



OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government, Housing and Planning Committee

Tuesday 28 October 2025

Session 6



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LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE
27th 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

THE FOLLOWING ALSO PARTICIPATED:

Jonathan Belford (Chartered Institute of Public Finance and Accountancy)

Andrew Connal (Scottish Government)

Councillor Katie Hagmann (Convention of Scottish Local Authorities)

Councillor Steven Heddle (Convention of Scottish Local Authorities)

Ellen Leaver (Scottish Government)

Shona Robison (Cabinet Secretary for Finance and Local Government)

Alan Russell (Society of Local Authority Chief Executives and Senior Managers)

CLERK TO THE COMMITTEE

Jenny Mouncer

LOCATION

Committee Room 6

Scottish Parliament

Local Government, Housing and Planning Committee

Tuesday 28 October 2025

[The Convener opened the meeting at 09:31]

Decisions on Taking Business in Private

The Convener (Ariane Burgess): Good morning, and welcome to the 27th meeting in 2025 of the Local Government, Housing and Planning Committee. Meghan Gallacher MSP and Mark Griffin MSP join us online, and Fulton MacGregor MSP will join us during the meeting.

Under the first item on the agenda, does the committee agree to take items 3 and 4 in private?

Members *indicated agreement.*

Pre-budget Scrutiny

09:31

The Convener: The next item on our agenda is an evidence-taking session with two panels of witnesses as part of our pre-budget scrutiny. For our first panel, we are joined in the room by Councillor Katie Hagmann, who is the resource spokesperson at the Convention of Scottish Local Authorities; Jonathan Belford, who is the chair of the directors of finance section at the Chartered Institute of Public Finance and Accountancy; and Alan Russell, who is representing the Society of Local Authority Chief Executives. We are joined online by Councillor Steven Heddle, who is the vice-president of COSLA.

I welcome everyone to the meeting. We have about 90 minutes for this discussion. There is no need for you to operate your microphones. We will direct our questions to Katie Hagmann and Steven Heddle, and they can direct them to others. As he is online, if Steven Heddle wants to come in on a question, I ask him to indicate that by putting an R in the chat function.

We will now move to questions, and I will start with a question that is specifically on the forthcoming budget. Something that has come up in our sessions so far has been the need for multiyear funding. Our witnesses may be aware that I questioned the First Minister about that during the conveners group meeting with him a few weeks ago, and I got assurances from him that that will be forthcoming. That is a positive step, but something else that I have picked up in our sessions is the need for flexibility. It is one thing to have multiyear funding but, while there has been a move towards more flexibility, I have also heard that there are still concerns in that space. I would be interested to hear the witnesses' thoughts on that.

Councillor Katie Hagmann (Convention of Scottish Local Authorities): I am happy to start. Good morning, everyone, and thank you for inviting me along today.

Having a multiyear settlement from the Scottish Government so that we can plan across local government has been a long-term ask and desire. We are facing a range of hard challenges—certainly, they are not getting any easier. In order to address those challenges head on, we need to have that long-term vision. One of the points that we have been making for quite a time is that we want to get into a space where we are looking at preventative spend. That remains key. We end up having to do a lot of firefighting because of the short-term funding model that we are on. It is part of the Verity house agreement that there should

be no ring fencing and that we should have as much flexibility as possible. That is intended to reflect the fact that we have 32 local authorities that want to deliver services that best meet the needs of their communities. Scotland has a range of demographics, areas and economies, and each area is unique. We need to have that flexibility to meet the demands. The ambitions of eradicating poverty, tackling the climate emergency and moving towards net zero all take long-term plans, and the funding has to be there in order to deliver.

The Convener: As we know, the Scottish Government's budget will be published in mid-January, and I am interested to get a sense of the time pressures that will be placed on local authorities as a result of that, but also what the impacts will be on community and service-user engagement.

Councillor Hagmann: Perhaps Jonathan Belford is the best person to speak to about the timeframes involved in having a later budget. We have to be able to set our council taxes by a certain date, the notices have to go out, and some really difficult decisions will have to be made. Without that certainty, there will be a huge amount of pressure on staff to be able to look at long-term planning and so on.

It will be a challenge, but local government always meets those challenges head on. We are in our communities, and we are listening. A range of consultations is happening across Scotland. The budget gaps that we are potentially facing are stark, so we are doing the homework now, but obviously a later budget brings its challenges. As resources spokesperson, I meet with the cabinet secretary regularly, and those conversations about long-term planning are happening.

Jonathan Belford (Chartered Institute of Public Finance and Accountancy): Good morning. The clarity that we get from the settlement is the final adjustment that is made to our budgets and the way in which we present them to our elected members as a sector. Therefore, the earlier we get that information, the more time we have to work with the actual figures. It comes back to that multiyear certainty point that you asked about, convener. It is important that we are able to understand what our actual position is and bring certainty to our decision making and financial planning.

Although the budget will be set in the middle of January, that is not to say that we are not doing things now. I am very confident that every council is already doing work around budgets. Across the sector, we are, as I am in Aberdeen, probably looking at budget engagement starting in November around the choices and decisions that we potentially need to make. That will include gathering the information that we are looking for

from the public and our citizens about how changes that we might have to make impact on them.

All of that work is happening. Every council will have a five-year medium-term financial strategy in place. Therefore, there is a sense of understanding what next year might look like. The refinement in January will have to be squeezed into decision making within an eight-week period. I would imagine that every council is considering how it is going to do that. Certainly, we have heard that one or two councils have already changed budget setting dates, moving them back slightly, in order to accommodate the work that they feel needs to be done.

Going back to the point about the certainty that getting a multiyear deal brings, I think that the ability to engage meaningfully across a period, rather than just for the next year—the year that is ahead—is a key point. I will stop there.

The Convener: It sounds as though that proactive work is also useful for COSLA's discussions with the Scottish Government as the budget is being negotiated. Therefore, the mid-January full stop is not the starting point; it is the end of the beginning of the process.

Jonathan Belford: Absolutely, I would agree that it is the end point. [*Interruption.*]

The Convener: Please hang on a minute, as I cannot hear you. I am not quite not sure what is going on. For those who are watching at home, I should explain that the blinds are going up and down, which is making a lot of noise in the room. We have to have the blinds down because there is so much wonderful sunlight that it affects the lighting for broadcasting. Sorry, Jonathan—please continue.

Jonathan Belford: It is very much the end point; I suppose that it is the end point in a process that is continuous throughout the year. We are not pretending that this is something that we start at a particular moment and just do at a council meeting, and that it will end somewhere towards the end of February or the beginning of March. It is something that now happens throughout the year. I think that the opportunity to get multiyear settlements—if we are to get them—and having that understanding will help enormously.

The Convener: Good, thanks. Alan Russell, did you want to come in?

Alan Russell (Society of Local Authority Chief Executives and Senior Managers): I will add briefly to what Jonathan Belford covered. The move to multiyear settlements would be a very significant step forward. As he said, prior to having multiyear settlements, every local authority plans

over the medium term and takes a view of what the expectations are likely to be. That informs engagement with local communities. Having multiyear budgets would provide added certainty.

It takes a number of complex programmes to deliver transformation, change and savings, and it takes time to engage well with local communities. Multiyear settlements would provide an opportunity to do that in a more informed way and helps to close down one of the major uncertainties that has had to be managed over a long period. It would represent a big step forward.

As Jonathan said, the settlement date for this year compresses the budget-setting cycle, which makes that final part of the process for setting the budget for the forthcoming year more challenging. However, I think that engagement with our communities will have been on-going for some time.

The Convener: Thanks. I will move on, although we will stay within the budget space. Meghan Gallacher, who joins us online, has a number of questions.

Meghan Gallacher (Central Scotland) (Con): Thank you, convener, and good morning to our witnesses. I am very interested to hear the witnesses' views on the ability of local authorities to increase council tax next year as they see fit. Certainly, in the 2025-26 budget for local government, we saw some stark increases; one example is Falkirk Council, which increased its council tax by 15.6 per cent. I am interested to hear views on council tax increases but also on the impact that such increases will have on hard-working taxpayers—both individuals and families. What could be the consequences of increasing council tax, and what impact could that have on individuals in the community?

The Convener: Katie Hagmann, do you want to pick that up?

Councillor Hagmann: I am happy to start. First, across Scotland, local government leaders have been very clear that council tax must be able to be set locally. That is a local decision that has to remain with local government. Certainly, throughout all the lobbying that we have ever done, we have always said that there should be no council tax freeze and no council tax cap. We are yet to launch our budget lobbying position, but I can pretty much guarantee that that view will not change. Last year, the figures appeared to be quite stark and a lot of concern was raised in the media. However, it is important to remember that a huge range of support is available for those individuals and families who are on the lowest incomes and who are struggling, and councils are there to help and support them.

Alongside that, the consultation on the review of council tax that has just been launched jointly with the Scottish Government is a positive step. I am delighted to have been working with the cabinet secretary on taking that work forward, and the consultation is live. We want to ensure that our council tax is fair and that it is based on a solid tax base. There is a huge amount of work to be done. I appreciate that that work has perhaps not gone as quickly as we might like—I am sure that there are frustrations across Parliament about that. I have met all the political parties and had discussions with them on council tax reform. However, that work has commenced, so that is really positive.

However, on your question of where council tax decisions should be made, our very clear response is that they absolutely should be made at the local level. We are ready to support anybody—individuals and families—who may be struggling, ensuring that nobody is left in a difficult or challenging position.

09:45

The Convener: Meghan, before you come in again, Steven Heddle and Jonathan Belford have indicated that they want to come in.

Councillor Steven Heddle (Convention of Scottish Local Authorities): Thank you very much. I want to add to what Katie Hagmann said. It is absolutely essential that local authorities should have the flexibility to set the council tax that they need to set. None of our local authorities likes to set a high council tax, but the necessity for a high council tax will be driven by how the multiyear budget matches our expectations. If we have a budget that falls short, we will, of necessity, need to raise additional money through council tax and, indeed, charging.

The impact on council tax payers is a point that is well made—the issue weighs heavily on every councillor who has to set the council tax. Katie Hagmann mentioned that, in looking at reform, we want council tax to be fairer and more progressive. That will have a beneficial effect on those on lower incomes, in terms of the impact of the council tax that they will have to pay out of those low incomes. For those on the lowest incomes, the impact is largely mitigated by the council tax reduction scheme—in the most extreme cases, they pay no council tax, although they will, of course, pay water rates, from which they are not exempt.

The increases in council tax last year has to be seen in the context of many years of council tax freeze, which we estimate has left a cumulative shortfall of probably about £700 million in council budgets that we would have otherwise had if

council tax had trended up at the same rate as it had before the freeze. It also has to be seen in the context of last year, when there were significant wage rises, the impact of employer national insurance contribution increases and the devastating impact of high energy prices, all of which are probably identical to the calculations that were factored in in setting budgets the previous year.

Jonathan Belford: I do not want to repeat what Councillor Heddle and Councillor Hagmann have just said. However, I emphasise just how important council tax is for local authorities in terms of how much it raises. The billions associated with the council tax that are brought into the overall budget mean that it is the largest financial lever that local authorities have and therefore is fundamental to the financial sustainability of each council. Where is the funding to support rising costs, which we have seen progress significantly over the past decade, and certainly the past five years? If the two things are not moving in parallel and if there no opportunity to shift council tax, you are ignoring the fact that part of the budget is therefore unsustainable. An income is needed to support the whole of the budget that is presented. Therefore, although there needs to be an element of increase coming from the Scottish Government in the grant funding, flexibility is also needed.

It is important to note that when we put options in front of our elected members to make those choices locally, we do so on the basis that very few decisions are easy. Things are all being set against each other, if you like. Managing how to choose which decision is the right one is obviously something that our politicians do. However, council tax is set and considered very carefully alongside all the impact assessments, for example, that are done as part of that budget-setting process.

