things have changed in their demographics and that the pressures that they are now seeing are not being covered by the formula.

We will move on to the theme of workforce challenges; you will be glad to know that these are our last few questions.

Mark Griffin (Central Scotland) (Lab): I have a couple of questions on workforce challenges. The first is about sickness absence. We heard last week about problems that relate to sickness absence and recruitment and retention. Does the commission have an idea of the global costs to councils of the record level of sickness absences? Does it have an idea of why they are so high at this point in time and of how much councils are spending on temporary and agency staff to cover the record absence levels?

Andrew Burns: I do not have the figures at my fingertips, but I will in a second bring in Martin McLauchlan, who might be able to expand a little more on the scale and quantity of the issue.

I acknowledge what is behind your question, which we see increasingly as an issue. The committee picked that up in last week's evidence, and you can see, across all our best value reports and performance audits, that sickness absence levels have increased significantly. We also referenced that in our submission to the committee.

Retention and recruitment of staff is a particular challenge that the commission is seeing, not only in rural areas such as the Highlands and Islands, the Western Isles, Orkney and Shetland but in small local authorities—the Clackmannanshire style. The smaller ones find it difficult to recruit officers with professional qualifications for specific posts. There is no doubt that that is having a direct impact on the ability of those local authorities—whether they are in Clackmannanshire, the Highlands and Islands, the Western Isles, Shetland or Orkney—to deliver services and transform along the lines that we have been discussing.

I do not know whether Martin McLauchlan wants to expand on that.

Martin McLauchlan (Audit Scotland): I cannot give you a figure for the total cost to the sector, which will be very much influenced by who is off and for how long, by the grading and the terms and conditions and by when statutory sick pay comes into play. We cannot oversimplify that by saying, “It’s because this has gone up.” What we may see is an increase in costs due to the length of absences. As has been already referenced, the issue is about the demographics—the ageing workforce. There may have been an increase in costs because of the seniority and age of staff and because of where they are in internal pay banding. Similarly, costs will have gone up because of annual pay increases and increments.

That is a long way of saying that I cannot give you a number. The report that we produced was very much a summary of the 32 reports that were produced by auditors on the commission’s behalf. We have seen that there could be an improvement in the level of data that is held and collected on the costs of and on the use of, and reliance on, agency staffing. However, as Andrew Burns said, in relation to the recruitment challenges that rural and smaller authorities face in particular, there is general acceptance that reliance on agency staffing is prevalent—for example, in the adult social care sector. We are all well versed in the implications of that. I add a degree of caution about looking for a figure, because it will be influenced by circumstances in individual local authorities.

Mark Griffin: From your work with the 32 local authorities, do you get a sense of why sickness absence levels are so high? Are there any recurring themes? Is there a shrinking workforce, which is putting pressure on staff and leading to absence? Is it pay restraint in local government that is causing problems? Does the cause really depend on each individual local authority’s situation?

Andrew Burns: To be honest, it is probably the latter—the issue is very individualised. If I were to respond directly to earlier points, I would be giving you anecdotal evidence about what we see. As Martin McLauchlan was saying, the position is very individualised across the 32 authorities—I touched on that in my response to your first point.

The issue is acute in some areas. Retention and recruitment, and sickness absence, are better in some areas than they are in others. That is just a long way of saying that I agree with your latter point. My colleagues might contradict me, but I do not think that we have strong evidence that there is a specific nationwide trend.

Mark Griffin: The commission has stated that a key challenge in enabling transformative change relates to digital skills and capacity. We heard that from councils last week, too. What role does workforce planning have in addressing that challenge?

Andrew Burns: That is a really important area in which workforce planning has a big role to play. As several of us have mentioned, the work that SOLACE and the Improvement Service are undertaking has a digital stream. I think I said earlier that some SOLACE members were before the commission just last week, in a private session, when there was a discussion of all that.

There is a real understanding and an awareness that it is probably not sustainable to have 32 different digital frameworks, for want of a better phrase, across all the local authorities in a relatively small country such as Scotland. There is a real acceptance that that has to change and a willingness to develop work on it in the near future, and there is no doubt that workforce planning will have a big part to play in that.

I do not know whether any other panel members want to expand on that.

Martin McLauchlan: There are several issues in there that are related to topics that have already come up during this evidence session. We could be glib and talk about the ageing demographic in Scotland and in the council workforce but, ultimately, there is a requirement to ensure that staff are trained and keep pace with digital transformation. We all face those challenges, but they are particularly acute when we are asking organisations to make significant investment in things such as digital solutions to mobile working. Workforce planning will be absolutely key, because although organisations have to ensure that the workforce is able to use digital innovations and solutions, that will ultimately have an impact on staffing requirements.

Organisations must ensure that their plans are well informed and reflective of the changing environment in establishing their future workforce requirements. The workforce planning framework will lend itself to encouraging thinking about workforce demographics, the training that will be required and apprenticeship programmes. That is all interlinked. Organisations will be required to understand the current operating environment as well as how digital solutions, technologies and efficiencies will impact their overall workforce five to 10 years from now.

The Convener: Before I bring in Meghan Gallacher, I have a couple of questions linking the themes of retention and digital skills. This might be outwith your remit, but have you come across any evidence of the move to digitisation causing older

people in the workforce to think, “I don’t want to go down that route or retrain”? I am aware anecdotally of that happening and of people thinking, “That is a whole new skill set that I don’t want to get into”, and then choosing to leave. Have you come across that?

