

Finance and Public Administration Committee

19th Meeting 2023 (Session 6), Tuesday 20 June 2023

Inquiry into the Scottish Government's Public Service Reform Programme

Purpose

1. The Committee is invited to take evidence regarding its inquiry into the Scottish Government's Public Service Reform Programme from the following witnesses:
 - Sarah Watters, Director of Membership and Resources, COSLA,
 - Cleland Sneddon, Chief Executive of South Lanarkshire Council, representing SOLACE Scotland, and
 - Kirsty Flanagan, Director of Finance at Argyll and Bute Council, representing CIPFA Local Government Directors of Finance (Scotland).
2. This paper sets out background information in relation to the Committee's inquiry and highlights key issues raised in the joint written submission received from the above witnesses, which is reproduced in full at Annexe A. [A summary of evidence received has also been produced by SPICe.](#)

Committee remit

3. Public service reform was included in the Committee's remit when it was established at the start of Session 6, in June 2021.
4. That year, the Committee held two exploratory evidence sessions to establish what progress had been made in relation to delivering public service reform in line with the Christie Commission's principles, and the barriers to advancing this agenda. At the first session, held on [9 November 2021](#), the Committee heard from: the Auditor General for Scotland, Professor James Mitchell from the University of Edinburgh (and Commission Member), and Professor Graeme Roy of the University of Glasgow. Witnesses recognised that the Christie Commission principles remain relevant, but that limited, or "sporadic", progress has been made. The Committee heard that, for reform to be successful, it requires time, effort, cultural change, a longer-term focus, proper accountability mechanisms, collaboration, and innovation.
5. These points were explored with the Deputy First Minister and Cabinet Secretary for Covid Recovery at an evidence session on [21 November 2021](#). He told the Committee that "the Government's commitment to Christie's vision and public services reform remains strong but making Christie a reality requires a collective national endeavour", adding "I am committed to making that happen

in the years to come”. He also provided examples of areas where reform had taken place in recent years, including structural reform of the police and fire and rescue service, and policy reforms such as the expansion of early learning and childcare provision. He also recognised that some areas may present more challenges in putting reforms into practice.

Background to the Inquiry

6. [The Scottish Government’s ‘Investing in Scotland’s Future’ Resource Spending Review](#) (RSR) published on 31 May 2022 set out its high-level spending plans up until 2026-27 to deliver its ambitions. The RSR stated that “the more efficient and effective we can become in the delivery of public services, the more able we will be to achieve key priorities and direct support towards those who need it most”. The RSR identified five areas of focus for reform over the lifetime of this Parliament:
 - digitalisation
 - maximising revenue through public sector innovation
 - reform of the public sector estates
 - reform of the public body landscape, and
 - improving public procurement.
7. The Scottish Government also indicated in the RSR that it wanted to develop—

“a pathway to return the overall size of the public sector workforce broadly to pre-Covid-19 pandemic levels, while supporting expansion in key areas of service delivery, helping to hold total pay bill costs – as opposed to pay levels – at 2022-23 levels”.
8. Further details of the Scottish Government’s plans for reform and workforce levels were expected to be published with the Scottish Budget 2023-24 on 15 December 2022 but did not materialise.
9. The Committee’s [Budget Report 2023-24](#) therefore sought to establish further details of how the Scottish Government plans to achieve each of the five priorities for reform (included in the RSR and set out at paragraph 3 above). The Committee also asked for information on the milestones for delivering these priorities, the costs, efficiencies, and savings it anticipates as a result, and how it is supporting public bodies to deliver each element.
10. Some further details on the Scottish Government’s plans were included in the then Deputy First Minister’s [response of 3 February](#) to the Committee’s Budget Report, including confirmation that public bodies’ plans are expected later this year for inclusion in the Scottish Budget 2024-25. [In further correspondence dated 20 March](#), the then Deputy First Minister appeared to indicate that the original plans regarding the public sector pay bill had been revisited, stating that “following further analysis and engagement, our proposal on how we achieve sustainable public bodies developed. ... it is for individual public bodies to determine locally the target operating model for their workforces and to ensure

workforce plans and projections are affordable in 2023-24 and in the medium term”.

11. The Deputy First Minister, in evidence to the Committee on the Scottish Government’s Medium-Term Financial Strategy on [13 June](#) suggested that, if the Scottish Government “were to take a policy of returning to pre-Covid levels across the whole public sector, that would be a bit of a blunt tool”. She confirmed that the position had now changed and “we are really looking for public bodies to ensure that their workforce numbers and models are within their financial envelopes”.

Inquiry

12. On 6 March 2023, the Committee launched an inquiry into the Scottish Government’s plans for public service reform, with the following remit:
 - to develop a greater understanding of the Scottish Government’s public service reform programme,
 - to bring greater transparency to the aims of the programme and measures put in place by the Scottish Government to support public bodies to achieve these aims,
 - to track progress in delivering public service reform by the Scottish Government and public bodies over the remainder of this parliamentary session until 2026, and
 - to examine the outcomes of the public service reform programme, including effectiveness, efficiency, and impact on public service delivery. *This element will be explored towards the end of the parliamentary session.*
13. The Committee’s [call for views](#), which opened on 6 March 2023, sought written submissions from Scottish public bodies on their plans for reform in their sectors, and others with a view on how the reform programme is working in practice and how it is delivering effective and efficient services. The evidence gathered through the [written submissions received](#) and a series of evidence sessions to take place during May/June 2023 will inform the Committee’s pre-budget scrutiny starting in September. Its findings from this work will be included in its Pre-Budget 2024-25 Report, given the links between reform and the sustainability of Scotland’s public finances.
14. [SPICe has produced a summary of evidence received](#) in response to the call for views.
15. In a [letter dated 20 April, the Committee sought clarification from the new Deputy First Minister and Cabinet Secretary for Finance](#) in relation to the frequency of updates to be provided on public service reform. The Committee also, at the request of the former Deputy First Minister, reflected on the nature of these updates and asked that “they should include details of all public bodies reform activity, rather than just narrowly focusing on the five areas of reform identified in the RSR”.

16. In the [Scottish Government's 'Equality, Opportunity and Communities' Prospectus](#) published in April 2023, the Deputy First Minister states that by 2026, she will have progressed a 10-year programme of public bodies and public service reform; strengthened the resilience of public services and communities, and “targeted both short-term efficiencies and wider, deeper, and longer-term reform”.
17. The [Scottish Government's Scotland's Fiscal Outlook: Medium-Term Financial Strategy](#) (MTFS) published on 25 May, provides an update on its reform programme and notes that, while reforms will take time to implement and to deliver benefits, it is critical that progress is effectively quantified and tracked [and] this will include providing regular updates to this Committee on the following four workstreams. These appear to have evolved since publication of the Resource Spending Review in May 2022:
 - Public bodies and public service reform: The MTFS states that public bodies are best placed to assess both the opportunities and action that must be taken to ensure fiscal sustainability, with budgetary allocations providing parameters for this. It goes on to say that “the aim, as set out in the 2023-24 Scottish Budget, is to achieve fiscally sustainable person-centred public services, which over time both improve outcomes and reduce inequalities of outcome across communities in Scotland”.
 - Efficiency levers: digital, shared services, public sector estates, procurement, and grant management, each of which are being progressed by individual public bodies and by the Scottish Government.
 - Revenue-raising: Discussions between the Scottish Government and public bodies have led to development of “guidance and a robust decision-making process ... to support public bodies in considering, developing and implementing new revenue-raising ideas”. The MTFS states that “the outputs from this ... work are intended to support the funding position for the 2024-25 Scottish Budget and subsequent budget allocations”.
 - Pay sustainability: The MTFS restates that “it is for individual public bodies ... to determine the target operating model for their workforces and to ensure workforce plans and projections are affordable in 2023-24 and over the medium term.
 - Major reform programmes: The MTFS also provides a number of specific larger-scale reform programmes underway as “an integral part of a wider 10-year public service reform programme”, such as the Education Reform Programme, National Strategy for Economic Transformation, and a National Care Service.