The Convener: Thanks. We will hear briefly from Alan Russell, and then we will go back Meghan Gallacher, because she has a few more questions.

Alan Russell: As Jonathan Belford touched on, council tax is part of the funding arrangements for local government. However, it is not just about balancing the budget; it is about maintaining what every council has to support those who are most vulnerable and tackle inequality in our communities. Every council will have its own arrangements and focus on that beyond core services. Certainly, Renfrewshire Council has had a long programme of tackling poverty, an alcohol and drugs programme and our fairer Renfrewshire programme

The council tax has been critical to the generation of local resources to direct additional

support to the most vulnerable in our communities and to support major economic regeneration investments, which are about growing the economy, creating opportunities for all and inclusive growth. It is important to recognise that it is not just about balancing budgets but about being able to tackle and direct support to local priorities as well.

The Convener: Thanks for that. It was a good point and good to hear the illustrations in your own local authority. We go back to Meghan.

Meghan Gallacher: I have been listening with interest to the answers that have been given thus far, but I do not believe that it is fair to ask council tax payers to plug gaps in local authority budgets, especially at a time when the level of public services is decreasing. Council tax payers are experiencing a lot of cuts in their communities, which is causing a lot of unrest. I will come on to a question about that in a second.

We have also heard a lot about the discussions between COSLA and the Scottish Government. I am pleased to hear that those discussions are progressing. However, councils will have to grapple with two issues over the next few months as they prepare their budgets—how they can meet workers' pay demands and how they can address the dissatisfaction that exists with council services. At a previous committee meeting, Unison said that the growing dissatisfaction was "dangerous".

I would be interested to hear the witnesses' views on the situation in the round, given that there is a reduced level of trust in local government and that the number of complaints about council services has increased by more than 21 per cent in the past year.

Councillor Hagmann: I will kick off on that. First, when it comes to pay demands from our workforce, local government is on the front line of a huge range of services, and our staff are absolutely incredible. I will defend our local government workforce at every opportunity. Our workers absolutely deserve fair pay and good pay for the work that they do. We will always ensure that we pay fair wages. We are also signed up as fair work employers.

That puts demands on our budgets, because we want to be able to offer pay increases that can keep up with inflation and so on. It is great that we have managed to secure a two-year pay deal through the Scottish Joint Council for local government employees. That is a positive step, because it will allow us to do a bit extra planning and will give us some breathing space to look at the range of issues across our workforce. We are talking not only about pay but about terms and conditions. A range of conversations are under way.

We are still committed to looking at paying a minimum of £15 an hour, but that comes with challenges, and it will need to be funded by central Government. We lobby the United Kingdom Government as well, because we are not operating in isolation here. We are acutely aware that the Scottish Government is constrained by the budgets that it gets from the UK Government. It is important to put on record the fact that COSLA does not lobby only the Scottish Government; we are also lobbying the UK Government ahead of the budget.

There is evidence of dissatisfaction, but I would temper that slightly. Local authorities have made it much easier for our citizens and our communities to be able to voice their concerns. We have a lot more engagement across our communities than ever before. I am not saying that it is simply the case that more people are reporting and that satisfaction levels have not changed, but we need to be mindful of that. Across local councils, elected members get a snapshot of where complaints are coming in, and whether they are resolved at stage 1 or stage 2.

We do a huge amount of learning, but budgets are constrained, so we are having to make difficult decisions. The services that we provide have been described as “deeply human”. Humans are looking for the very best outcomes. We desperately want to deliver those outcomes, but, as has been said previously, the decisions that we face are difficult and challenging, and we must look at what outcomes we are trying to achieve. I am not going to say that everything is absolutely fine and that there are no complaints—of course people have complaints, but we will listen to them and make constant improvements. That is what we do every single day anyway.

Alan Russell: As Councillor Hagmann touched on, a key aspect to recognise is the fact that our communities, and families in those communities, are under greater pressure, so they are relying on many council services to a greater extent. That means that there is greater demand for a wide range of council services. As Councillor Hagmann said, there is pressure in the system, not only in councils but across public services. That is reflected in some of the challenges and complaints that we face in areas where people seek more support.

What is important is how quickly councils respond and that they are seen to respond. They need to continue to engage well with their communities, not only on how services are delivered now but on how they will change in the future. It is important that councils work well with their communities to develop and change provision, and to support them. Local government is sometimes not the best vehicle to do that; often,

the best way to help is to work with our communities to help them to deliver support themselves.

It is a challenging situation, but what is important is how local government reacts, responds and works with its communities to resolve issues and to move things forward.

The Convener: Steven Heddle has indicated that he would like to respond.

Councillor Heddle: Meghan Gallacher’s question is an interesting one that touches on a lot of key points. In local government, we have seen our workforce cost increase by 26 per cent since 2014, despite the fact that the size of that workforce has declined by 11 per cent over approximately the same period, even taking into account the large increase in the workforce that resulted from our taking on the early years commitments. Therefore, workforce pay is a key pressure on us as we seek to align our budgets and decide on what services we can provide.

It is important to note that the Accounts Commission has said that councils

“have generally been effective in identifying and delivering efficiency savings”,

while largely maintaining how services have performed. However, that is becoming more difficult.

The decline in trust in local government and the dissatisfaction with services are part of the decline in trust in democracy in general that we can see in the discourse as a result of the lack of civility in the way that politics is conducted and the misinformation that is spread through social media. The fact that local government has been found to be more trusted than the Scottish Government and the Westminster Government, in that order, recognises our close connection with our communities.

However, I do not want to sugar coat things. We have had to reduce services through necessity. A fundamental point that we want to get across in all our budget lobbying as part of the pre-budget scrutiny process is that there needs to be sustained investment in local government to allow a transformation to take place to the preventative agenda that we think will drive savings without compromising the quality of services by leading to redesigned services of a high standard.

The Convener: I hear the point that there is more engagement, but, according to the Scottish household survey, people feel less empowered to influence decisions than they did 15 years ago.

Perhaps Steven Heddle’s point about the general decline in trust in democracy relates to an issue that came up in relation to Meghan

Gallacher's question about council tax increases, which I made a note of—that of whether people really understand what their council tax is for. Is it perhaps the case that there is something missing from the general population's understanding if people do not feel that they can influence decisions and they do not understand what their council tax is for?

10:00

Councillor Hagmann: I am happy to come in on that. One of the positives of doing the council tax consultation is that it enables us to explain what council tax is used for and that, although council tax brings in a significant amount of funding to local government, it amounts to only around 19 per cent of our entire budget.

That is an important discussion to be had, which I have had the opportunity to feed in to by being on the Scottish Government's tax advisory group, which Shona Robison is leading. There has been a lot of discussion about how we explain how the tax systems work so that people have a proper understanding of that. I am very aware of the fact that people might not have a great depth of understanding of what their council tax is for if their council tax bills are not written in a way that is easy to understand. There is work to be done on that.

However, as Steven Heddle said, there is a wider narrative here, which we cannot ignore. A huge amount of disinformation is put online through social media, and that is damaging reputations. Regardless of whether that is based on fact, it is quite a challenging situation to be in. It is very easy for misinformation and sensational headlines to grab the attention and simply spread.

Alan Russell: To pick up on the issue of complaints, the Scottish household survey provides a very one-dimensional view of satisfaction levels. Because of the concerns about the depth and robustness of the information from the Scottish household survey at local level, Renfrewshire Council is about to complete its own household survey, which we will report on. We are completing a much deeper survey, and most councils are probably doing the same.

The results that we are getting through that survey indicate that there is a much stronger level of satisfaction with many services across the board. To pick up on Councillor Heddle's point, communities probably have a greater level of trust in council services and, importantly, the council workforce than they do in national Government.

Although it is true that complaints are an important measure, the picture is more complex than that. It is important to recognise that individuals councils will have much richer

information than the information that is provided by the national household survey at a local level.

The Convener: So there is a need for a more nuanced understanding and for better information to be uncovered.

We will move on to the theme of—

Meghan Gallacher: I am sorry, but I had—

The Convener: Apologies, Meghan. Come on in.

Meghan Gallacher: Thank you, convener. We have discussed lobbying the Scottish and UK Governments. Given that council tax revenue makes up roughly 15 to 20 per cent of councils' overall budgets, do our witnesses believe that this year's budget could result in another reduction in services? Is it possible that, rather than growing provision in areas of need, there might be a reduction in statutory services? I am thinking about areas such as education, social care and environmental services, which are areas in which people see the impact of direct cuts on their communities.

Councillor Hagmann: We are aware and mindful of the projected budget gaps that we are facing. Audit Scotland has published some stark figures on where we are at.

It is important to say that we are prioritising where we can. Figures show that, since 2011—which I appreciate was quite some time ago—our adult social care budget has increased by 29 per cent. That shows that we are prioritising the human level, so to speak. However, culture and leisure budgets have decreased by about 26 per cent over the same period.

That takes us back to the question about multiyear funding and our ability to undertake preventative spend. As a society, not investing in leisure, culture and the wellbeing of our communities will leave us vulnerable. As local government, we are stepping up by providing adult social care services, but we are having to look at where best to target our resources. The issue comes down to the outcomes that we are committed to. The eradication of poverty, especially child poverty, is a key area for the Scottish Government and for local government.

The Convener: Thank you. We will move on to the transformation agenda, which Mark Griffin will ask about, but if there is any other information that you want to tuck into your answers to the next questions, please do that.

Mark Griffin (Central Scotland) (Lab): Thanks, convener. We talk about the transformation agenda, but what is your understanding of that agenda in local government? I come to Councillor Hagmann first.

Councillor Hagmann: I think that it is fair to say that, across local government, we have already been transforming our services. Local government today looks very different from how it looked 10 years ago. We have had to adapt. We have had to look at how we deliver the services that our communities expect and demand—and should be entitled to—but with fewer resources. Where possible, we will work across local authority areas, and we are looking at ways to enable shared development and shared working.

Digital opportunities are there for the grasping, and I am delighted that, next month, I will be launching the refresh of the digital strategy with Ivan McKee. There are huge opportunities in the digital sphere.

A huge amount of work has been going on. I know that SOLACE has been very involved in transformation, including in the work on the councils of the future. It is an on-going piece of work—we have already started on that journey.

The Convener: Does anyone else want to come in on that?

Alan Russell: I will echo what Councillor Hagmann said. The period from 2011 is a long one, but it is important to recognise the scale of change that councils have delivered over that time. Renfrewshire will not be untypical of every other local authority. We have saved £190 million over that period. Our current budget is about £550 million. If I extrapolate that for the whole of Scotland, there will be around £6 billion in savings by local government against a £16 billion spend. Delivering that level of savings is significant and that cannot be done without a lot of transformation.

Councils have a strong track record of redesigning services, making best use of digital and technological solutions, rationalising assets across our estates, collaborating and delivering shared service opportunities, streamlining our organisations and reducing bureaucracy. There is a long track record of delivering change and transformation at scale. As was touched on earlier, there is no doubt that doing that becomes more difficult as we move forward. However, there will be new opportunities. Artificial intelligence is an area of developing opportunity for councils, including my council, and they are making progress on that. There will be continue to be opportunities to transform, but, as I said, doing so undoubtedly becomes more difficult.

As was mentioned, since 2011, education and social care have been heavily protected through the policy decisions that have been made, which means that a lot of the savings have been shouldered by other services. One cannot deliver that level of savings without significant

transformation as an organisation and changing how we operate and work with our communities, but there is no doubt that that gets more difficult moving forward.

Mark Griffin: Councillor Hagmann mentioned relaunching the digital strategy with Ivan McKee in the Scottish Government. That leads nicely on to my second question, which is about how the local government reform and transformation agenda sits within the wider public service reform agenda of the Scottish Government. Is that being done hand in hand with the Scottish Government? Is there co-working on and co-reform of the entire public service sphere, or are local authorities doing it on their own as a result of being forced into that by budget cuts?