Andrew Burns: We have, but the evidence is anecdotal. I would not like to sit here and claim that there is a statistical trend but we have witnessed some of what you have just described. It is not dissimilar to the point that I was making about some of the smaller or rural and island local authorities struggling to employ and retain individuals who are specifically qualified, such as people with digital skills or senior finance officers. That is not to say that employment and retention are not issues in Glasgow or Edinburgh, too, but they are much bigger issues in small and rural communities and local authorities.

The Convener: Let us stick with the islands. You mentioned that local authorities in the Highlands and Islands have difficulty recruiting people. Again, this might be outwith your remit, but how much of a factor is housing? The committee has taken evidence on the challenges with housing in rural and island communities.

Andrew Burns: That is a good point. I am struggling to remember which local authority it was but, in the past couple of years, we came across an example of a rural or island local authority that was struggling to retain specific staff because of housing. To resolve that, the local authority included a housing offer in its recruitment campaign, which had some positive impact. I do not know whether anyone can remember which local authority it was. None of us can, I am afraid.

Martin McLauchlan: I would not want to put it on the record, in case I am wrong.

Andrew Burns: There was one, so maybe we can get back to you and confirm which one it was. The issue came up—I remember it distinctly. The local authority used a housing offer as part of the recruitment campaign because that was an issue for the area, and it had a very positive impact.

11:15

The Convener: That is good to hear.

Martin McLauchlan: I do not want to stray into speculation, but it is well understood that the lack of affordable housing and the higher cost of living in rural authority areas play a role in the recruitment challenges. I believe that that was cited in a report that was produced jointly by SOLACE, the Improvement Service and the Society of Personnel and Development Scotland, which we drew on for our work.

It is undoubtedly an issue. I may have to correct the record, but I believe that one of the authorities that has looked at it in the past is Moray Council, in relation to social care staff. Certainly in the past decade or so, it has not only looked at affordable housing as part of its investment plans but—alongside island authorities, which I believe have taken similar steps—has looked to ensure that key staff were given accelerated access to affordable housing opportunities, because, otherwise, there would be severe staff shortages in the area.

The Convener: It is good to hear that there is a proactive approach.

Meghan Gallacher (Central Scotland) (Con): Good morning. The Accounts Commission recently reported on Glasgow City Council’s early retirement and redundancy payouts. I was staggered to find out from the report that there was no independent scrutiny of the early retirement and redundancy payouts from restructuring and that the financial terms for the departures of five officials cost more than £1 million. Given that those payouts have come as the council is grappling, as are many others, with on-going budget cuts, that is embarrassing for the council—in particular for councillors, who are having to face up to the scenarios that can occur. However, there is also anger from communities, who see that the cuts always trickle down into communities while, on the other hand, there are big payouts for council officials.

Collectively, how can we look at that better? How can councillors be involved in the processes so that they are always sighted on them, whether in their audit or scrutiny committees or through any other mechanism that could be available to them to prevent such scenarios as I have described from happening in future?

Andrew Burns: That is a really important point. I am relieved, in some ways, to say that it does not happen very often. You might have noticed that I led in the media on the issue a couple of weeks ago.

The report that you refer to was a section 102 report—a specific report that was undertaken by the controller of audit on behalf of the Accounts Commission. We had another a year or so ago, relating to Aberdeen City Council, but such instances are very rare.

I hope that, in the tone of our findings and the media coverage that followed, you got the complete flavour of how frustrated we were as a commission by what had happened. We were equally surprised by it. The scheme of delegation was not adequate and proper procedures were not necessarily followed in that case. You will have read or heard that the commission is clear that the nine—as they are in Scotland—Nolan principles,

in particular on integrity and objectivity, were not followed.

The in-coming chief executive of Glasgow City Council has rectified many of those issues, with elected member input. The scheme of delegation has been changed, and I understand that there has been a training programme on the Nolan principles.

On the back of the findings that the commission made in the section 102 report for Glasgow, I as deputy chair, wrote to all 32 local authority chief executives and leaders, specifically highlighting the case of Glasgow, to draw their attention to it. As chair, Jo Armstrong did the same a year or so ago in relation to the section 102 report on Aberdeen City Council that I mentioned a few moments ago.

It is reassuring that those instances are rare and that they are picked up. The Aberdeen case was picked up through whistleblowing, and the Glasgow one was picked up retrospectively through the annual audit. They are picked up, but it is reassuring that they are not all that common.

That situation underscores the need for all local authorities to look at their scheme of delegation and elected member and senior officer awareness of the nine Nolan principles, and make sure that what we saw in Glasgow cannot happen again. That is exactly what was in my letter to them.

Meghan Gallacher: That is helpful.

You referenced whistleblowing. Are the whistleblowing procedures in councils robust enough, or should councils be mindful of them to ensure that people feel confident to raise such matters through the correct processes?

Andrew Burns: It is the latter. I could not say that the whistleblowing policies in all 32 councils are 100 per cent marvellous. We do not have that evidence at our fingertips. However, every local authority should make sure that they are adequate and that—your point is the most important one—individual members of staff have confidence that they can use the system safely. That is exactly what happened in the case of Aberdeen, a year or so—reassuringly, as I said. It is up to local authorities to make sure that they have appropriate whistleblowing policies in place because, clearly, the Aberdeen example shows that whistleblowing had a very positive impact on a negative issue.

Meghan Gallacher: Thank you.

The Convener: Almost right on time, that concludes our questions. I thank the witnesses for their very helpful contribution this morning to our work on pre-budget scrutiny. Thanks for joining us.

We had previously agreed to take the next items in private, so I close the public part of the meeting and we move into private session.

11:21

Meeting continued in private until 11:54.

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

Information on non-endorsed print suppliers
is available here:

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



The Scottish Parliament
Pàrlamaid na h-Alba