Previous evidence sessions

18. The Committee held a ‘setting the scene’ evidence session on [23 May 2023](#), hearing from Audit Scotland, Reform Scotland, and Professor John Connolly from Glasgow Caledonian University. Issues explored at that session included:
- The need for the Scottish Government to provide oversight and direction on its reform programme, as well as a sense of purpose and clarity on the intended outcomes. A “more worked up plan” with measures of success is needed, with issues such as “a lack of strategic grip” and lack of capacity within the Scottish Government identified as barriers to achieve this.
 - Public bodies should also be empowered to participate and deliver reforms that best suit their organisations. The Scottish Government should build capacity across the public sector to encourage collaboration, leadership, and evaluation in relation to reform. Audit Scotland has seen “a strong appetite” amongst most public bodies to collaborate.
 - Achieving efficiencies as part of managing budgets is not genuine reform.
 - Electoral cycles and policy distraction were cited as wider barriers to reform, including preventative and early intervention measures. The Christie Commission principles had been “overlayed on to existing models of delivery” and therefore “operate in the background” rather than being the lead principles and drivers for reform.
 - Lessons can be learned from how the Scottish Government and public bodies operated during the Covid-19 pandemic, such as collaboration, speedy decision-making and focus on delivering support to those in need. Witnesses have seen signs that the public sector is reverting to previous ways of working and that the appetite for risk is waning.
 - The Scottish Government should seek meaningful feedback from the public through an “honest conversation” about the financial challenges being faced, what the public would like to see from their public services, which reforms are required to deliver this, and be led by whom.
 - Progress is now urgent, and the Scottish Government should be trying new things, undertaking pilots and, importantly, learning lessons.
19. The Committee held a round-table evidence session on [30 May](#) to explore with a range of public bodies from different sectors, sizes and types, their varying approaches taken to reform, along with challenges, barriers, and examples of good practice. Issues discussed at the session included:
- There has to be an incentive to collaborate otherwise people “tend to pick off the bits round the side that do not threaten their own jobs”. To achieve significant cost savings in public sector reform and improve services, there has to be a ‘mandate’ to get people to want to do it. Public bodies should learn from Police Scotland’s experience of structural reform, “but do it under a mandate to deliver cost savings and improved services”. Witnesses pressed that, “without a mandate, it will not happen”.

- There were however some examples of good practice, such as bodies co-funding posts to achieve certain outcomes or to share a particular skillset. Food Standards Scotland and Marine Scotland are for example collaborating on co-funding a digital strategist who can take oversight of the implementation of digital and data strategies across both organisations.
- There are skills shortages in the ‘digital data space’ in the public service where “we are all fishing in the same pool for the same capability”. It was therefore suggested that pooling this kind of resource for digitalisation and use of technology could help further transform public services.
- Organisations that are “not large scale” are at a “massive disadvantage in negotiating with private sector suppliers because those suppliers will box them into a corner and draft the process out which costs a fortune”.
- An example of digital services reform was provided where “Police Scotland secures the evidence that we digitally captured and then pass through the entire system to court”. This will have “a hugely positive effect on the justice sector in Scotland”.
- One organisation had achieved reforms through “radical prioritisation”, pushing joint-partnership working as much as possible and continuing to review processes each year. Another body said it had moved from a ‘platinum’ standard down to a ‘gold’ or ‘silver’ standard to meet required efficiencies.
- “Cultural friction” can occur when organisations are brought together into one structure and can require effort and engagement with staff and stakeholders to ‘bring people along’ with the new body. Police Scotland highlighted that “imposing national metrics ... created a false change in behaviour” in the early days of police reform.
- In order to “collaborate really powerfully, we need to be able to share data across public services, we need systems that talk to each other across public services [and] there is also opportunity around automation of processes and bringing in artificial intelligence to deliver efficiency and improve quality”.
- Savings that are achieved by an organisation or organisations should be ploughed back into continuing to improve services they deliver.
- While the Scottish Delivery Bodies Group recently undertook a feasibility study identifying some key areas for shared services around digital, procurement and human resources, the staff involved did not have the capacity and time to drive this forward. Therefore, “if there was an opportunity to ring fence a group of experts from the organisations who could come together and have that work as their primary focus, we would see some really positive movement”.
- Public service reform requires underpinning investment in infrastructure and data, a clear and shared vision to drive reform, and strong leadership. It was argued that the Scottish Government needs to be an enabler of reform.
- Progress with reform should be measured through corporate reporting. Organisations should be asked to include an indicator within their reporting mechanisms to show how they are making progress against reform objectives.

- Without any updated figures, the Scottish Government’s Resource Spending Review figures continue to be used by public bodies to plan budgets through that period.
 - The number of public bodies was questioned. Transport Scotland suggested that the “landscape is quite cluttered”, while Revenue Scotland highlighted that its founding legislation had enabled it to delegate some functions to other bodies, such as Registers of Scotland, to avoid duplication. This could be a positive model to use in the future.
20. On [6 June](#), the Committee heard from Claire Burden, Chief Executive of NHS Ayrshire and Arran¹, who highlighted that a wider national steer and subsidy leverage was needed to ensure robust infrastructure, including digital, for equity across all 14 territorial health boards. NHS Ayrshire and Arran are “working to quite a low baseline” in terms of digital and sees that as “an area in which getting us all into the same ballpark, at the national and regional level, would make a significant difference in terms of public reform”. One example highlighted was software that would allow the Board to manage bed capacity across two acute hospitals, which would help “manage risk, improve safety and reduce avoidable waste throughout the building and, as a result, change the landscape of emergency medicine in the body of the hospital”. Currently bed management is carried out through manual checks. She also indicated that “the nature of emergency and urgent care in this post-pandemic era is such that we are not quite as focused on prevention as we would like to be”, adding “in an ideal world we would put so much more into primary and community care because that is the right thing to do, but at the moment the hospitals are spinning like tops, as they become our focal points”. She went on to suggest that there needs to be a debate with the public about the benefits of having local and specialist care. For example, for specialisms such as vascular and cardiology, patients might need to travel a little further, but there they would see a specialist who can treat them effectively in a shorter period.

20 June 2023 evidence session

21. The joint submission from COSLA², SOLACE³ and CIPFA Directors of Finance Section⁴ notes that, unlike public bodies, local authorities were not asked by the Scottish Government to submit reform plans to inform the 2024-25 Scottish Budget. They argue that “having delivered efficiencies for more than a decade in response to real-terms cuts to core funding, increasing policy direction from Scottish Government and limits on local government’s ability to raise revenue, any ‘lower-impact’ savings have long since been made – councils have already been having to make tough decisions, and any further reductions will have an even greater impact on services and jobs”. They call for fair and sustainable

¹ The Committee received apologies from Argyll and Bute Integration Joint Board due to illness.

² COSLA is a Councillor-led, cross-party body representing all 32 councils in Scotland, which “champions councils’ work to secure the resources and powers they need”.

³ SOLACE is the Society of Local Authority Chief Executives, with membership of 170 senior leaders in local government in Scotland, including all 32 local authority Chief Executives.

⁴ CIPFA Directors of Finance Section works closely with COSLA in “leading strategic discussions with the Scottish Government around funding and distribution for the essential services and policy areas that Councils deliver on”.

funding and greater empowerment to achieve further innovation and reform, including “radical shifts towards increased flexibility and fiscal autonomy as well as a whole-system approach and a focus on investing in prevention”. They further note that “real-terms reductions in funding will lead to job reductions and a loss of capacity, skills and expertise – with inequitable impacts on services within communities”. Barriers to achieving greater progress with reform are highlighted, including “a lack of autonomy and flexibility to tailor services to local needs, single-year budgets, specific grants and policy uncertainty, and a preoccupation with measuring inputs and outputs rather than broader outcomes”.

Next steps

22. The Committee will continue taking oral evidence in relation to this inquiry at its meeting on 27 June 2023.

Committee Clerking Team
June 2023

Finance and Public Administration Committee – Inquiry into Public Service Reform – Call for Views, Spring 2023 COSLA, SOLACE and Directors of Finance Section Response

Introduction

1. COSLA, SOLACE and Directors of Finance Section are pleased to present a joint response to the Finance and Public Administration Committee's call for views as part of its inquiry into the Scottish Government's Public Service Reform programme.
2. We note that the Committee is seeking to increase understanding and transparency in relation to the aims and delivery of the programme, including public bodies' plans for reform and actions being taken by the Scottish Government to support them. Our response will seek to address these points at a Local Government sector-wide level, using specific examples to illustrate points wherever possible.
3. The submission is structured using sections that address key themes to which the consultation questions relate. We consider that this best reflects the sector-wide nature of our response, and also enables us to answer related questions together, such as those relating to staffing and pay. Each section cites the question/s to which it relates (a numbered list of the questions is in the Appendix). The sections are:
 - a) About our organisations
 - b) Local Government workforce
 - c) Valuing the workforce
 - d) Use of land, estates and offices
 - e) Scottish Government's priority areas for reform
 - f) Cross-sector collaboration
 - g) Addressing Scottish Government's strategic priorities
 - h) Barriers to reform and delivering on priorities
 - i) Impact of efficiencies on service delivery
4. Our submission also seeks to emphasise and demonstrate that the need to achieve efficiencies in both frontline service delivery and 'back office' operations is nothing new to Councils, nor is it addressed via a discrete programme; rather, it is inherent in how Councils have operated for more than a decade – partly by necessity due to budget pressures arising from successive real-terms cuts to core funding alongside a council tax freeze, but also to drive person-centred service improvement.
5. We are aware that the Scottish Government wrote to and received data from public bodies earlier this year, and that those bodies are expected to produce reform plans in time for 2024/25 budget setting. Local Government has not been within the scope of this work and is not subject to this requirement to submit such plans. This is also a further rationale for our approach to the structure of this submission.