Councillor Hagmann: I am happy to say that there has been collaboration with the Scottish Government. Local government was invited to take part in an event on the public sector reform strategy—I think that that was at the tail end of last year. In fact, Steven Heddle spoke at Ivan McKee's launch of that. We were very much side by side with the Scottish Government on that and we have been welcomed round the table.

I had a meeting just last week with Ivan McKee, looking at the aspiration to reduce the workforce as part of public sector reform. I am quite happy to comment on that point specifically. On the aspiration to reduce the workforce by 0.5 per cent across local government, we are clear that we have already reduced our workforce significantly, if we take out early years and childcare. Our ask is clear that the 0.5 per cent reduction in staff must not include local government staff.

One of the few areas where we could potentially reduce staffing would be across education. We could reduce teacher numbers, but that would go directly against the aspiration to maintain teacher numbers. Without having that flexibility, we just simply could not go there. Our local government teaching workforce costs around £4 billion in wages and so on.

We are already reducing our workforce—and we have been doing so over a significant period. From quarter 2 of 2024 to quarter 2 of 2025, our workforce reduced by 0.7 per cent. We have already done that work.

I can reassure the committee that joint work is going on there. I do not know whether Steven Heddle wants to talk about being a speaker on that panel and launching that public sector reform work.

The Convener: Steven Heddle, do you want to come in?

Councillor Heddle: Yes, please. The launch of the public sector reform strategy was a very

interesting day, and we certainly very much welcomed Ivan McKee's invitation to local government to sit alongside him and apply our context to what that reform should be. We were clear that the public sector reform strategy is a Scottish Government document and necessarily has a Scottish Government-led focus on public bodies and how they can or should be reformed. We are keen to support that work alongside the Government, as we see that the public sector is something that needs to be viewed in totality.

We have a focus on our large part in that and were keen to make the point that local government is, in a way, an exemplar of bodies working together across a wide range of services and geographies where it makes sense to find efficiencies. We would be keen to embrace our public sector partners more in doing some of that work, and that is something that we always pursue in the context of community planning.

If we look ahead, we have a proactive approach towards reform in our own context. Our innovating, developing and transforming special interest group, comprising senior officers in COSLA, is looking at that. All the group leaders meet at COSLA so it is a necessarily high-powered group to ensure that there is buy-in to the change agenda across all parties.

10:15

We are also looking with our partners in the Improvement Service and SOLACE at the work that they are doing, which has been endorsed by the Accounts Commission as highly important. That addresses some of the more specific strands of work—[Inaudible.]—including digital, within the policy context that is important to us, such as the fairer Scotland duty, and perhaps we will be able to finally realise the ambitions of Crerar as we go forward.

Mark Griffin: I have a final question on a significant transformation that has taken place already: integration joint boards. IJBs were supposed to allow resources to be moved and shared between health boards and councils, and that that was a spend-to-save initiative to reduce delayed discharge and keep people healthy at home. However, it seems to be the case that councils spend and health boards save. That is my impression and understanding from councillors in my area.

How are integration joint boards and that significant piece of transformation interpreted? Has it worked as planned? Has it allowed resources to flow between councils and the national health service and, as important, in the opposite direction, too?

Councillor Hagmann: The position on finances is absolutely stark and IJBs across Scotland are struggling. This year, IJBs have forecast a funding pressure of £497 million, which is despite the funding made available to them from local government and an additional £109 million from partner bodies.

The demand for services has never been greater, which is a result of a range of issues. We are still dealing with the impact of Covid and we have an ageing demographic. We are facing really difficult pressures locally. We have perhaps lost sight of some of that preventative agenda, which is why that firmly needs to be back on the agenda now. We are at the firefighting stage. As much as I said earlier that our budget for adult social care has increased—it absolutely has increased—it has not increased enough to meet demand, which we still struggle to meet. We are doing all that we can.

I cannot speak on behalf of the NHS and how its manages its budgets. However, from a local council point of view, we are there at the table and are working in partnership to deliver.

It is really important that that integration happens. When we are looking at place planning and investing in our communities, we must do so holistically and consider the whole community. We need to make sure that services, including health provisions, are there in the communities where people need them. We are working hard, but that does not take away from the fact that there is a huge financial pressure on our IJBs and across health and social care.

Jonathan Belford: Given the demand, I am not sure that IJBs were ever a spend-to-save initiative. I see spending and demand rising at what feels like exponential rates, and delivery costs are rising across health and social care and community-based services.

There is an element of resource shift between the two sectors. I see that locally in funding that is coming through the health service, with reserves being transferred across according to the arrangements and the directions that the IJBs are giving to the health board and to the local authority on what they want done. The challenge is how to shift more resource to enable, as Councillor Hagmann mentioned, the prevention agenda in community-based services in order to stop people entering the health system at the expensive end, while meeting the added demand in the system. Unfortunately, that needs additional funding.

We have seen councils and health boards provide additional funding during the past number of years. Things have become more acute during the 2025-26 financial year, and more councils and health councils are recognising the need to make

a year-end adjustment, which will affect spending patterns.

On some of those adjustments that were made locally in Aberdeen, a choice was made as part of the budget to add funding to the IJB that was beyond what the Scottish Government had included in the settlement. We added more than £4 million, with the health board committing to almost £7 million as its share of the extra funding. That was to prevent some of the more difficult and challenging impacts on those who are accessing our services. That was about trying to mitigate situations in which people would not otherwise have had access to individual services in local communities and about trying to recognise that that funding was critical to ensuring that spending continues on our services.

Alan Russell made the point about making sure that we continue with those services and therefore choices are having to be made. I do not see a saving. We are trying to transform services and find savings where we can, but it is now crystal clear that there are far less reserves in IJBs, if anything at all. They are working very much from hand to mouth with the money that is received from the two partners in the system and any excess demand that is beyond their means is causing real problems for councils and for health boards.

The Convener: Before I bring in Steven Heddle, I have a time management point for us all. We have asked about a third of our questions, but we have used up about two thirds of our time. We have about 40 minutes left, and I must ask for more succinct responses. Please indicate if you want to come in, and I will try to bring you in. It is not as if people are repeating what has been said—that has not been happening. Everything that has been said has been important; I just want to make sure that we are keeping to time as best we can.

Steven Heddle will come in on the IJBs, and then I will bring in Willie Coffey with some more transformation questions.

Councillor Heddle: Katie Hagmann has quantified the pressure that has been identified. We are talking about nearly half a billion pounds, and that is despite all the moneys that have come to local government and have been passed to IJBs, plus an additional £109 million from our partner bodies—it is not just local government. We can see that there is not enough money there. In our recently launched manifesto for local government, we highlighted the need for an additional £750 million investment in social care.

Jonathan Belford has outlined the unmet need, the increasing demand and the need for prevention to help turn this supertanker around

and allow us, over time, to reduce spend. There is maybe an important question to ask around what the point of IJBs is and whether they have succeeded. I think that it is clear that there has been a vast improvement in health and local government working and planning together, so from that aspect, yes, IJBs have been a success, but the financial aspects remain stark.

The Convener: Thanks very much for that. Willie Coffey, come on in.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Thanks, convener, and good morning to everyone on the panel. Sticking with the transformation agenda for a moment, I will ask a straight question. Does transformation only occur when you face a budget pressure, or does it occur elsewhere? I ask Katie Hagmann to give a couple of examples.

Councillor Hagmann: We do it as standard. It might appear that we only start looking at transformation when there are budget cuts, but we are doing it all the time—we do not stand still with transformation. For example, with digital opportunities, we can put many of our services online, which transforms things because people will get immediate responses to their queries.

Education has transformed. Covid pushed on a lot of transformation. We took a lot of positive learning from Covid that was not about budget but about getting the best outcomes. I am conscious of time so I do not want to talk too much. I do not know whether anyone else has anything specific to add.

Alan Russell: Transformation is about delivering savings and doing things more efficiently, but it is also about delivering better outcomes and providing communities with more choice. Technology in customer services gives people in our communities a wide choice about how and when they contact the council at a time that suits them, whether that is online or through technology that allows us to take phone calls at any time of the day or night.

It is important to recognise that transformation is not just about managing declining budgets. While it is a key part of our response to the financial challenge, transformation is also about expanding choice and delivering better services to our communities.

Willie Coffey: The Accounts Commission keeps telling us about the urgency of transformation—that it is urgent to see more councils transforming more quickly, better and so on. Do you get a sense that transformation is happening uniformly across Scotland and that we are seeing a transformation of services around Scotland?

This morning, the Accounts Commission reported on North Ayrshire, saying that, despite facing a budget cut, its performance

“is an exemplar of how to do change and innovation well and other councils can learn from what they are doing and how they are doing it”.

Do councils get the time to share the good practice that is happening around Scotland? We have often asked over recent years whether councils get the chance to see good practice and emulate it, copy it or adapt it in the way that is highlighted in this morning’s Accounts Commission report on North Ayrshire.

The Convener: We will put Steven Heddle on the spot with that one.

Councillor Heddle: Unfortunately, we might drift into the previous question as well. Councils look at transforming their services the whole time. We all love local government and have a live debate the whole time, and we cannot understand why everybody does not love local government to the same extent that we do. I have a pageful of examples, which I will not read out, but they cover the digital transformation and work that has been done in councils on prevention and early intervention, service redesign, integration, property and asset transformation and collaboration.

Can councils share those practices? Is everybody doing things in the same way? Well, not everybody is doing things in the same way because that would not reflect local priorities and it would mean that there was unnecessary duplication. However, the point about sharing best practice is obviously important. Alan Russell is probably the guy to ask about that in the context of the excellent work that is being done by SOLACE, looking ahead and on an on-going basis.

Every year, councils get a chance to celebrate all the work that is being done in that area at the COSLA excellence awards, which will happen at the COSLA conference next month. Every year, those awards show absolutely fantastic examples from a variety of councils, services and initiatives, regardless of the funding pressures. We are always looking to change and to learn from our colleagues.

10:30

Alan Russell: SOLACE is working in partnership with the Improvement Service on the transformation programme. To pick up on Willie Coffey’s point, sharing best practice and understanding is a big focus in that workstream, particularly in relation to, for example, the development of digital technology. Part of that is about developing best practice and route maps for developing and adopting technology projects and enhancements that individual councils, or groups

of councils, have been progressing. It is very much at the forefront of SOLACE’s thinking.

Some of our smaller councils are challenged, given their scale, which means that tackling transformation is not easy. It is complex and challenging, but it is good to have opportunities to share best practice. The development of AI is coming over the horizon, and we are all actively looking at that. There are certainly opportunities for councils to easily take on board the development and adoption of AI. Pathfinder councils develop that type of technology and show how it can be more easily used and adopted across the sector.

Willie Coffey: Thanks.

Jonathan Belford: The quote that you read out was from an Accounts Commission publication, and in some respects, that is the focal point of those reports. In the sweep of reports that are produced by auditors and Audit Scotland directly on the work that is done in local government, there is a huge amount of data that, undoubtedly, we have access to. Every time one of those reports is published, there is an opportunity for local authorities to see what others are doing and test whether it is something that they are looking at as well. That opportunity is definitely taken advantage of.

There is another opportunity in the professional networks that exist across local government in all sectors, in which 32 local authority representatives come together. There is a finance network, but there are many others that cover a range of professions and skills across local government, and they allow ideas to be shared.

Willie Coffey: Thank you. Your response to that question is very encouraging.

I have another question about the fiscal framework and, specifically, the funding formula. I would like to test whether there is an appetite to look at the funding formula. It has been an issue for many years, and I think that everyone involved with it is scared to touch it or tamper with it in case they lose out. In my view, one of the key components is the impact that population change has on the funding allocation that is given to a local authority. Authorities that are losing population will tend to lose money. If the population in your local authority area drops by 1,000, you face losing up to £2 million. I would imagine that that will be felt in Dumfries and Galloway in particular, and it was felt in parts of Ayrshire, where I am from.