Summary of key points

6. As a place-based leader, critical to joined-up service delivery, Local Government is well-placed to be *the* key partner in the Scottish Government's public service reform programme. To fulfil this role, Councils should be empowered to better support delivery of more services locally, focusing on early intervention and prevention, given their unique local knowledge and local democratic accountability.
7. In line with the Scottish Government's five priority areas for public service reform (listed under Question 5 in the Appendix), Local Government has been, and continues to be, at the forefront of transformation, including digital transformation, of both service delivery and 'back-office' operations. In addition, Councils have been making efficiencies through shared services and rationalisation of offices and premises for many years, and are continuously reviewing options for maximising revenue through innovation.
8. Having delivered efficiencies for more than a decade in response to real-terms cuts to core funding, increasing policy direction from Scottish Government and limits on Local Government's ability to raise revenue, any 'lower-impact' savings have long since been made – Councils have already been having to make tough decisions, and any further reductions will have an even greater impact on services and jobs. There is also the potential for over-estimating the savings that can be made through estate rationalisation – cuts to premises may lead to higher costs and other negative impacts elsewhere, for example as a result of reduced access to services.
9. To fulfil its role at the heart of public service reform, to achieve further innovation and to maximise the positive impact of public spending, Local Government requires fair and sustainable funding and greater empowerment. This includes radical shifts towards increased flexibility and fiscal autonomy, as well as a whole-system approach and a focus on investing in prevention. COSLA welcomes the Scottish Government's renewed commitment to work collaboratively with Local Government, including through a new partnership agreement, recognising our shared priorities.
10. Some steps have been taken on public service reform by the Scottish Government and Local Government, while some avenues for greater revenue-raising have been opened up, but there have been barriers and pressures that have so far hindered progress and the achievement of meaningful results. These include a lack of autonomy and flexibility to tailor services to local needs; single-year budgets, specific grants and policy uncertainty; and a preoccupation with measuring inputs and outputs rather than broader outcomes.
11. Some reforms that have been made or proposed have been counterproductive - one notable example being the National Care Service (NCS). We welcome that the NCS Bill has been paused and reiterate our view that this bureaucratic restructuring would be destabilising, would not address current challenges in social work and social care and would pose a significant risk to Councils' ability to deliver a range of services.

12. The proposed creation of the NCS also contradicts the Scottish Government's stated ambition of reducing – or at least not expanding – the size of the public sector. Alongside this, there has been and is planned to be a large staff complement within the Scottish Government to work on establishing the NCS (and on its ongoing management) – in stark contrast to the aim of keeping the public sector pay bill static in spite of pay rises which can only be funded through reducing headcount.
13. The arbitrary targets of returning to pre-pandemic staffing levels and maintaining the public sector pay bill at the 2022/23 figure fail to recognise, firstly, that Councils and other public sector bodies are still experiencing significant strain following the pandemic, with existing staff still needed in order to support continued recovery, and secondly, that current high inflation – reflected in recent pay deals – means that retaining the same cash-terms budget for pay equates to even fewer staff than was envisaged when that target was first set, in the 2022 Resource Spending Review. Scottish Government policies such as maintaining teacher numbers also restrict Councils' flexibility in relation to staffing, concentrating job reductions in fewer areas.
14. The Local Government workforce – and that of the public sector as a whole – must be valued if we are to maintain excellent public services, and impacts on staff must be a primary consideration when assessing options for and implementing reforms. Real-terms reductions in funding will lead to job reductions and a loss of capacity, skills and expertise – with inequitable impacts on services within communities.
15. Local Government also wishes to see completion of the Local Governance Review which is of relevance to any effective public service reform that seeks to enhance public engagement and improve accountability by ensuring decisions are taken at a level closest to the individuals and communities they impact the most. This includes exploring potential significant reform such as a single island authority model, which will rely on all local partners being empowered and engaged.

About our organisations

Question 1

16. COSLA is a Councillor-led, cross-party organisation which champions Councils' vital work to secure the resources and powers they need, representing all 32 Councils in Scotland. COSLA works on Councils' behalf to focus on the challenges and opportunities they face, and to engage positively with Governments and others on policy, funding and legislation. We're here to help councils build better and more equal local communities. To do that we want to empower local decision making and enable Councils to do what works locally.
17. SOLACE is the Society of Local Authority Chief Executives. SOLACE's membership consists of 170 senior leaders in Local Government in Scotland, including all 32 local authority Chief Executives, who are responsible for leading multi-million pound

organisations and thousands of employees, providing a huge range of essential services to the entirety of Scotland's population.

18. CIPFA Directors of Finance Section works closely with COSLA in leading strategic discussions with the Scottish Government around funding and distribution for the essential services and policy areas that Councils deliver on. Members of the Section are those who have responsibility for the overall financial functions across all 32 Local Authorities.

Local Government workforce

Questions 2, 4 and 8

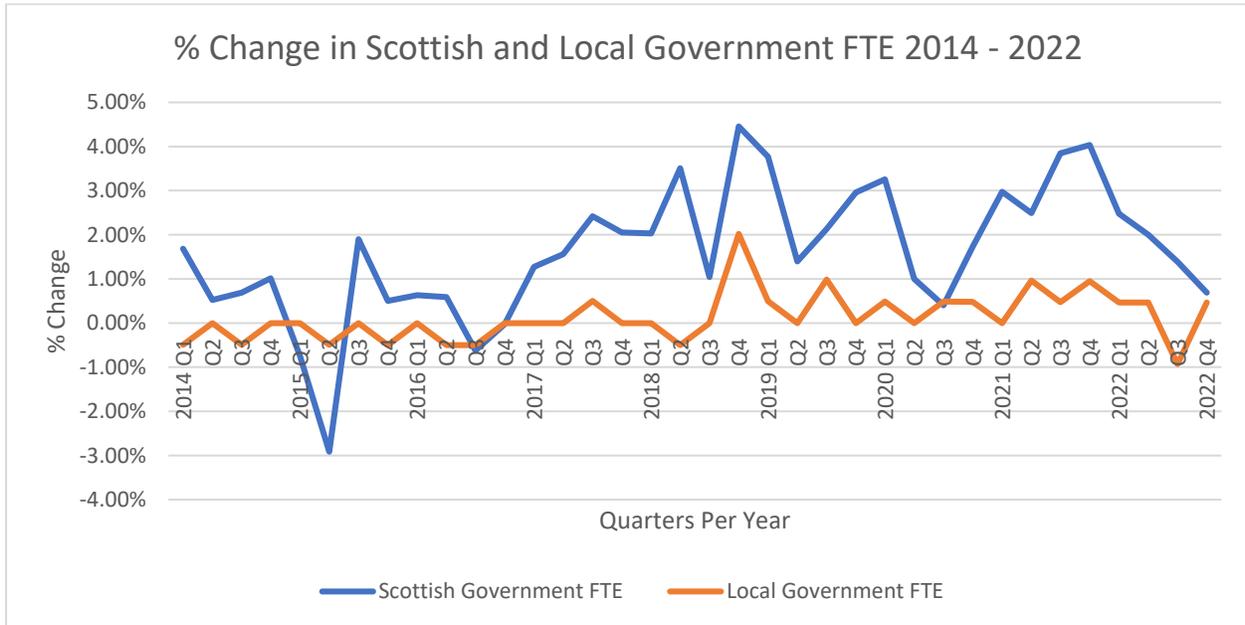
19. As at the end of Q4 2022 and as reported in the [Public sector employment in Scotland](#) data in March 2023, the Local Government workforce is approximately 214,000 Full Time Equivalent (FTE).
20. At the end of Q1 2020 (the start of the first lockdown), the workforce stood at around 206,000 WTE. Back in 2018, the figure was at its lowest point since 2000 – 198,000. The Local Government workforce is therefore about 16,000 FTE larger than in 2018, with around half of this growth occurring since the start of the pandemic.
21. The target of reducing headcount to pre-pandemic levels fails, in the case of Local Government, to recognise *why* headcount has increased. Much of the overall growth during the past five years is associated with Scottish Government policy initiatives – particularly in relation to:
 - a) Early Learning and Childcare – almost 9,000 more staff than in 2016/17
 - b) Teachers – 1,500 more permanent teachers and support staff since 2020, with funding now baselined to make these staff permanent.

The rest of the growth since 2018 is largely due to the need to increase resources to respond to the impact of the pandemic; the next section will explain the extent to which this and other factors mean that current staff levels ought to be maintained.

22. Prior to that, the Local Government workforce had reduced by 15% (35,000 FTE) between 2006 and 2018 – not including the transfer-out of police and fire services to the single national authorities in 2013 (most of the reduction occurred before then) – largely due to significant efficiency saving exercises. If staffing associated with additional policy commitments and the pandemic were excluded, the Local Government workforce would still be at the 2018 level.
23. This trend in the Local Government workforce contrasts with other parts of the public sector. For example:
 - a) the Scottish Government workforce has nearly doubled since 2006;
 - b) staffing in non-departmental bodies has also doubled;

c) in Scottish Government agencies, staffing has grown by 15%.

These increases have added more than 7,000 FTE staff in just over 15 years (compared to a 35,000 FTE reduction in Local Government over the same period). The graph below shows the annual percentage change in the Scottish Government and Local Government FTE workforce between 2014 and 2022.



Source: [Public Sector Employment in Scotland](#); [Scottish Government Workforce Information](#)

24. The total pay bill across all 32 Councils for 2023/24 will depend on the level of the pay award, which has yet to be agreed. However, based on pay levels at the end of the 2022/23 financial year and individual Councils' projections for the coming year, the combined budget for pay in 2023/24 is likely to be just over £10bn.

Valuing the workforce

Question 8

25. Rather than seeking to meet arbitrary targets, there should be greater investment in and recognition of the Local Government workforce – and that of the public sector as a whole – if we are to maintain excellent public services, retain and attract a workforce for the future that will be able to meet increased demand and deliver on the Scottish Government's strategic priorities.

26. In addition, those arbitrary targets fail to recognise that:

- a) Councils and other public sector bodies are still experiencing significant strain following the pandemic, with the immediate pressures of that time replaced by a need to 'catch up' across many service areas;

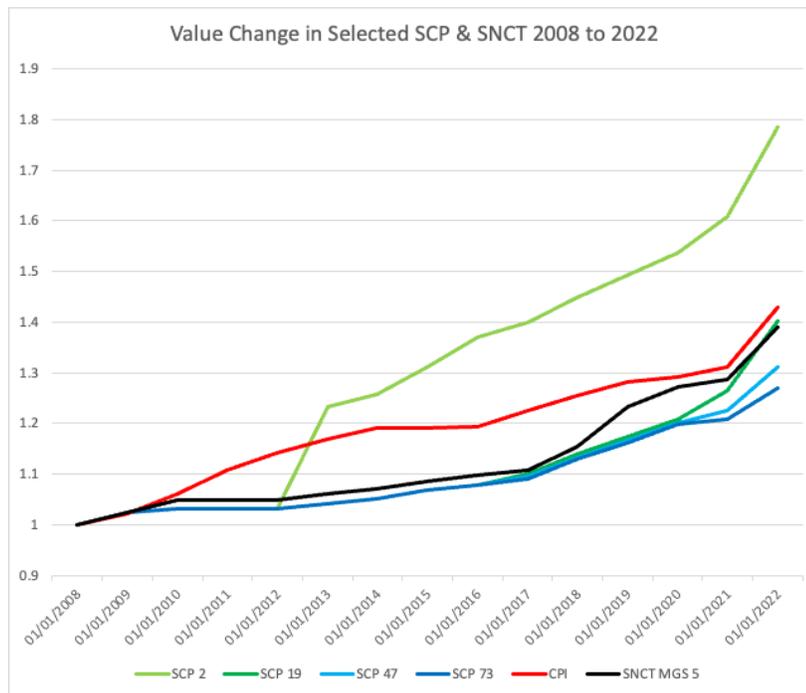
- b) in addition, higher rates of absence and often longer periods of absence – partly due to long waits for occupational healthcare such as physiotherapy – are impacting on capacity and resilience;
- c) demand for many services has increased and will continue to rise in the coming years, particularly as a result of the lasting impact of the pandemic on physical and mental health, as well as the cost-of-living crisis and demographic changes; and
- d) current high inflation – reflected in recent pay deals – means that retaining the same cash-terms budget for pay equates to even fewer staff than was envisaged when those targets were first set, in the Resource Spending Review (RSR) in May 2022.

And as discussed in the 'public body landscape' section below, actions being taken to establish a National Care Service actively conflict with the Scottish Government's own ambitions for the size of the public sector in Scotland.

27. A clear example of Local Government activity brought about by events during the past five years, which have necessitated an increase in staffing over that period which is still needed today, is the support for a number of asylum/refugee and other resettlement programmes, in particular those relating to Ukraine, Afghanistan and Syria. These vitally important schemes, in which Councils across Scotland play a key role, have nevertheless led to significantly increased demands on resources.
28. A real terms reduction in funding will continue to lead to job reductions and a loss of skills and expertise – directly impacting Councils' capacity to deliver and manage services, leaving some statutory services at risk of no longer being viable to operate. To illustrate this – the 7% real-terms reduction in core funding for Local Government envisaged by the RSR equates to 20,000 fewer jobs, which represents around 10% of the current workforce.
29. With staffing levels in some service areas such as Early Learning and Childcare and Teachers now fixed in a way that is not based on pupil teacher ratios or need – due to Scottish Government policies that actively work against their own staffing targets – and many other Council services requiring a core staffing complement in order to maintain provision, cuts to staff numbers would have to fall disproportionately in other areas, which have already borne the brunt of savings over the last decade (as explained and illustrated in the 'Impact of efficiencies' section below).
30. There is already a risk that pay and other inflationary pressures will see Local Government having to make job cuts and/or lose highly-trained and well-developed staff to other sectors. In line with Scottish Government public sector pay policy, Local Government – through its Scottish Local Government Living Wage, set above the Real Living Wage – has recognised the need to support the lowest-paid workers. Alongside this, Councils have found themselves struggling to attract and retain both sessional staff such as in culture and leisure – who are more attracted to less

precarious work elsewhere – and professional staff such as in planning and accounting, as they are unable to compete with pay rates seen in other sectors.

31. The graph below illustrates how Local Government has enhanced the pay of its lowest-paid workers over the past decade, while at the same time budget pressures have constrained the pay increases awarded to other staff to below inflation (the red line on the graph) – contributing to the challenges in recruitment and retention.



Source: SNCT Pay Circulars; SJC Pay Circulars; [Office of National Statistics](#)

32. Even aside from job reductions themselves, impacts on staff morale and wellbeing must be a primary consideration when assessing options and implementing any reform. Just seeking more and more efficiencies and/or attempting to reshape how services are delivered – especially given the unprecedented increases in demand for those services and where significant reform has already been undertaken – risks overstressing already-stretched people and resources, leading to increased levels of absence, lack of willingness to progress and of leavers, resulting in greater loss of talent and an inability to attract the next generation of public servants.

33. For example:

- a) Reducing staff hours may only increase the pressure on an employee, as workloads and service demand do not necessarily decrease; meanwhile their income is less, and there also may be implications for their eligibility for some benefits.
- b) Replacing a departed full-time employee with a part-time role can make it even more difficult to attract new recruits with the necessary skills.

- c) 'De-layering', by reducing managerial or supervisory roles, can lead and has led to broader remits, potentially overwhelming current staff and future applicants – this impact has been particularly felt at 'Service Manager' level, where recruitment across all services is extremely challenging.

This risk of overstressing people is already starting to be reflected in some Councils' staff health and wellbeing surveys and stress-related absences.

- 34. Finally, with a large proportion of staff employed in critical frontline service delivery roles, Councils typically employ a large proportion of lower-paid workers – one of the groups that have been most heavily affected by the pandemic and the rising cost of living. Excluding teachers, 85% of Council employees earn less than £40,000 a year.
- 35. Cutting staff numbers or hours in Councils, therefore, risks pushing more people into poverty (including in-work poverty), with knock-on cost implications for other areas of the public sector, including health, housing, social security and local economies, potentially outweighing any savings to the wider public sector.

Use of land, estates and offices

Questions 3 and 5

- 36. Local Government does already continuously seek to be efficient in the management of its estate, including the use of office premises and other properties, and has been making efficiencies in this area for more than a decade in order to balance budgets, including through the re-purposing of administrative buildings since the pandemic – although many Councils had already implemented remote and flexible working arrangements to save office space before then too. The Local Government estate is regularly reviewed and where possible, office space and other properties are leased or sold to reduce inefficiency and generate income or released to communities in line with community empowerment.
- 37. Over the last decade, there has also been an increase in co-located services, both between different Councils and with other public-sector organisations. For example, Kelvin Hall in Glasgow is home to cultural services run by Glasgow Life and other public organisations, while across the country a number of Council premises are shared with Police Scotland – such as Buchan House in Peterhead, Marischal College in Aberdeen and the West Lothian Civic Centre in Livingston. Meanwhile, co-location between Councils and NHS boards is routine in and integral to the operation of Health and Social Care Partnerships.
- 38. Further examples of recent actions and strategies by individual Councils include:
 - a) Fife Council's 'Building Value' programme, which followed a previous office rationalisation programme and aimed to reduce overall property revenue expenditure. Through this programme, the Council sought to integrate and/or streamline access to and delivery of local community

provision from fewer buildings, and also implement new ways of working to improve productivity, use of space and employees' work-life balance.