Is there any appetite in COSLA to have a look at that in the next session of the Parliament, to see whether we can make it fairer? I know that there is a floor and ceiling mechanism, but, by and large, if you lose population, you lose money, although the

costs of delivering the service to the local community remain the same. Does COSLA see a need to have a look at that in the coming years?

Councillor Hagmann: It is positive that we now have a published fiscal framework—it was published on 10 October. It is fair to say that COSLA sees that as a first step. It is not a finished document and the cabinet secretary has assured us that it will be reviewed. It is a joint venture, and there is a commitment to review it regularly.

You made a point about a rules-based fiscal framework. That is what local government was looking for, and that ask remains. I fully expect that, when the new parliamentary sessions begins, lobbying the next Scottish Government for a rules-based fiscal framework will continue. It is also fair to say that local government was disappointed not to see some elements, such as a rules-based approach, in the fiscal framework. However, I am also aware that the Scottish Government did not get everything that it wanted either, so there was flexibility on both sides. I think that it will be important for the fiscal framework to remain a live document that will be kept under regular review.

A huge amount of work—I cannot even begin to describe how much—has been done on that by officials on both sides, and the understanding from both sides has provided a huge learning opportunity and has aided discussions. When it comes to the pre-budget discussion and the understanding of where we are at a base level, there has been learning on both sides. From that point of view, it is a positive space, but it is by no means done at this point.

The Convener: Thanks. Everyone wants to come in on this one.

Jonathan Belford: Is that a conversation among directors of finance? Absolutely—it is a conversation that comes up. However, we recognise—and I suppose that we are part of this—the settlement and distribution group arrangements and the work that the Scottish Government, COSLA and ourselves do together on how funding is distributed as it becomes available. It is clear that there is a process for that, and it is underpinned by data and so on.

Of course, as Willie Coffey mentioned, the settlement has a floor arrangement to smooth out the changes. We can get drawn into spreadsheet after spreadsheet and data set after data set, but the simple fact is that, as one of 32 councils, Aberdeen City Council rests close to the bottom. It does not matter if I am to get more money, because that money comes from somebody else and so on. How do we make that shift? It is very difficult to achieve; it ultimately means more funding needs to go into the system, with the quantum putting every local authority in a position

where it can respond to demand and cost pressures. We need to recognise that, at its highest level, the rules-based element is vitally important for local government. It starts the challenge in relation to the resource shift from other parts of the public sector that potentially has to happen so that that funding can come into local government. That would allow us to compare the opportunities that exist in a national priority or policy area and recognise the benefits that could be achieved if local government received that funding instead.

Alan Russell: I will be very brief. I agree with Jonathan Belford. Focusing on distribution would be a distraction and efforts would be better placed looking at the quantum—and not just the quantum for the sake of it. It is about recognising the need to invest in preventative areas, the commitments and principles of establishing the population health framework, for example, and how resources can be shifted more strategically across the public sector in Scotland to help address inequalities across the country to a greater extent and reduce long-term demand, not just on council services but across our health function and the functions of other public bodies. For me, there would be a much greater benefit if the focus was on resource allocation rather than on how the pie is distributed across councils individually.

Councillor Heddle: Yes, Alan Russell referred to the pie. When we talk about the fiscal framework and the funding formula, it is important to be clear that we are talking about two different funding formulas. With the fiscal framework, we are talking about a funding formula that we do not have, which is a rules-based funding formula that is applied to the totality of the money that we get from the Scottish Government—a Barnett-type formula, if you will. We are keen to have that funding formula because it would allow us to have a greater degree of certainty about what is coming over the horizon. It would also give reassurance: if we are being squeezed, at least we are being squeezed as much as the rest of the public sector and are not being used to balance the books.

The other funding formula is the local distribution formula, which splits up among local government the total funding from the Scottish Government. Alan Russell is right. The problem is not with how the pie is sliced, but with the size of the pie. The quantum is not adequate at present to allow us to move ahead and do the transformation that we need to do to give us the certainty of a preventative basis from which to ultimately deliver savings.

A good point was made about population changes. We are aware that issues have been highlighted by councils whose populations have grown, with a lag between the population growth

and the funding formula changing to follow it. That perhaps points to a need to know about population changes more quickly, because we are keen to uprate the indicators to the best available information every year to make the distribution as fair as possible.

The Convener: Thanks. We will stick with the same theme with questions from Alexander Stewart.

Alexander Stewart (Mid Scotland and Fife) (Con): Thank you for your answers so far. There is no doubt that the transformation agenda has had a massive impact. This morning, you have identified how that impacts on choice and outcomes, and how it leads to better services. However, that is not the public's perception. The public's perception is still that they seem to be paying more and getting less. There is therefore an imbalance there.

I would like to ask about the invest to save fund and about the engagement that local authorities have had with the Scottish Government on the projects that were awarded some of that money. The Scottish Government chose to ring fence £6 million for local government, and it would be good to get a view from you as to how that fund supports genuine public sector reform. Who would like to take that first?

Councillor Hagmann: I may pass over to Jonathan Belford as a finance director. However, while welcome, I think that the invest to save fund goes against the aspiration of moving away from small pots of funding. We need to allow local government that flexibility. Give us that money up front and we will use it in the best way that we possibly can. Certainly, bidding for funding sometimes takes away resources from our precious workforce, who are also looking to plan. I hope that that comment has allowed Jonathan enough time to come in with a response to the specifics you asked about

Jonathan Belford: Councillor Hagmann started from the right point. Having to jump to small pots of money makes it very difficult for councils to be sufficiently agile. Removing those small pots of money and instead providing them as part of our overall grant would be much more successful, in my view. We understand what funding is being provided for. There is an opportunity for us to continue to do things through receiving that funding, perhaps on a recurring basis, which would be ideal, but even on a one-off basis.

Our challenge with the invest to save fund was about the response timeline and having something ready to go so that we could respond in what was a very short period of time. That is the resource challenge. How can we have shovel-ready arrangements or opportunities, so that we can put

in a credible bid that says, "We are sufficiently advanced to get us to a point where we are going to spend the money in a very short period." That can be very challenging, and it applies to capital works and bidding for potential capital opportunities through to things that perhaps are more revenue-based in this particular space.

The question for local authorities is whether they have the resources to have that just-in-case resource set aside to allow that to happen. That is what causes us the most challenges. How do we continue to do that and respond positively when we get the opportunities? In an ideal world, we would rather have that funding as part of our settlement so that we understood what was actually coming to us as part of the whole, rather than have small pockets of money that are drip fed, given that it can be quite well into the financial year before they are actually announced.

10:45

Alan Russell: I agree with Jonathan Belford. As I touched on earlier, transformation is complex and can take a number of years to deliver. It can also be expensive, so there is a scale issue here. I agree with Jonathan that having resources provided over a multiyear settlement with flexibility to deploy locally is important. I will try to put it into the context of Renfrewshire Council, although it will be no different from what happens in other councils. Our transformation reserve fund to help support our own programme is about £8 million over the next three years. That gives you a sense of scale. In comparison, the Scottish Government's £6 million funding for the whole of Scotland is relatively minor. Transformation programmes and projects tend to run over a number of years, and they are complex and time consuming to deliver. Transformation needs to happen at pace, but projects have to run concurrently, so it is expensive to deliver.

Alexander Stewart: Council leaders and Unison have said that efficiencies have already been achieved and we are well aware that that is the case among all councils. However, they are suggesting that that has had a knock-on effect. Back-room services have been decreased, which puts an added increased pressure on to front-line services, and that has a knock-on effect on workload and the timescales that staff are having to endure. That in turn has a knock-on effect on retention and the ability to ensure that you have the right people at the right place doing the services and improving all that for you.

It would be good to get a flavour of what you think of that view. Are there concerns that efficiencies have been made but that you are now getting to the stage where there is not much left to go and there is a knock-on effect when it comes to

staffing, recruitment and retention and the ability of your workforce to fulfil and manage their roles effectively under the current climate of budget reform and transformation?

Councillor Hagmann: Workforce challenges are absolutely an issue, and I think that you have heard evidence from other sectors on that as well. Retention and recruitment are on-going challenges in certain areas. I have spoken previously to the committee about the challenges across planning, for example, and social work is another challenging area.

There is no dedicated funding within local government for workforce planning. That role is taken forward through human resources, through back-office staff. When we are looking to make savings, it is very challenging. Do we cut the front-line delivery services, or do we look at how we can make savings in the back office? The back-office staff are crucial for robust forward planning and forward thinking. Jonathan Belford is excellent at explaining things in a simple-to-understand way. We are hugely reliant on directors of finance and the teams that sit underneath them who can explain the nuances. It is important that we have good governance and good advice so that we can translate it into an easy-to-understand narrative for the public. I made a similar point earlier about explaining council tax.

We have made massive amounts of savings and there is a commitment through public sector reform to look at workforce planning. It remains a challenge. We will work with our trade unions and colleagues across Scotland. Having the two-year pay deal, which is excellent, certainly within the SJC space, allows us to get into that space of what the issues are and how we tackle the real challenges on the ground in partnership with our trade unions.

The Convener: Thanks. *[Interruption.]* Someone is calling in from far afield. I will bring in Evelyn Tweed, because we have started to touch on workforce issues, and she has a number of questions in that area.

Evelyn Tweed (Stirling) (SNP): Thanks and good morning, panel. My first question has probably been answered, so I will ask my second question.

Previous witnesses have discussed the opportunities and threats of digital skills in the local government workforce, including AI. There was definitely a feeling from some witnesses that AI would be used to replace jobs, and there was anxiety about that. What are your views on the digital strategy, which you have touched on? How can it be used to the good? Is AI friend or foe?

Councillor Hagmann: As the digital lead in COSLA, this falls within my remit. We are looking

to relaunch the digital strategy. We have to look at it head on and we need to be mindful of those comments about opportunity or threat. We also need to be careful about digital exclusion and ensure that nobody is left behind. That includes within our communities, but it also includes our staff, so investment in our workforce is required.

Clearly, there will be concern among our trade union colleagues that there could be a loss of front-line staff as digital transformation comes into place. It needs to be managed well. COSLA has just set up a new special interest group looking at digital and collaboration, bringing all the partners in to look at shared learning and at where there are opportunities. That allows us to have that discussion. It is a very positive point.

In our work with the Scottish Government, the issue of digital exclusion is high up on the agenda, as well as AI. We need to ensure that we are not left behind as that advances but also that safeguards and checks are put in place. That work is going on.

Alan Russell: I will try to be brief. I have a couple of points to make.

First, AI has existed for some time across many local authorities using advanced automation and robotics, and digital transformation has been a big part of our transformation journey over many years. It has been a key part of delivering efficiencies and doing things better, not just as an organisation but in how we deliver services to our communities.

As Councillor Hagmann said, the new generation of AI provides opportunity, but we need to navigate that carefully and ensure that we are aware and understand how it can provide opportunities to local government to deliver improvements. I see it as providing opportunities, not necessarily to replace staff but to free them up in many areas, and not just in back-office and transactional functions. It is also about professionals. Renfrewshire is going through an AI exploration project at the moment and is identifying opportunities—as are other local authorities—in a range of functions, such as social care, where AI potentially provides an opportunity to make certain aspects of social workers' roles much easier, to take away certain burdens of the job and to free the professionals to concentrate on the value-added aspects of their roles.

There are opportunities that we need to explore and understand. It is about how we undertake that journey and do it in a way that maintains safeguards. We need to understand the technology and how best to take advantage of it.

The Convener: I will stay on workforce issues a little bit longer. We have heard from previous panels about high levels of sickness and about the

challenge of skills shortages. That is balanced with the issues to do with the ageing workforce. We have also heard about violence against local government workers potentially putting people off from wanting to come into local government. It would be helpful if you could talk a bit about that.

Alan Russell: Sickness absences have certainly been a challenge. The extent of the issue varies across local government.

Undoubtedly, there are workforce challenges across local government in attracting and retaining the workforce in job roles across the board. I do not think that local government is unique in that respect. Other public and private sector organisations are experiencing the same challenges. I think that local government—Councillor Hagmann touched on this earlier—needs to promote the wider package of employment terms and conditions. Councils are fantastic employers, with family-friendly inclusive terms and conditions, whose staff get the opportunity to make a real difference in their local communities. They are attractive places to work and forge a career with great career paths developed throughout the organisation.

In areas where there are recruitment difficulties, there are lots of individual workstreams under way. For example, we are working with our academic partners to develop courses to deliver planners. There is a shortage of planners and there is work under way at the University of the West of Scotland, for example, and other institutions across the country, to bring forward courses to produce a pipeline of planners.

There is more work going on across other professional disciplines that face equal challenges. It is increasingly about how we grow our own, not just to fill gaps in those professional areas but to recognise that we have an ageing workforce and we need to have younger people entering the field.

Individual councils do lots of work—through employability services and schools—to attract young people into the workforce. Graduate and modern apprenticeship programmes have been very successful. Some of our colleagues run care academies, and South and North Lanarkshire councils, along with the NHS, are attracting young people into the care workforce, which has an ageing workforce. There is a lot of activity going on to promote local government as a great employer of choice for people.

The Convener: It is helpful to hear what is going on in that space and about the recognition that there needs to be activity to keep people engaged in thinking, “Oh yeah, public service is a sector I want to get into as a career path.”

I will direct my final question to Steven Heddle, because we have talked about this in the past. It is

about the general power of competence. I would be interested to hear about the plans and views on the power of general competence now that the Scottish Government’s consultation has concluded.

Councillor Heddle: The short answer is that we remain very committed to achieving a general power of competence for councils. We believe that it would be an enabling power that would allow us to innovate, develop services and develop funding streams—that is important as well. That would allow us to drive forward improvement in the areas where we see that we should be improving.

We feel that the lack of a general power of competence means that we are forever running up against the ultra vires principle. That means that, when we have a promising idea, we often run into an obstacle that prevents us from pursuing it. If we look across the border to England and Wales, we see that councils there have a general power of competence. There are examples that show how it can be used beneficially.

In our evidence to the Scottish Government, we provided a 39-page document. I could try to paraphrase it for you, but I do not think that we have time. It shows many examples of where we think that it would be beneficial. We view it as an empowering principle for local government that sits alongside the European Charter of Local Self-Government as something that would be innovative and transformational and which would improve the partnership between local government and the Scottish Government and improve services for the people we all serve.

The Convener: Jonathan Belford, do you have anything to add on that?

Jonathan Belford: No.

11:00

The Convener: Anyone else? No. Maybe Steven Heddle covered it well enough.

Could you clarify what you mean when you say that one of the things that you are looking for in the power of general competence is the ability to create revenue raising streams at a local level so that local authorities can choose what funding they might bring in through a revenue stream?

Councillor Heddle: The other examples that I would look at are the workplace parking levy and the tourist tax—for want of a better description—which have been brought forward. We absolutely welcome those measures from the Scottish Government and thank it for putting the legislation in place to enable them. However, how they have been defined perhaps has not matched what local government thinks would be the most efficient in terms of collection and implementation. The lead-

in period is literally years. We feel that, if we had the general power of competence, we would be able to design such things in consultation with our communities and they would fit better and be easier to operate. Revenue raising is just one part of it. A range of other things, such as collaboration, working across borders and sharing services would be enabled by having a general power of competence.

The Convener: Meghan Gallacher wants to ask a supplementary and then I will bring in Jonathan Belford, who can respond to both bits.

Meghan Gallacher: My question is not for this panel—apologies.

Jonathan Belford: I will add to what Councillor Heddle mentioned. What is emerging? What do we not yet know about? One thing would definitely be the green energy sector. What could local authorities tap into or access as an opportunity that we do not yet quite understand or know about?

That said, with the power available to us, we would not simply take that on board and make decisions inappropriately. There would be business cases and a huge amount of thoughtfulness to work through the sustainability of the decisions and choices that were being made. Balancing those two things and understanding when we could apply it and when we do apply it would certainly offer local authorities the opportunity to access things that we do not yet potentially know the full implication of.

The Convener: I imagine that, when you do that, you would do consultations as you have done on things such as the visitor levy. Some local authorities have done that.

Jonathan Belford: Absolutely.

The Convener: That concludes our questions. Thank you so much. It has been a useful discussion this morning. We have evolved. It used to be Katie Hagmann here on her own with some officials, but it is a good mix to have SOLACE and CIPFA and Councillor Heddle as well. It has been a splendid panel this morning. Thanks for joining us. I will now suspend for a few minutes to allow for a changeover of witnesses.

11:04

Meeting suspended.

11:09

On resuming—

The Convener: We are joined by our second panel: Shona Robison, the Cabinet Secretary for Finance and Local Government; Andrew Connal,

who is the local government pay and workforce lead in the Scottish Government; and Ellen Leaver, who is the acting director for local government in the Scottish Government. I welcome the cabinet secretary and her officials to the meeting. We have around 90 minutes for this evidence session, so I will move straight to questions.

We have a number of themes, the first of which is the forthcoming budget. You will be aware that, at the Conveners Group meeting, we asked the First Minister about multiyear funding and had reassurances from him that that would hopefully be forthcoming in the budget. I want to ask for a bit more certainty about that as the issue came up in evidence from COSLA and others.

Across the work that we have been doing on pre-budget scrutiny, we have heard that there is still a need for flexibility. We have moved in that direction, but there are still calls for that. I am interested to hear your views on that.

The Cabinet Secretary for Finance and Local Government (Shona Robison): Thanks for the opportunity to come to the committee to talk about reform and associated matters, the budget and anything else that the committee may wish to ask about.

I understand the value and importance of multiyear envelopes and having a line of sight on the funding over the spending review period—not just for local government, I hasten to add, but for other parts of the public sector and third sector organisations as well.

11:15

We have not been able to provide that before because we have had only single-year budgets and, therefore, it has been incredibly difficult. We will, of course, have to wait for the autumn budget at the end of November to know whether any changes to spending review assumptions will be set out by the UK Government, and whether those will have any unknown impact on our assumptions going forward. There are a lot of caveats to the size of the pie to consider before we start to discuss what that looks like over the spending review period.

I understand the importance of flexibility. Prior to the 2025-26 budget, ring fencing had been removed, but the 2025-26 budget delivered a baseline of a further £524.9 million of funding. That is almost £1.5 billion in the past two years, which was prior to agreement on an assurance and accountability framework, because those two things go hand in hand. We give flexibility, and there are areas in which there are clear Government and, most often, joint objectives, but we need an assurance and accountability

framework to make sure that all those things are delivered, because ministers in this place will be asked about the delivery of key areas of policy that are delivered primarily by local government.

I am keen to look at how much further we can go on that and to work with local government to see whether we can make further progress.

The Convener: Yes, we are all waiting for the autumn UK Government budget to find out whether it will help us out in an important way.

Shona Robison: Indeed.

The Convener: I asked the previous panel about the time pressures, given that the autumn budget is coming later, which has a knock-on effect on the Scottish Government budget coming in mid-January. I want to get your thoughts about the pressure on local authorities, given that the budget will come in mid-January and they will have to do things such as putting out council tax notices at the same time.

Shona Robison: I am very aware of that, and it was a difficult decision. We thought long and hard about the options but, given that the UK budget is so late and given the requirement for the Scottish Fiscal Commission to provide the critical information and analysis that it provides, it was not going to be possible to do that in a shorter timeframe.

I referred to unknowns. We do not know whether there will be changes to taxation at the end of November that could impact on the Scottish Government. Those might add a layer of complexity as we might require to take some time to analyse and come to our conclusions on them. The timeframe is unfortunately challenging.

I have been engaging with political parties around this, and I am keen to continue to try to see if we can reach early agreement around the draft budget so that any changes beyond that are not major. If we are able to do that, that will give local government more clarity about the envelopes that it can assume, which will allow it to plan and move forward on that basis. However, it will require the good will of other parties to reach more or less the landing space for the draft budget, with only minor changes beyond that. I am engaging in good faith with Opposition spokespeople on that basis. So far, discussions have been quite positive, so we will see where we get to with that.

The Convener: Great, thanks for that.

Ellen Leaver (Scottish Government): In the spirit of the fiscal framework, we are working closely with our colleagues in local government. Jonathan Belford, whom you spoke to earlier, is key among those, as chair of the directors of finance. We are working closely with him on where we can get ahead, particularly on the things that

make the greatest difference to councils in terms of knowing the detail of their individual settlements. If we can work on mock bases early, before Christmas, to look at the impact of any new data on distributional changes and agree the technical details of that, we then only have to apply the number to a pre-agreed mechanism. We are working very much in partnership with our colleagues to look at where we can streamline the process and provide the early clarity that the cabinet secretary spoke about as soon as possible in the process.

Shona Robison: Yes. We want to try to be helpful.

The Convener: Thanks for that. Those colleagues also made the point that they are already engaging and that, when the budget comes, it is not the starting point but the next step as a lot of work is already going on. It is good to hear the detail of what the Scottish Government is doing.

I will bring in Meghan Gallacher, who will continue with our forthcoming budget theme. She is joining us online and has a number of questions.

Meghan Gallacher: Thank you, convener. Good morning, cabinet secretary and officials. I am interested to hear the cabinet secretary's view on local authorities being able to increase council tax next year as they see fit.

Last year, in the 2025-26 financial year, we saw Falkirk Council increase its council tax by 15.6 per cent. I am increasingly concerned that if councils follow in that same mind this year, it will have consequences for council tax payers—individuals and families who might be struggling to meet those increased costs.

Shona Robison: I recognise the point that Meghan Gallacher is making about council tax payers and fairness. I point out for context that the provision in the budget for local government did see a further real-terms increase in funding in 2025-26, after increases in revenue funding in both of the past two financial years. It is not just us who are saying that; that has been independently verified by the Accounts Commission. As a longer-term context, the total local government finance settlement has increased by almost 50 per cent between 2013-14 and 2025-26. That is the background context.

I should say that I fully recognise that costs have increased for every part of the public sector. The role of inflation means that everything costs more, and of course pay has increased because of inflationary pressures. I absolutely accept all of that.

We said to local government that, because it was a reasonable settlement, we hoped that

council tax increases would be kept to a minimum. There was a real difference in council tax rises across the country, as I am sure Meghan Gallacher will be aware. We will set out our position on this at the budget, but you have heard this morning from local government, which of course will argue strongly against any freezes or caps and will set out why it is against such moves. We have funded freezes and caps in the past, but we are also keen to give local government the flexibility that it requires.

We are also addressing some issues with particular local authorities—Meghan Gallacher mentioned one in particular. Some of our smaller local authorities have a fragility, and that is why we are keen to work with them in the reform space and to look at things such as shared services, where costs can be better managed by two or three local authorities coming together. We think that that is a good example of reform. The invest to save fund, which I am sure we will come on to, is there to help oil the wheels of such changes.

We will come to our conclusions on this, but we understand the impact on council tax payers, and that is why we gave that real-terms uplift to local government over the past few years.

Meghan Gallacher: I thank the cabinet secretary for her answer, but I hope that she also understands the huge pressure on core budgets. There are areas in which there has been no ring fencing and there are services that have not been protected effectively by the ring fencing of Scottish Government funding. Those are the areas in which there are decreases and cuts to services.

I turn to the issues that councils will be grappling with. We have heard in our evidence sessions that local government is required to meet the pay demands of workers. Heading into budgets, discussions will be on-going on that and also on the growing dissatisfaction with council services. You will have heard Unison's evidence, which claimed that that was "dangerous". There is a reduced level of trust in local government, and the number of complaints about council services has increased by 21 per cent over the past year.