- b) South Lanarkshire Council's remodelling of its customer service provision, removing some of its public drop-in offices (use of which was already declining prior to the pandemic) and focusing on phone and online for customer contact; this channel shift generated an annual saving of £380k. The Council also successfully reused, redeveloped or disposed of assets, and in 2022 a further 6,000 sq. m was removed from its office portfolio.
 - c) In East Ayrshire, community asset transfer has resulted in 65 successful asset transfers, delivering a range of community led projects. This has included football and sports facilities, a local heritage centre, community centres and older iconic buildings, including an entire former secondary school – the former Kilmarnock Academy – which is now home to local social enterprise, Centrestage. This work contributed to the Council's ambition to reduce the number of operational buildings by 25%.
39. While local authorities and other agencies have embraced structural change through co-location and other reforms, this cannot occur in all places to the same extent, and the pace at which this can be done is being outstripped by financial pressures. In the light of further real-terms cuts in core funding, Councils are continuing to have to make difficult decisions regarding the closure of premises – some of which (such as libraries and swimming pools) have featured in recent media coverage. However, there is nothing left to cut that won't affect service delivery – any 'lower-impact' savings have been made.
40. Current high inflation, particularly in relation to food, energy and construction-related costs, has further heightened the need to ensure that premises which *are* retained are used efficiently. However, the increased running costs of properties that are retained could offset any savings made, meaning that, in order to achieve targeted reductions, deeper cuts to service provision are required. This heightens the challenge of being able to make the necessary up-front investment to upgrade facilities in order to realise the benefits of the co-location of services.
41. Investment in land and buildings is also needed in order for Councils to fulfil their obligations under other Scottish Government policies and legislation. For example, meeting the requirements of the [Heat in Buildings Strategy](#) will require considerable investment in the Local Government estate, even if property is rationalised across the public sector. Many Councils own and operate a number of historic buildings, while some facilities where rationalisation is difficult, such as schools, have high energy usage. However, capital funding for Local Government has been significantly reduced in recent years – including 'flat cash' for core capital funding for 2023/24.
42. There is also a broader risk of over-estimating the savings that can be made through estate rationalisation, and of taking an overly narrow view of these costs – reducing opening hours or closing premises altogether can have knock-on effects and lead to negative impacts elsewhere that end up resulting in greater costs overall. South

Lanarkshire Council, for example, is undertaking a review of assets in each locality, but anticipates the main benefit will be in removing longer-term investment liabilities and reducing future carbon obligations, rather than direct revenue savings.

Scottish Government's priority areas for reform

Questions 5 and 6

This section focuses on three of the five priority areas, and includes an example of the cross-cutting reform programmes being implemented by many Councils.

Digitalisation

43. Local Government has been and continues to be at the forefront of transformation, including digital transformation, of service delivery and of 'back-office' operations; much of this is led by COSLA and in particular the Local Government Digital Office – a shared centre of excellence in data, technology and digital, supporting councils' shift towards digital-first service delivery. Examples of shared digital services that have achieved significant savings and improved outcomes for people include:

- a) [myjobscotland](#) – a shared recruitment portal, managed by COSLA, that has streamlined the recruitment process for councils and other public sector bodies (although the Scottish Government and its agencies have opted not to use it), improved the experience for customers, and reduced annual expenditure from £15m prior to its implementation in 2016, and remains at under £0.5m in 2023. As well as its practical and financial benefits, myjobscotland also fits with the aim in Scotland's [Digital Strategy](#) to use shared technology platforms as a core part of public service reform.
- b) [myaccount](#) – a simple and secure sign-in service for online public services in Scotland, giving people living in Scotland the ability to set up an online account that can be used to access a growing range of services across multiple organisations (the Improvement Service website provides [case studies of some of these services](#)). Myaccount is currently used by 40 organisations, including all 32 local authorities, Social Security Scotland, Young Scot, NHS Lothian and NHS My Diabetes My Way, and there are now more than 2.1m active accounts – 44% of the eligible population. This service is similar to but separate from (and pre-dates) the Digital Identity Scotland platform now being developed by the Scottish Government.
- c) [CONSUL](#) – a participation and engagement platform managed by COSLA which is in use across Local Government and enables the public to participate in decision making and Participatory Budgeting to directly influence budget spend in their communities, thereby delivering on the aspirations of the Community Empowerment Act.

- d) [SEEMiS](#) – an education management information system provider owned by Local Government, whose solutions provide a common national service response to statutory information requirements as well as interfaces with external agencies such as ScotXed and SQA. Its use across Scotland enables records to be transferred between authorities where required and creates capabilities that could not be achieved by individual authorities, including continuing enhancement such as the development of a new '[Parent's Portal](#)', which facilitates a digital relationship between parents / carers, pupils and schools and is available in more than 1,200 schools.
- e) [Digital Telecare](#) – the ongoing switch from analogue to digital equipment in telecare has huge potential to enable remote monitoring of the health of people receiving care at home including those with long-term conditions, reducing the frequency and improving the effectiveness of call-outs, making the service more responsive rather than reactive. As part of this programme, work is underway to develop a [shared Alarm Receiving Centre \(ARC\)](#) solution – this will enable telecare providers to buy into a national technology platform but continue to operate autonomously, all while unlocking a range of benefits and new possibilities for services. The Digital Telecare project team at the Local Government Digital Office has been working with Scotland Excel to commission this service.
- f) [Business Gateway](#) – the '[Planning to Start](#)' tool encourages people thinking of starting a business to self-serve the comprehensive support already available from the national Business Gateway service. The tool can be tailored to focus on the user's needs, and produces an action plan that can be discussed with an advisor locally – saving scarce advisor time and allowing them to add more value. Meanwhile, Business Gateway has pivoted to offering workshops on topics such as marketing and financial management via webinars that are procured and managed nationally – achieving economies of scale, greater consistency, increased accessibility and freeing up of resources at local level to focus on specific local needs.

44. Looking forward, broad areas of opportunity that have begun to be realised but which require investment upfront as well as sustainable ongoing funding include:

- a) rolling out the equipment and connectivity required for high-quality, reliable and effective video calling – though not appropriate for all services, the pandemic has allowed many people to be more familiar and comfortable with this method of contact, which can reduce costs such as travel.
- b) the shift from legacy IT systems to cloud-based technology – helping to reduce duplication (and therefore the volume of data stored and the associated carbon footprint), facilitate greater information sharing and enable more effective collaboration between staff in different locations.

- c) adopting a digital-first approach to more services, complemented by digital skills development initiatives for both staff and customers – as well as maintaining non-digital routes for people to access services, it must be recognised that those providing the services also need ongoing support.
45. However, although these innovations help to achieve efficiencies, they need sustainable funding – often including significant investment up-front – in order to maximise the realisation of the benefits over the medium to long term. This forward-planning approach is greatly hindered by single-year budgets, specific and often short-term grants, and other uncertainties regarding budget allocations, as well as a disproportionate focus on inputs and outputs rather than outcomes; these and other barriers are discussed in more detail later in this response.

Maximising revenue

46. According to the Accounts Commission's [Local Government in Scotland Overview 2022](#), Councils have seen their underlying cumulative funding fall by 4.2% in real terms since 2013/14 (excluding Covid-19 funding). Other analysis by Audit Scotland has indicated that when funding for Scottish Government priority areas is removed, there has been a real terms reduction of 9.6%. This contrasts with an increase of 4.3% in Scottish Government funding of other areas over the same period.
47. These cuts to funding have forced Councils to introduce and/or increase fees and charges, especially in 2023/24, often after many years of restraint. However, there is a limit to how high these charges can be set, especially during a cost-of-living crisis, both in order to minimise the financial burden on residents and avoid increasing poverty, and because in some cases, excessive charges could be counter-productive by reducing take-up and therefore failing to increase revenue.
48. Local Government has been granted some additional revenue-raising powers in recent years – including through the devolution of Empty Property Relief from 2023/24. However, more could be done. One example is Planning and Building Control fees – these are currently set nationally, and none of the 32 Councils achieves full cost recovery at present; various factors mean that only between 35% and 75% of costs are recovered. If Councils were granted the ability to set the fees locally, these could be structured in a way that better reflected the costs involved.
49. Work is now underway to establish a Fiscal Framework between Scottish and Local Government, and this is welcomed. Such a Framework presents an opportunity to empower Councils to raise funds to invest in their communities and services, thereby improving outcomes by focusing on local priorities. It is vital that progress continues to be stepped up over the coming months, so that a Framework can be delivered during 2023/24 as intended.
50. This work needs to include establishing a sound funding basis for Local Government as well as giving greater flexibility. Alongside this, work on reforming Council Tax –

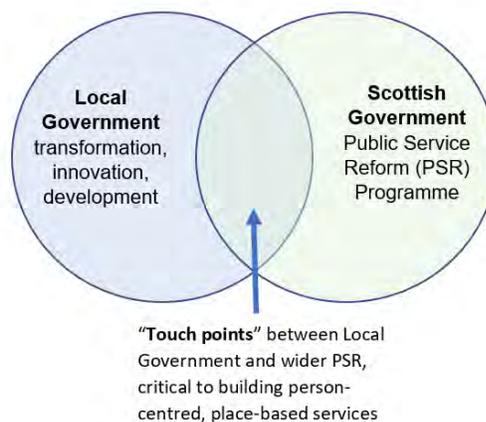
which has effectively stalled since before the pandemic – should be taken forward as a matter of urgency. While this may not result in more revenue per se, it is an opportunity to ensure the income generated is non-regressive.