I am interested in hearing the cabinet secretary's view on how she will assist local government with those situations, to find solutions to the issues and to ensure that we do not go into local government budget setting with communities put against councils that are just trying to tackle the financial pressures that they experience in their own local authority areas?

Shona Robison: I reiterate the fact that there has been a real-terms increase to local government funding against a difficult financial backdrop across all public services. I cited the figures earlier; those are independently verified by

the Accounts Commission, which confirmed the real-terms increase. However, the whole public sector is facing pressures from inflationary impacts on the costs of delivering every single service, whether by local government or the health service. Of course, pay, too, is driven by inflation, and we have been working with local government to navigate that challenge.

I should say and put on record that I very much recognise and value the significant contribution that all local government workers make to delivering public services across Scotland. I am pleased that we have managed to support local government in getting to the fair and affordable two-year pay offer that COSLA made earlier in the year. That will give some stability and the opportunity for local government to engage with staff around the reforms that they might wish to take forward in local government. We have given funding flexibilities and additional funding to help COSLA to make an offer such as that and to prevent costly industrial actions. We have been working with local government, with a difficult financial backdrop, to manage the issues.

In the spending review, we as a Government will set out our choices and the envelopes that we think are affordable and appropriate for all parts of the public sector. The Scottish Fiscal Commission has challenged the Opposition parties to set out their envelopes as an alternative if they feel that the envelopes that we set out are not adequate to meet needs, whether in local government or health. Those alternatives would mean difficult choices, but those choices are there for others to make. We will set out our budget envelopes, and we will be judged on those.

The whole public sector is having to reform, which is why we have set out a clear reform strategy. Doing things in the same way as we have always done them will not be sustainable, which is why we have such a focus on public service reform. We recognise the issue and need to ensure that, through reform, the funding goes further. Of course, local government will have to play its part in that, as well.

Meghan Gallacher: Finally, on statutory services, there is a growing concern that funding for areas that are not directly protected in one way or another will go back to statutory services in local authority areas. You have seen that. You have seen tensions between communities and local government councillors who are trying to balance the needs of their communities with the budgets that they have been given. You will of course be aware that roughly 80 to 85 per cent of funding is given to councils directly by the Scottish Government as opposed to being what they can generate from council tax increases. Are you concerned about that? Do you understand that it

could generate an increase in complaints to councils in future years if local government is not given a fair funding settlement?

Shona Robison: I contend that local government has been given a fair funding settlement; it has received a real-terms increase, meaning that the pressures of inflation, which have impacted all parts of the public sector, have been recognised. The funding is the funding; a real-terms settlement and more flexibility have been provided. I am keen to look at further flexibilities, and we are keen to work with local government on that, but, ultimately, the decisions of each individual local authority and the priorities that they set are for them as autonomous bodies elected by their local population.

Returning to reform, I note that one reason why I am keen to support local government reform relates to Meghan Gallacher's point about how services are delivered. We need more shared services across local government boundaries and we need better use of digital and automation to provide better or more easily accessible services to the public. All those things are challenges for all parts of the public sector, and we are keen to work with local authorities, many of whom are getting on with looking at all that. We are keen to support that work because it is how we will make the money go further.

On the outlook—you can see what has been set out by the UK Government—there is an average increase in funding of 0.8 per cent over the spending review period. There is not lots of money sitting about doing nothing; it has all been allocated, and the outlook is very tight, indeed. Decisions need to be made because, if, beyond the real-terms increases that we have already given to local government, we were to give further funding to local government, it would have to come from somewhere. Would it come from health? Would it come from other parts of the budget? Those challenges will be set out in the spending review. We will set out our choices, and it is up to others to set out alternative choices.

The Convener: We will change our theme to transformation, and I will bring in Mark Griffin with a couple of questions. Like Meghan Gallacher, he is online.

11:30

Mark Griffin: Thanks, convener. Good morning, cabinet secretary. We talk about the transformation agenda, and I wonder about the Government's understanding of transformation. What does transformation mean, what will the transformation process look like in local government and what will transformed local government look like at the end of the road?

Shona Robison: Transformation means that services need to be provided in a way that maintains service quality but looks to deliver things more efficiently and effectively and makes resources go further.

I have mentioned already the opportunity for shared services; I am thinking, in particular, about those areas in which it is difficult to recruit—areas that come to mind include planning. There are already good examples of local authorities sharing waste management services and back-office functions. There are many opportunities to do that.

On the use of digital, from the first round of the invest to save fund, there are good examples of local authorities' digital solutions. Glasgow City Council, for example, received £100,000 for its smart and connected social places programme, which looks at digital solutions to enhance public services and deliver efficiency gains in housing and health and social care. Perth and Kinross Council received £500,000 to reduce energy costs and deliver a reduction in environmental impact. Falkirk and Clackmannanshire Councils were given £2 million to look at closer collaboration and shared services. There are many other examples from the fund. Those areas are ripe for looking at.

I should add that that work does not just need to be between local authorities. Transformation can happen within local government and health, and the single authority model is being looked at in some areas of the country, particularly where the health and local government boundaries are coterminous; other public sector bodies within the localities are also being looked at.

The trajectory of funding and all the pressures on public finances is what we need to consider to ensure that public services can be sustained going forward. Every part of the public sector is having to look at this.

Mark Griffin: I am interested in a particular area of transformation. I do not know whether the cabinet secretary is a follower or watcher of Tom Hunter and Willie Haughey's podcast, but Tom Hunter made a commitment on that podcast to fund an AI-powered planning portal for the Scottish public sector. Has the Government looked at that, and has it been in contact with Tom Hunter and started discussions or negotiations on that offer?

Shona Robison: I have not seen that particular podcast, but we are always up for good ideas. I will pick that up with one of my colleagues; Ivan McKee leads on planning. We have looked at reform through the planning hub and being able to supplement some of the challenging big planning applications that local authorities will be faced with. The whole idea of the planning hub is that it is a transformation and a vehicle to support some

of the pressures that local authorities are facing. If technical digital solutions can help with that process, I am all for it. If Tom Hunter has not been contacted, I will make sure that he is, and we will follow up to see whether that can be looked at in more detail.

Mark Griffin: How does the local government transformation agenda fit into the larger public service reform agenda of the Scottish Government? During the earlier evidence session, we heard examples from Councillor Heddle, who was involved in presenting with Ivan McKee at the Scottish Government's public service reform day. How closely linked are the Government's reform agenda and local government's transformation programmes? How close is the working on that?

Shona Robison: It is very close. We were pleased to see local government represented at the Minister for Public Finance's recent PSR operational summit on 14 October, with more than 140 public service leaders attending. Local government is absolutely at the heart of the reform agenda, in terms of not just local authorities' relationships with one another but, as I said earlier, their relationship with the wider public sector. There is real scope for sharing back-office functions, support and estate—perhaps taking a place-based approach in that. Progress has been made, but loads more can be done in that space. I assure the committee that local government is very much at the heart of things, which is exactly where it should be.

Willie Coffey: Good morning, cabinet secretary and colleagues. Continuing on the theme of transformation, do you agree with the Accounts Commission's view that it is becoming increasingly urgent that the transformation agenda takes place?

With the previous panel and in previous meetings, the committee has heard plenty of examples of transformation coming about because of budget pressures or even Covid—the disaster that Covid brought to us meant that we had to radically rethink many things. Is there enough of a balance between reacting to situations, whether it is budget pressures or Covid scenarios, and the ability to think differently and do things differently because we want to and need to?

Shona Robison: We absolutely must be proactive and think differently. That requires leadership at all levels and it requires a willingness to do things differently. We need to oil the wheels of that, and that is why we have the invest to save fund, which is in its first iteration. I put it on record that I am keen for that to be a strand through the spending review, as it can be a supportive vehicle for further change.

We are not starting from scratch on reform. Over the years, we have seen major reform in the justice system that reduced the number of young people being prosecuted in adult courts. We have seen investment in childcare, which helps parents to get back to work. We have seen the reform of policing with the introduction of a single body that has demonstrated the ability to respond, particularly with serious organised crime. In local government, we have seen shared services in many parts of the country.

However, we are only scratching the surface of the potential. We must all realise that reform is not a nice to do; it is absolutely fundamental, because the spending outlook is very tight indeed. We therefore need to look at the investment that is already in the system, whether it is for local government or health and social care, and consider how we maximise the resource that goes the front line. We need to do things differently through automation and digital to ensure that the money goes as far as possible and we continue to provide good-quality services. That is the challenge.

We can see great examples of that being done and efficiencies being created so that the money can be reinvested. I want the savings through the invest to save fund to be a catalyst for more transformation across the public sector, as there is far more scope.

There is always the coalition of the willing. In every part of the public sector, you always get those who are first out of the starting blocks and you then get those who are a bit slower to come to the table, but the whole public sector needs to go in that direction.

Willie Coffey: My other question is on the funding formula. I do not know whether you heard the previous evidence session, but I invited our COSLA colleagues to say something about the funding formula and the allocation to councils. As you know, if an authority is losing population, it tends to lose money. Despite the floors and the ceilings and all that, a small rural authority whose population is declining will lose money.

Will the Government consider looking at that formula to try to ensure that that does not happen, particularly for smaller rural authorities, as the costs are higher to deliver services in rural communities? The committee has heard that message over a number of years. Does the Government have a view on that? Does the funding formula need to be tweaked a little?

Shona Robison: It is a complex formula that is designed to make an objective assessment of need. It uses the most up-to-date information and looks at indicators such as population, which you referred to, as well as rurality and deprivation.

The formula is kept under constant review, and is agreed with COSLA on behalf of the 32 local authorities, which sometimes have 32 different interests. That is the challenge. Trying to get everybody to agree changes when there will be winners and losers is incredibly difficult. I am always open to suggestions about how we can improve the funding formula, but any proposals for change need to be generated through COSLA in the first instance, and we need to try to come to a consensus that recognises some of that.

We have tried to work with local authorities in different ways through things such as the whole family wellbeing fund. We are working with local authorities to try to address deprivation and do upstream prevention work, and some funding streams try to recognise some of that. We have also worked with our island authorities to recognise some of their needs and costs. We have tried to do that directly with island authorities.

We have recognised some of the challenges. However, on the core funding formula, if I was to pitch up and say, "I will decide," I can imagine that I would hear 32 voices, some of which might be happy and some of which would definitely not be happy. I come back to the point that there is always room for improvement, but it would certainly not be in the spirit of the Verity house agreement if I were to overrule local government consensus on the issue. However, we continue to discuss the matter. Around the edges and around some of those other funds, we might be able to address some of the issues that you have referred to.

Willie Coffey: Thank you very much. I will leave it at that.

The Convener: Staying on the theme of transformation, I will bring in Alexander Stewart.

Alexander Stewart: Cabinet secretary, you have said that transformation is already happening and that councils are doing that, supporting it in their choices and attempting to provide better services for the communities that they represent. However, we still hear from the public at large that they believe that they are paying more and getting less from council services.

You touched on the invest to save fund and the reform programme, and said that you want that fund to "oil the wheels". What engagement has the Scottish Government had with local authorities about the projects? The Government ring fenced £6 million for local government to support that, but does that result in genuine public sector reform? We had a discussion with the previous panel about the fact that councils need to have oven-ready policies or things that are ready to go, but the timescale is tight, so they do not always manage to get funds unless their plans are well

advanced. How has the Scottish Government engaged and how does local government support that? Will that approach result in genuine public sector reform?

11:45

Shona Robison: On your comment about the pressures facing the public sector, we talked about inflationary pressures, pay inflation and everything costing more, and that is before we get on to demographics. There are pressures on services, not just in local government but in health because of demographic changes, and there will be more demands on all public services as a result.

That is why we need to prioritise getting funds to the front line. We have been pretty explicit about that. When we set out the public service reform strategy and the fiscal sustainability delivery plan, those were all about reduction in corporate costs through doing things differently. Digital has a huge role to play in that, as do shared services. It is also about rationalising the estate and getting as much money into front-line public services. However, those front-line public services can also be delivered in a different way.

The invest to save fund is not the only thing that is happening. We expect all public services to be getting on with this agenda, anyway. The invest to save fund is about helping to oil the wheels of some of that change. For example, if you have a twin track of an existing service but you want to transform something somewhere else, that might take a bit of investment to make it happen.

We have been explicit that the priorities are shared services, integrated working, digital innovation and community empowerment, with the opportunity for communities to take on assets. Some of the assets that local government and other public bodies have are either surplus to requirements or are coming under pressure because of funding pressures. Communities have quite often taken on such assets and made them work in a way that was not possible through statutory services. I am a big supporter of that.

The invest to save fund was the starter for 10 to find the level of interest—it was a bidding-in fund. As I mentioned, I am keen to keep an invest to save proposition going through the spending review because, if the public sector knows that it will not be a one-off or one-year fund, bodies might work on projects that will take two or three years to deliver, which might be more ambitious.

We know from the work that Ivan McKee has done that the return on investment must be set out clearly and has to be deliverable and tangible. The projects that will be funded will be those that show a return, and that money can then be reinvested. It is about getting a gearing effect going. The level of

interest has been huge, and we want to see more of that.

Alexander Stewart: Good.

Council leaders and Unison have talked about their concerns that efficiencies have already been achieved across local government and that backroom reductions can lead to increased pressure on front-line staffing. That has an implication for workforce. What is your view of that? Many people said that backroom functions could be adapted, but people are now saying that the effect on backroom functions is having an impact on front-line services.

Shona Robison: First of all, I recognise that back-office functions, as we describe them, are of course critical to front-line delivery. However, there is sometimes the ability to share some of those functions. In the local government space, each local authority, to a greater or lesser extent, has people who are there to support the education function, the corporate function and various other functions of local authorities.

One question is whether those functions could support, and be shared across, more than one local authority. That is being done. Aberdeen and Aberdeenshire councils already share some education support functions. In the west of Scotland, there are shared services around waste management, where one local authority is contracted to another to provide those services. That has saved a lot of money. My point is that we need to see that everywhere. We see good practice but, if it was to happen everywhere, what would that look like, in terms of making sure that the money that is available can sustain the services that need to be sustained?

I go back to the demographic challenge. On social care, yes, there is a requirement to change how social care is delivered, and there is scope to do that but, given those demographic challenges, that budget will not reduce; it will have to continue to increase. If we accept that, we need to look at how services are delivered. Willing volunteers are now coming to the table who want to look at that. It is tricky, because you are talking about giving up a bit of power, trust, accountability and all of that. However, some local authorities have got on and done it, so it can be done.

The Convener: Thanks, Alexander. Before I bring in Evelyn Tweed, who will take us into workforce issues more deeply, I want to return to the invest to save fund.

One point that came up in our discussion with the previous panel of witnesses was that, whatever the overall envelope is—I cannot remember that figure—there is £6 million for local government across Scotland. One witness said that, at a time when we are trying to deliver

efficiencies and share delivery, they are interested in the idea of sharing work outwith local government, and they talked about whether there could be more flexibility, so that that money can be used by public bodies to collaborate with whomever they want to work with. They did not necessarily indicate who they might want to work with, but I thought that that was an interesting comment.

Shona Robison: The pot that we announced is just shy of £30 million, and bids have come in from across the public sector. As I said, the criteria would give priority to reform in areas such as digital, shared services, upstream prevention and so on.

I would welcome bids that take a place-based approach and involve, for example, corporate functions being shared with other public sector bodies. Issues with some governance arrangements would have to be overcome but, if back-office functions can be shared across more than one public body, I am all for that.

On estates, we must recognise that working patterns have changed—you mentioned earlier the effect of Covid—and people are unlikely to go back to the working practices of the past. That means that the estate can look different because people are working differently, and there are huge possibilities around the sharing of space, with people coming together to provide services all under one roof.

We should not think about this just in sectoral terms. If people present us with good, fully worked-through ideas and can show that they will make savings and can be delivered, we are all ears.

Ellen Leaver: If I may add, we took a collaborative approach with local government to that targeted £6 million pot, both in how we designed it and in how we decided that we would invite bids, bearing in mind that colleagues in local government agreed that dividing that pot 32 ways would result in meaningless sums. There was a good collaborative process between us and local authority colleagues—including Malcolm Burr, Dawn Roberts and others from SOLACE, whom I believe you spoke to in September—to decide how bids could best be put together in order to make the best use of that available funding to take forward projects, as the cabinet secretary has described.

We have also had close engagement with those colleagues since then. I meet regularly with a number of chief executives, particularly those from Falkirk Council and Clackmannanshire Council, about how they have progressed the work that they are doing. We have flexed how they can use that funding. Most recently, we had a discussion

with them in which they identified opportunities to expand out to other public sector bodies within their localities the work that they are doing. Together with Ivan McKee and colleagues in the policy team, we have been embracing the idea that that funding can be used flexibly. The chief executives remain accountable for that funding, but there is no barrier to them involving other partners—indeed, we encourage that.

The Convener: Is it the case that local government is not completely bound by the £6 million figure and could collaborate with another public body in order to tap into the roughly £30 million pot?

Shona Robison: Yes. As the fund evolves, the situation will not be fixed. We will learn lessons from how this first tranche of funding has been delivered and will consider what impediments there have been and whether anything needs to change with regard to flexibility. We are not set on having exactly the same arrangements again. We want to encourage people. As I said earlier, I am keen for this to be seen as an on-going process, not as a one-off event. Transformation will take many years and so we need to make sure of our support for what needs to be done.

The process involves more than just that fund. The Improvement Service has a huge role to play, as do SOLACE and all the professional advisers. That support for transformation can come in the form of funding or it can come in kind and through the use of the expertise of those who have already gone through the process and can share their practice. Glasgow City Council has done good work around reducing the number of children in care, for example, and I am aware that a lot of local authorities have been knocking on Glasgow's door to find out how that was done, because they see the value of reducing the number of children in care and of doing things differently.

The Convener: It is good to get that clarity. I certainly take your point from earlier that you are looking for a gearing effect in order to make local authorities aware of the opportunity that is before them.

I will bring in Evelyn Tweed now.

Evelyn Tweed: Good morning, and thanks for your answers so far.

Cabinet secretary, can you offer your views on workforce challenges that are faced by local government, including high sickness levels, skills shortages and recruitment issues? We have heard from witnesses that agency staff are being used to cover those shortages, but that is a short-term and expensive solution. How can those issues be effectively addressed?

Shona Robison: I recognise that those issues are not just for local government, as the national health service, for example, faces some of the same challenges.

The report that the Accounts Commission published in the summer was helpful. It called on councils to align workforce plans and strategic priorities, so that they can ensure that their workforces are the right size and shape and that their staff have the right skills. It is about having the right people in the right places.

We know that there are some critical workforce shortages in this area, and it is no surprise that they are mainly in social work and social care. Not every part of the workforce will be on a downward trajectory. If you look at social care and the investment that is required into the future, you can see that we will need more people to come and work in health and social care, so we need to ensure that the funds will be there to prioritise those frontline services, which will mean doing things differently elsewhere.

As we have touched on already, planning and environmental health are ripe for a shared-service approach. At the moment, councils try to hold on to those specialist staff but find that, often, they go to another local authority, perhaps because it is bigger and has a better rate of pay. Could we do something regionally in that space? Could some services be nationally provided? We absolutely need to be willing to have those discussions about whether every one of 32 local authorities needs every one of those departments. There is already some sharing of staff, which I welcome, but that needs to be the default across the board. Perhaps some larger local authorities could provide those services to smaller neighbouring local authorities. We need to get our heads into that space because, otherwise, councils will continue to fish for people in the same small pond rather than thinking about how they can deliver the services differently but more sustainably. That would be beneficial, as dealing with the costs of recruitment and backfilling gaps in the workforce with agency staff is an expensive way to deliver services.

The social care space also has some good examples of local authorities being able to recruit and retain staff more ably than others. People should look at how those local authorities have been able to hold on to staff and reduce agency costs. The same thing applies in the health service, although some health boards have managed that better than others. Again, where there is good practice and something has been shown to work, I would need some convincing about why that is not being adopted elsewhere, if I can be so blunt.

This is not some complex magic answer. A lot of the answers are already there, but they need to be

scaled up and that approach needs to become the default for how services are provided.

12:00

Evelyn Tweed: Thanks. How can we promote that collaborative working between local authorities to ensure that they share more services?

Shona Robison: COSLA and local government in general have an important role to play through the Improvement Service. The whole idea of the Improvement Service was that there would be collaboration around good practice, because why would you not want to roll that out?

This issue is not particular to local government—I have also seen people in the health service not wanting to do something a certain way because that approach was invented elsewhere. Also, it is true that change is difficult, and sometimes there are barriers to change. However, that is no reason not to do it. If another local authority, health board or whatever has shown that a service can be delivered in a way that is more sustainable and cost effective, why would you not want to do the same? That is the cultural change that is required, and leadership will be needed to ensure that that happens.

I do not believe there is any part of the public sector that cannot be improved and transformed, particularly given the tools that are now at our disposal in terms of digital technology and automation. We can do things differently to help to release resources and people to do other tasks.

Evelyn Tweed: Thank you. That leads me in nicely to my next question. Previous witnesses have discussed the opportunities that digital skills and solutions, including AI, present to the local government workforce, as well as some of the threats. What can be done in terms of the digital skills space? What are your thoughts on AI? We have heard from witnesses that they are concerned that AI will cause job losses.

Shona Robison: AI is a tool; it does not operate on its own. We need to ensure that it is a tool that we can use to make improvements and to carry out tasks that previously would have been quite labour intensive. I am keen that people look to develop skills that enable them to do more complex tasks while more simple tasks are done through automation, and for AI to be used as a tool to provide information to help people make judgments about services.

Aberdeen City Council used £1.2 million from the invest to save fund to address increasing demands and pressures from an ageing population with complex care needs by developing advanced digital tools to enhance care efficiency

and quality, ensuring that services are flexible, comprehensive and person centred. You need to understand your service users—who they are and what their needs are—and how you overlay that with the best use of your workforce, and automation, AI and digital tools can be absolutely critical to ensuring that you are optimising your workforce to deliver the task at hand.

That process will be overseen by people, particularly if the end user is someone who is vulnerable or older. We are not talking about removing that interface of people providing intimate care in people's homes, for example. We are talking about using tools to enable services to be more efficient with regard to who goes where, when, to whom and why. We are also looking at things such as dementia tools that can enhance the service that is delivered by people to keep people safe in their own homes. Some of those initiatives have been around for a while; they have not just been developed. The potential for optimising services and ensuring that they are being delivered in the most efficient way is an opportunity that we should not turn our backs on. Other countries are embracing it. We are not unique, so we need to embrace it too, not just in local government but in the health service as well, in order to get the most out of the funding that we have and to try to release people to take on some of the more complex roles that there will be.

Also, as I said—we make no bones about this—we need to reduce the size and cost of the whole public sector in Scotland, because it is not sustainable. Every part of the public sector has to play its part in making sure that we can afford the public sector that we have and, importantly, we can prioritise and redirect funding to the front line to support social care and other growing areas of demand. We have no choice. We need to do that.

The Convener: I will pick up on the big hopes for AI, and I hear your point about the opportunities, cabinet secretary. This point did not come up in the last panel, but it has come to my mind, and I would be interested to understand what sense the Government has of it. The data centres will use a huge amount of energy, and I wonder whether we are preparing properly for that need when we are trying to roll out our renewable energy sector, upgrade a grid and everything else. Is that issue being taken on board?