51. Individual Councils are also taking steps to maximise revenue. For example:

- a) Fife Council has adopted a new model for supporting the hosting of events at council properties, including a new 'Events Guide' to help event organisers plan and manage safe and successful events. The Council adopted the [Scottish Approach to Service Design](#) in developing the new approach, focusing on optimising the customer experience and better understanding and meeting their needs.
- b) Angus Council's revenue-raising plans include increasing the amount of commercial work carried out by its Waste and Parks teams – such as bulky uplift and house clearance work, and grounds maintenance; the Council is also working with its arms-length culture trust, Angus Alive, to transform its business model to attract more income and be less reliant on management fees from the Council; and revenue is also expected to be generated through profits arising from a joint contract with Dundee City Council for a new energy-from-waste facility.
- c) Tayside Contracts is a shared service – the largest and longest-serving of its kind in Scotland – between Angus, Dundee City and Perth & Kinross Councils, serving more than 400,000 residents by delivering services such as roads and winter maintenance, school meals, and cleaning. This offers potential commercialisation opportunities in the coming years, including through offering some services at a cost to more customers.

Public body landscape

52. The Resource Spending Review invites Local Government to take a “complementary approach” to public service reform. As the Scottish Government develops detailed plans for reform across public bodies, it is vital to consider the key 'touch points' with Local Government at a local level.



53. While the reform agenda covers well over 100 bodies, there are some key organisations whose work overlaps considerably with Local Government, on a day-to-day basis and in Community Planning Partnerships at a more strategic level. These inter-relationships need to be considered early in reform plans, to ensure place-based, person-centred approaches can be developed and any unintended consequences of reorganisation and reform are avoided.
54. The key priority for Local Government will always be to ensure that individuals and communities get the services they need at the right time regardless of where they live and of their individual circumstances. At a local level, and as demonstrated by the examples highlighted in this response, much of this work is done with community planning partners. It will be important to ensure that public service reform does not complicate or inhibit innovation, partnership and collaboration on the ground.
55. Additionally, Local Government wishes to see completion of the Local Governance Review which is of relevance to any effective public service reform that seeks to enhance - public engagement and improve accountability by ensuring decisions are taken at a level closest to the individuals and communities they impact the most. This includes exploring potential significant reform such as a single island authority models, which will rely on all local partners being empowered and engaged. This must be done in conjunction with work to develop other aspects of functional, fiscal and community empowerment that will ensure public services are delivered in a manner that is fit for local needs and priorities.
56. The planned creation of a National Care Service (NCS) risks destabilising current services and the workforce, creating uncertainty and impacting on the ability to recruit and retain staff. This bureaucratic restructuring would therefore not address – and would be likely to exacerbate – current challenges in social care, and would pose a significant risk to Councils' ability to deliver a wide range of services.
57. We therefore welcome that the NCS Bill has been paused and call on the Scottish Government to focus on investing in service improvements now, including those set out in its and COSLA's Joint Statement of Intent. More broadly, the focus should be on supporting people through the recovery from the pandemic and the cost-of-living crisis, rather than costly, time-consuming structural reform.
58. In the context of public service reform, the creation of an NCS is counter-productive and contradictory. It is a clear example of public sector reform that is likely only to divert attention and resources away from addressing the challenges currently faced in the delivery of services, and is at odds with the Scottish Government's own stated ambition of reducing – or at least not expanding – the size of the public sector.
59. According to the Financial Memorandum to the NCS Bill (which we acknowledge is subject to revision), the Scottish Government proposes to spend – and has already begun to spend – as much as £250m across 2022/23 to 2024/25 on establishing a new bureaucratic structure, without having published a Business Case quantifying

the benefits it expects to achieve in return. As the Accounts Commission states in its [Local Government in Scotland Overview 2022](#):

Such a significant programme of reform brings challenges and risks. Reform in other areas of the public sector has shown that expected benefits are not always clearly defined, and even when they are, they are not always delivered. Focusing on such a major transformation also risks a diversion from tackling immediate challenges in the social care sector.

60. Alongside this, there has been and is planned to be a large complement of staff within the Scottish Government working on establishing the NCS – more than doubling from 200-300 in 2022/23 to 440-660 in 2023/24 and 2024/25. Aside from any consideration as to whether this is the best use of staff resources during an extremely challenging period for the whole of the public sector, such growth is in stark contrast to the aim of keeping the public sector pay bill static in spite of pay rises, which therefore requires reducing headcount. Many of these staff members would potentially need to be retained to manage the NCS at a national level.
61. This spending and headcount expansion – the latter of which continues a long-term trend as set out in the staffing section above – comes just as Local Government and much of the rest of the public sector is being asked to achieve significant efficiencies whilst maintaining or raising service levels, and only increases the pressure on these areas to reduce their headcount to an even greater extent, to compensate.

Example of Councils' reform programmes

62. Fife Council's 'Changing to Deliver' programme, which initially ran from 2018 to 2021 but whose work continues, involved a package of change and improvement that individual services could draw upon to improve their efficiency and effectiveness when resources were reducing. Nine opportunity areas were progressed:
- a) Decentralisation – devolving decision making, improving collaboration amongst frontline staff and refocusing local and community planning
 - b) Integrated Community Access – integrating service provision using fewer buildings and a more ambitious approach to community asset planning
 - c) Digital Delivery – shifting a significant amount of contact online by making it easy for customers to self-serve or quickly access appropriate support
 - d) Single View of Customer Experience – consolidating customer contact processes and information into a single consistent view of the customer experience, and a single process to track contact and assess eligibility
 - e) Internal Process – supporting this consolidation and shift to digital delivery by removing unnecessary steps that get in the way of delivering services
 - f) Digital Workspace – further development of mobile and flexible working solutions to improve productivity in the mobile and office-based workforce
 - g) Procurement and Contract Management – reducing third-party spend through a consistent and focused approach to procurement activity.

- h) Income Generation/New Revenue Workstreams - optimising income from fees and charges and full cost recovery and delivering sustainable income – this included a targeted approach to subsidies and concessions
- i) Demand Management – service reviews focusing on ways to reduce and prevent demand, improve delivery, and optimise the structures used

63. The indicative scale of benefits targeted for the programme was around £27.6m, across revenue, capital and HRA budgets. Although the bulk of enabling activity was anticipated to be completed by March 2021, the realisation of benefits was expected to span beyond then. Overall, the programme enabled estimated benefits of £34.6m. Many other Councils have implemented similar cross-cutting reform programmes.

Cross-sector collaboration

Questions 9 and 12

64. It has been suggested in some recent Committee hearings that although there have been some examples of collaboration, Local Government could and should do much more and go much further to reduce costs and maximise efficiency in the delivery of what have been described by a Committee member as "duplicate functions".

65. As we have highlighted to the Committee previously, Local Government has achieved significant efficiencies, including through innovation and shared services, for more than a decade in response to reductions in core revenue funding, and this is likely to continue to play a significant role in the future. Having said that, though, much of the funding gap in 2023/24 and beyond will have to be addressed by direct service cuts and reductions in staff, particularly as the majority of council spending is in schools, adult care services and waste, where opportunities for collaborative working is either limited – including through Scottish Government policies regarding maintaining teacher numbers – or already maximised.

66. A recent report by the Improvement Service – the Collaborative Working Research Report (available from www.improvementservice.org.uk/research) – listed some 373 collaborative working or shared services activities (including 30 national examples), of which around two thirds were identified as being in operation, and also featured a number of detailed case studies. The research and examples provided in the report and especially in the full survey returns (accessed via Appendix 1 to the report) demonstrate the large range and depth of collaboration and shared services arrangements put in place by Local Government as a means of continuing to achieve the best possible outcomes for citizens.

67. We have highlighted, in the Digitalisation section of this response, some examples of collaborative ventures that have delivered or are delivering digital transformation of services, benefiting citizens as well as achieving savings. This work is continuing; one example is the Business Gateway service design programme, 'Gateway to the Future', which is focused on creating more customer-centric services and is currently

exploring a range of digitalisation opportunities to reduce the administrative burden on advisors, free up more time to deal with customers and also improve access to business support for a greater number of customers.

68. Another well-established example of Scotland-wide collaboration between Councils is [Trading Standards Scotland](#), which adds capacity to local trading standards teams by coordinating cross-boundary casework and undertaking specialist work to tackle illegal money lending and e-crime. Meanwhile, work on the various [City Region Deals](#) in Scotland has seen a number of partnerships formed by as many as eight local authorities to bring about long-term strategic approaches to improving regional economies, aiming to help harness additional investment, create new jobs and accelerate inclusive economic growth.
69. However, in some cases, innovative and valuable collaborative activities being undertaken in Local Government are being put at risk or forced to stop altogether as a result of the potential loss of essential funding. One notable example of this is the [DigitalBoost](#) programme, in which Business Gateway has been working together with enterprise agencies, such as VisitScotland, and the Scottish Government to create a programme of digital skills support for Scottish SMEs. Recent survey work has reaffirmed the value that businesses place on the DigitalBoost support.
70. The DigitalBoost programme is also vital to delivering the aspirations in Programme 3 of the National Strategy for Economic Transformation, while in the co-authored [Digital Strategy](#) both COSLA and the Scottish Government committed to develop and expand DigitalBoost as 'our primary programme of support for SMEs'. Despite this, the programme saw its budget reduced by 25% for 2022/23 and indications are that it is unlikely to be funded in 2023/24. Regrettably, this means a successful programme of support – which evidence shows is in demand and valued by business – is likely to end.
71. As well as withdrawing funding from programmes that have produced positive economic results, there are also areas in which the Scottish Government appears to be duplicating activities and services that are already operating successfully within Local Government and the wider public sector. For example, a new Digital Identity Scotland platform is currently being developed – a voluntary single-sign on system for accessing online services, intended to bring consistency across multiple public bodies and reduce the amount of information that needs to be submitted and stored. But, as described in the 'Digitalisation' section above, the 'myaccount' service developed by the Improvement Service (and now branded as '[mygovscot](#)') already fulfils this purpose, and its scope could simply be expanded as required.

Local Government Benchmarking Framework

72. The [Local Government Benchmarking Framework](#) (LGBF) was developed in 2012 by SOLACE and COSLA together with the Improvement Service, to provide better measurement and comparison of performance in order to better inform the targeting

of resources and to drive improvement. The LGBF allows communities to see how their council is performing and compare that both over time and in relation to other councils and the Scottish average.

73. However, the LGBF is not just about reporting and publishing data – it's also about learning from others to improve and transform. Each year, Councils meet in “family groups” of eight Councils with similar characteristics in relation to particular policy areas. As such, it is a clear demonstration of long-term collaborative working across Local Government, and has provided the catalyst for improvement across the sector.

74. Particularly (but not only) in service areas where budgets have been reduced most substantially in recent years – such as culture and leisure, roads and planning, as well as corporate support services – the LGBF has been an invaluable enabler of transformation. For example, the cost of collecting council tax per home has been reduced from £17 to £7 in real terms since 2010/11.

75. The LGBF has also been expanded over recent years – another demonstration of Local Government's willingness to adapt and evolve in response to emerging policy priorities. For example, new indicators have been added in relation to:

- a) procurement – recognising the significant impact that Council spend can and should have in local areas and on community wealth building,
- b) climate change – recognising the place-based leadership role that Councils have in a transition to net zero, and
- c) financial sustainability – ensuring that the impacts of Covid as well as demand pressure are monitored, and that best value is visible to all.

Addressing Scottish Government's strategic priorities

Question 7

76. Local Government is *the* crucial partner to the Scottish Government in addressing all three of its strategic priorities – eradicating child poverty, delivering a just transition to Net Zero, and providing sustainable public services – and is integral to the role of improving outcomes for people across Scotland. But fair, flexible, sustainable funding is essential to Local Government fulfilling that role.

77. Local Government contributes to these priorities through the following service areas:

- a) **Child poverty** – Early learning & childcare; Education; Free school meals; Children & families social work; Employability support; Financial inclusion and welfare services; Delivery of Council Tax Reductions, Discretionary Housing Payments, Scottish Child Payment Bridging Payments, Scottish Welfare Fund and devolved Disability Benefits (in partnership with Social Security Scotland); Direct social housing and housing support services;

Homelessness services; Community learning and development including youth work and adult literacy; Free period products.

- b) **Just transition** – Flood risk management; Planning, land use and development management; Energy efficiency; Waste management; Electric vehicle infrastructure; Public transport; Active travel projects; Regeneration; Biodiversity and nature-based solutions; Digital connectivity and inclusion; Economic development and business support.
- c) **Sustainable public services** – Cross sector collaboration; Service hosting; Co-location; Shared infrastructure; Strategic local partnerships; Scotland Excel partnership; as well as examples in previous sections.

78. The Audit Scotland and Accounts Commission briefing on [Tackling Child Poverty](#), published in September 2022, highlighted the vital role of local government in working with the Scottish and UK Governments towards this strategic objective:

"Local government is responsible for delivering services in line with local policy and priorities. It also implements the Scottish Government's policies, reflecting local circumstances, in areas such as childcare, employability and housing and administering financial insecurity and hardship funding."

79. The report also highlighted the following examples of good practice by individual Councils in their efforts to tackle child poverty:

- a) Renfrewshire Council's Tackling Poverty Commission was set up to assess the nature, causes and impact of child poverty locally. The programme involves working closely with local communities and third-sector partners and talking directly to those experiencing poverty.
- b) North Ayrshire Council's Skills for Life Programme supports long-term unemployed lone parents into employment, giving them a six-month mentored vocational placement within the council.
- c) East Dunbartonshire Council's Snack and Play programme gives children who receive free school meals, and those identified as vulnerable, priority to attend a local primary school during school holidays free of charge for play, sports and craft activities and a hot lunch.

80. Additionally, to improve practice in tackling child poverty, the following areas have embarked on pathfinder projects working to deliver a new phased approach to whole system, person-centred support, delivered with dignity, respect and kindness:

- a) Glasgow – during the pandemic, people across Scotland came together to tackle problems, working across barriers in order to give people the help they needed. Recognising that child poverty is no less of a crisis now, Glasgow City Council, the Scottish Government, COSLA and the Improvement Service are continuing to work together to integrate and tie

together services that work and are focused around the individuals and families who need them.

The council has led a pathfinder project adopting a person-centred, “No Wrong Door” approach, and empowered local teams to deliver. It has sought to integrate child poverty interventions and bring together services across the city, working with a range of partners, with services focused around the individuals and families who need them

- b) Dundee – through a partnership approach, the Council, the Department for Work and Pensions and the Scottish Government are working together on a pathfinder project, the intention of which is to test how to do things in a more person-centred way, drawing on the experience of local partners and grassroots organisations to understand how local approaches can support improved and sustained positive outcomes.

The project has facilitated strong cross-organisational collaboration to deliver person-centred services to families, including individuals that had never previously engaged with the system. Taking a rigorous approach to working across silos has resulted in effective use of funds and a better understanding of the barriers the service users were faced with.

81. Meanwhile, the Net Zero, Energy and Transport Committee published a detailed report in January 2023 on [the role of Local Government in delivering Net Zero](#), which made clear why Scotland will not meet its ambitious climate targets without a more empowered Local Government, whose democratic credentials, local knowledge and capacity to lead by example, make Councils uniquely well-placed to foster essential partnerships at local and regional level as part of a collective national effort.

82. Examples of local projects that contribute towards delivering Net Zero include:

- a) The [Low Carbon Demonstrator Housing](#) project involving Angus Council, Abertay University and an industry-led innovation centre in Hamilton aims to show how technological innovations in renewables, alongside energy-efficient construction, can achieve zero-carbon targets in housing at a large scale – driving down costs, increasing supply, and supporting related supply chains. The project also provides education, training and guidance to support customers overcome challenges affecting their lifestyle.
- b) Long-term collaboration between Orkney Islands Council, the private and academic sectors and local community groups is harnessing the islands' favourable physical environment to establish [a 'cluster' of knowledge and expertise in green energy](#). The Council is also applying this technology by using vehicles that run on hydrogen, and looking to commission hydrogen-powered vessels to operate Council-run inter-island ferries.
- c) Stirling Council has worked with Scottish Water Horizons to develop the [Forthside district heating network](#) (DHN) channelling otherwise unused energy from a wastewater treatment works to provide low-carbon heating for local facilities including a leisure centre and school as well as voluntary organisations' premises. A similar project by West Dunbartonshire Council

for a DHN and energy centre (including Scotland's largest Water Source Heat Pump) at Queens Quay in Clydebank [won a COSLA Award in 2022](#).