Shona Robison: Yes. It is not my area of specialist knowledge, but all of the issues are considered as part of the energy requirements of our country going forward and the energy use that will be required in the modern world.

Data is just one part of that future, but it is a critical part. We could be at the forefront of much of the technology. We have some fantastic data centres and data capability—here in Edinburgh in

particular, where we have innovation and partnering with universities that are at the forefront of using the knowledge for public good. I also point out that the work is not out on its own; it is about using the knowledge and capability for improving public services for the public good.

I am happy to write to you, convener, if you would like a little more assurance on the data centre issue in particular.

The Convener: That would be good because we are putting a lot of hopes on AI helping local government. Given we are trying to keep an eye on what is going on, that would be helpful.

Shona Robison: I am happy to do that.

The Convener: Thank you.

I have a few more questions—the first is on council tax reform. It was great to get your letter yesterday. Before the summer, we were in this room together talking about the revaluation aspect of reform. We have the letter and understand that the consultation has been launched, although we were hoping that that might have happened sooner.

I am interested to hear about any more progress made on the research and the engagement that you have undertaken around council tax reform. For example, what have you found from the analysis by the Institute for Fiscal Studies, and what are your hopes for the launch of the consultation?

Shona Robison: Let me make some high-level points first.

The consultation sets out a range of options. I have been clear before and I will be clear again that none of them is ours or endorsed by the Scottish Government. The consultation is putting out choices to see whether there is a potential political consensus to be built.

I was looking at some of the comments, and I note that every single party in the Scottish Parliament has said that continuing with valuations at 1991 levels is not sustainable or correct. The question then is what we can do about that and whether there is a landing space for doing things differently and taking forward reform.

It will take a lot of time, and we have talked about at least a decade for substantial reforms. Some things could be done sooner than that—around the number of bands, for example, even within the existing valuation system.

Looking at a couple of the headlines this morning, can we agree on what changes should happen? There has been some predictable political opportunism and misinformation—if I can say so—from some outlets. Does that bode well? I guess that it is a question of whether we are up for

a serious discussion about reform. We could go for another decade without any change if there is no political consensus to do something.

Let me take the opportunity to reassure the public. One clear principle that we have stated is that any proposal that on its own would lead to a significant increase in council tax in any particular area would not be acceptable to us. We would not support that. Some of the lurid numbers being bandied about based on a consultation do not help to inform the public.

The work the IFS has done is good and factual. The options are in the consultation, although we could look at other options such as local revaluations. They are far more complex to do but they would address some of the issues such as the increase in property prices in Edinburgh and the Lothians, as each area would take as a starting point an understanding of its growth. That is more complex to do, but it is an option. Frankly, if there was a landing space around such an option, it would merit further discussion.

I point out again—because of the misinformation—that our position and our contention as a Government is that any exercise should be revenue neutral. The idea that council tax reform is some mad revenue-raising approach from the Scottish Government to take people's money could not be further from the truth. One principle we would not budge from is that the reform has to be revenue neutral. It is not about raising more money; it is about having a system that is fairer.

The consultation is out. We are keen to hear what the public have to say, and we are keen to hear what other parties have to say. I know that COSLA is engaging with each of the parties as part of its manifesto development for next year. That can only be good. The report will come out next year on the back of the consultation, which will end at the end of January, and it will then be for parties to decide what they do with that and whether they put forward a proposition in their manifesto. Then the public will decide and judge how important they see it as an issue.

In truth, it will be for Parliament in the next session to look at whether there is a landing space. This consultation is putting out options to see whether work can be done to create a landing space in the next session of Parliament.

The Convener: Can I clarify something? You said that reform would not be likely to happen within a decade. Is that within this decade or within 10 years?

Shona Robison: It will take a number of years. Revaluation itself would take three years, and that does not have political agreement.

The first thing to do—before we get into what we do—is to see whether genuinely people think something needs to change. I could read out all the Opposition comments: no party in this place has not said that.

The next question is: where might there be a level of agreement? We will not agree on everything, but where is the potential for agreement? That is where the discussion will be taken forward, by someone other than me, and the next Parliament could begin to shape and plot out over a number of years the changes it would make.

12:15

The IFS pointed out that we could give soft landings to any change in a number of ways over a number of years. Gradual transitional arrangements could span as long as we wanted them to span, so that any changes take place gradually over a number of years, but we need to have a starting point. I have been clear—because I do not want political opportunism to scupper this reform—that we have to have a starting point of agreement. Otherwise, council tax reform will get lost in the noise of political opportunism. That is the challenge, and we are keen to hear what people have to say.

The Convener: Again before the summer, we reached a point in the committee where we realised that, if we want some change, it will need to be started on early doors in session 7. I take your point that the revenue neutral approach is about fairness, which is what was managed in Wales. If it can be achieved in Wales, I would hope that we could reach that point here in Scotland.

I believe Meghan Gallacher might want a supplementary on this question.

Meghan Gallacher: When it comes to council tax reform, I am interested to hear whether the cabinet secretary believes that, as a point of principle, households on council tax bands E and upwards should pay more in council tax.

Shona Robison: I will begin by agreeing with something that Meghan Gallacher said earlier this year. She said:

“I agree with Graham Simpson that it is absurd that we use valuations from 1991 ... A wider piece of work would need to be undertaken ... which would need to decide whether to introduce legislation on council tax reform.”—*[Official Report, Local Government, Housing and Planning Committee, 6 May 2025; c 61.]*

Therefore, we all seem to be in a space in which we agree that it is not correct for us to use the 1991 valuations, but we should not go straight from that to saying that we will put up council tax for people on the higher council tax bands,

because that would immediately break any potential consensus.

I said earlier, and I repeat, that we would not be in favour of a proposal that, on its own, without any mitigations, would lead to a significant increase in council tax in any particular area. That is our starting point. We do not believe that the council tax of people in any particular area or on any particular council tax band should increase significantly. If there were to be changes, there would have to be mitigations over a number of years that would smooth out those changes.

We could go for a local revaluation, in which the starting point would be to reflect the higher prices of homes in that area. We could do that rather than have a national revaluation. That would take account of the point that has been made in relation to Edinburgh and the Lothians in particular, which I am very sympathetic to.

Rather than moving straight to a debate about whether we are going to do one thing or another, I point out that I am not advocating anything. I have said that we do not endorse any of the potential solutions that are set out in the consultation, for the very reason that, if we were to set out our position, someone would immediately disagree with it.

I am neutral and agnostic on what the solution is here, other than to say that I adhere to the principles that I have set out—that there should be no significant increase in council tax in any particular area and that any solution must be revenue neutral. Beyond that, I am up for a discussion about whether we can find some consensus on a landing zone.

Meghan Gallacher: I hear the point that the cabinet secretary is making, but it is important to say that, if points of principle are not set out and the Government does not clearly set out its intentions—bearing in mind that it has taken nearly two decades for the Scottish Government to get to a point at which it is conducting another consultation on council tax—we could end up in a situation in which a consultation is had but members in the next session of Parliament do not agree and the conversation stops again. Does the cabinet secretary agree that there is a risk of that, given—

Shona Robison: I am sorry to interrupt. We all need to set out our principles. I have set out two principles. The first is that we would not support a proposal that would lead to a significant increase in council tax in any particular area, and the second is that any proposed solution must be revenue neutral. I am keen to hear what other parties' principles are. I would like all the various principles to be set out honestly and openly, because I would like to find out where there might

be some landing spaces, given the principles that we have all set out. I have set out my principles.

Beyond that, I am willing to look at where there might be a landing space for us to make progress. In the past, the process has stalled because we have not been able to reach enough political agreement on some of those principles. Every party has an opportunity to respond to the consultation. COSLA will meet every political party. We have a chance to develop our own policies in the manifesto space, but let us start by setting out our principles. I have set out two, and I am keen for other parties to set out their principles.

Meghan Gallacher: Finally, you have used the term “significant increase”? Could you give us an indication of what “significant” means in that context? “Significant” could mean different things to different people, so it would be helpful to get clarity on that.

Shona Robison: A significant increase is an increase that is unaffordable, astronomical, high or unreasonable. It is not possible to put figures on it, but we all recognise that we do not want to hike up people’s council tax simply because they happen to live in an area in which—through no fault of their own—there have been big increases in property values. For example, I would not support a proposal that would penalise people in Edinburgh and the Lothians simply because there happen to have been big increases in property values in the region.

That is an example of the type of details that we would want to work through. We would want to consider what “reasonable” means and what the mitigations would be. One option would be to mitigate over a number of years any increase in costs that people might face. If we were able to reach an agreement on a particular system, we could mitigate any such increases by means of a transition over a number of years that meant that those increases were modest and not significant in any reasonable person’s estimation.

However, we are miles away from being at that point. At the moment, we are having a debate with a view to finding a consensus, instead of trying to find areas of division by challenging one another on what we intend to do and outing one another as wanting to do this or that.

Incidentally, the example that one of your colleagues highlighted this morning involved an increase at the extreme end of a 14-band model that I have not agreed to—it is an option, but I have not agreed to it—which would affect properties worth more than £1.8 million. No one should start from the position, “This is what you’re trying to do.” I am not trying to do that; it is not my proposition. It is genuinely the case that, the more

we try to do that, the less chance we will have of finding common cause and doing something about the 1991 property valuations. Let us not start with areas of division but try to find areas in which some principles can be set out on which we can agree. That is my plea and suggestion.

The Convener: I will move us on to the issue of a general power of competence for Scottish local government, which we asked members of the previous panel about. They were keen to say that they remain committed to pursuing the concept, and they talked about the potential opportunities that they might have in emerging areas such as green energy if they had such a general power of competence.

I recognise that the Scottish Government ran a consultation on the subject, which has concluded, but everyone who represents local government, including COSLA, is still keen to see progress being made in that space. What are your thoughts on that?

Shona Robison: As you pointed out, we consulted on the matter, and we are looking at primary legislation on a general power of competence or something similar. One option would be to use the local democracy bill that is currently planned for year 2 of the next session of Parliament, but I recognise that that is quite far down the line.

Given that timescale, we are looking at more immediate measures that could be introduced through secondary legislation in the current financial year or early in the next financial year to deliver greater empowerment for local authorities to innovate while we consider future primary legislation. I am happy to come back to the committee with more detail.

We know from talking to local government that it is keen to have some of those flexibilities. During today’s session, we have talked a lot about revenue raising. We recognise that there are some commercial opportunities in areas that local government operates in where there could potentially be options for them to take forward within a framework. Work is on-going on that. I do not know whether Ellen Leaver has anything to add.

Ellen Leaver: We expect to produce the results of the analysis of the consultation and a Government response in the near future and to confirm some more short-term options that could be taken forward. We are happy to write to the committee about that in greater detail. We expect to be able to offer some progress shortly.

The Convener: Thank you.

Finally, I will ask a question that I did not have time to ask the previous panel. It concerns an

issue that we have been hearing about throughout the whole conversation. I am interested in getting a sense of the progress that has been made on a monitoring and accountability framework, which was a commitment of the Verity house agreement.

Shona Robison: Ellen, would you like to answer, as you have been closer to the detail?

Ellen Leaver: I am happy to say that we continue to make progress with our colleagues in local government and have had some conversations on the issue with the Accounts Commission and with other scrutiny bodies. The progress has been slower than we would have liked, as there have been a number of competing priorities, but we anticipate bringing something to a conclusion this session.

The Convener: Okay. Do you have a timescale?

Ellen Leaver: We anticipate being able to produce something for ministers and leaders to consider early next year and to conclude it before the end of this session of Parliament.

The Convener: That is good. Thank you.

It has been a great conversation. I thank the cabinet secretary and her officials for helping us to obtain a greater understanding as part of our pre-budget scrutiny.

That concludes the public part of the meeting.

12:27

Meeting continued in private until 12:44.

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