83. At a strategic level, the new [COSLA Plan 2022-2027](#) sets out six priorities for Local Government and our Communities, which include improving wellbeing of families, enhancing support for children and young people, delivering a just transition and supporting the most vulnerable.
84. COSLA and the Scottish Government are now working towards signing a new partnership agreement, recognising these shared priorities and the value of enabling and empowering Local Government to deliver on these priorities most effectively by targeting resources and tailoring solutions to best meet local needs. We welcome this commitment by the Scottish Government, and look forward to continuing to work together collaboratively and constructively, in accordance with the new agreement.
85. Individual Councils' current strategies and local outcome improvement plans (LOIPs) align directly with the shared priorities; for example:
- a) The ['Plan for Fife' 2021-24 update](#) sets out four recovery and renewal priorities: Leading economic recovery; Tackling poverty and crisis prevention; Reducing the impact of the climate emergency; and Community wealth building.
 - b) South Lanarkshire's Council Plan, [Connect 2022-27](#), has 3 priorities, which emerged from extensive public engagement – People (in particular, the impact of poverty and inequalities), Progress (in particular, recovery from the pandemic), and Planet (in particular, sustainable development).
 - c) East Ayrshire Council's [Strategic Plan 2022-2027](#) has six themes – Building a Fairer Economy; Tackling Poverty and Inequality; Improving Community Wellbeing; Supporting Children and Young People; Delivering a Clean, Green East Ayrshire; and Ensuring Financial Sustainability and Resilience. The Plan is underpinned by and aligned with the Council's Financial, Workforce, Digital and Asset Strategies.
86. Many Councils have also adopted Community Wealth Building (CWB) as part of their economic development strategies. CWB redirects wealth back into local economies and places control and benefits in the hands of local people. By joining up 'anchor organisations' – including higher and further education institutions, health boards and key local businesses – CWB takes a place-based approach to improve local and regional economic systems and deliver more and better jobs, community owned assets, shorter supply chains and a just transition.
87. North Ayrshire Council has been at the forefront of CWB within Local Government, [launching its CWB Strategy](#) in May 2020, which set out ambitious plans to become a CWB Council. North Ayrshire's approach focuses on harnessing existing resources to create a fair local economy, working alongside partners to reduce poverty and inequality with more local employment and a larger and more diverse business base.

88. Following North Ayrshire's lead, Councils across Scotland are now applying similar approaches, for example working with stakeholders and local partners on CWB pilots in Clackmannanshire, Fife, Glasgow City Region, South of Scotland and the Western Isles. Each pilot area is developing and implementing bespoke action plans focusing on delivering actions to respond to their local and regional ambitions.

Barriers to reform and delivering on priorities

Questions 5, 6, 7 and 10

Under-funding

89. While some steps have been taken on public service reform and towards the radical shifts required – while some avenues for greater revenue-raising have been opened up – there have been barriers and pressures that have so far hindered progress and the achievement of meaningful results. These include:

- a) a lack of autonomy and flexibility to tailor services to local needs;
- b) single-year budgets, specific grants and policy uncertainty; and
- c) a preoccupation with inputs and outputs rather than broader outcomes.

90. The Scottish Government claims it is providing over £700m of additional funding for Local Government in the 2023/24 Budget Settlement. However, this is compared to the 2022/23 Settlement, so does not take account of funding for pay awards during that year, and almost all of the other extra funding is for specific policy commitments.

91. COSLA's [Budget Reality briefing](#) shows that Scotland's 32 Councils are in fact receiving a combined total of just £70m of extra funding in this year's Budget Settlement – nowhere near sufficient to fund a fair pay rise for staff, meet rapidly rising costs due to continuing high inflation and increasing demand for services.

Policy direction

92. The Budget Reality briefing also lists some of the many areas in which funding for Councils is directed or ring-fenced for particular Scottish Government policies; in addition, these specific grants often fail to cover the full cost of policy delivery or keep pace with inflation, eroding Councils' core budgets. The Accounts Commission highlighted this in their [Local Government Financial Bulletin 2021/22](#), stating:

"An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services. Ring-fenced and directed funding helps support delivery of key Scottish Government policies but removes local discretion and flexibility over how these funds can be used by councils ... Collectively, ring-fenced and directed funding totalled £2.7 billion [in 2021/22], representing 23 per cent of total revenue funding [compared to] 18 per cent in 2020/21."

93. COSLA has previously cited as examples of this:

- a) Early Learning and Childcare – though funding has been provided for the expansion to 1140 hours, the first 600 hours remains to be funded from the core budget; with both uptake and costs for this element rising, the core is effectively used to fund all of this provision.
- b) Free School Meals – with the cost of food having risen sharply, the original policy funding and subsequent expansions, that are now built into the Settlement and not updated with inflation, no longer reflect the actual cost of delivery, so other services must be cut to meet this policy commitment.

94. A more recent example of policy direction that stifles Councils' ability to allocate resources to best meet local needs (which is referred to throughout this response) is the Scottish Government's intervention to maintain teacher numbers at 2022 levels and intention to stipulate a minimum number of learning hours. The timing and nature of this intervention undermines the democratic mandate of Local Government and represents a U-turn on previously agreed flexibilities for Councils over budgets.

95. Whilst we value the impact that teachers make, attainment is not just about teacher numbers, and Councils must be given the flexibility to manage their increasingly constrained budgets to minimise the impact of funding cuts on attainment alongside other services that people depend on. This is particularly important in areas where school rolls are declining, where retaining current teacher numbers is inefficient and doesn't deliver value for money.

96. The challenge this presents to Councils is exacerbated by their funding for Early Learning and Childcare being cut in response to declining current and future rolls (a link which often isn't applied when rolls increase), while continuing to face increased fixed costs such as energy as well as maintaining staff numbers.

97. Meanwhile, where Councils have taken steps to reform the school estate to improve efficiency while maintaining provision, the Schools (Consultation) (Scotland) Act 2010 requires them to carry out extensive consultation even for fairly minor changes, which Scottish Ministers also have the power to veto.

98. To fulfil its role at the heart of public service reform, to achieve further innovation and to maximise the positive impact of public spending, Local Government requires fair and sustainable funding, improved relationships and greater empowerment. The current erosion of Councils' core funding results in a reduced ability to invest in prevention work, taking us further away from key strategic priorities.

99. As part of future partnership working between Local Government and the Scottish Government, we look forward to more proactive engagement and consultation particularly in advance of Programmes for Government, as many of the policies

contained within these are at least partly delivered by Local Government and have significant implications for Councils and the local communities they serve.

Short-term focus

100. Single-year budgets for Local Government restrict Councils' ability to plan and invest in dealing with long-term systemic challenges around poverty and inequality, wellbeing, climate change, and the economic recovery following the pandemic. In addition, resourcing on an annual basis inhibits effective service design, makes it more difficult to recruit and retain people with the necessary skills, and hinders procurement activity which leads to stop-start service delivery.

101. This was recognised by the Accounts Commission in their [Local Government in Scotland Overview 2022](#):

"The ongoing absence of a multi-year financial settlement creates uncertainty for councils at a time when effective, robust financial management is crucial. [Funding] on an annual basis... makes it challenging for councils to plan and budget effectively for the medium and longer term, and work with partners to develop long-term plans to deliver better outcomes and address inequalities."

102. Multi-year settlements are required to tackle these issues effectively and maximise the positive impact of public spending, together with a focus on broader outcomes rather than narrow inputs and outputs. The issue of teacher numbers, described above, is a prime example of the continued focus on easily measurable numbers rather than meaningful outcomes when it comes to public spending.

103. This narrow focus drives behaviour and spending in ways that are not necessarily best value. Achieving the shared priorities for children and young people – tackling the poverty related attainment gap, supporting the health and wellbeing of children and young people, and ensuring we create a skilled workforce that meets the need of Scotland's economy – is not just about teacher numbers; requires support from a range of Local Government services and professionals.

104. But instead, there persists a preoccupation with whether headline figures have gone up or down and how much has been spent on what (which often contributes to disagreements about Local Government funding, especially where it consists of a number of transfers from various Scottish Government portfolio budgets). There is little evidence that this has added value, and it is at the expense of understanding the outcomes achieved and whether spending is targeted at the right priorities.

Impact of efficiencies on service delivery

Questions 11 and 12

105. We have made it clear, in this response and elsewhere, that Councils have been making efficiencies for many years, in response to successive real-terms cuts in funding, and there is nothing left to cut that will not have a direct impact on services.

106. A demonstration of Councils' performance in making savings can be seen in the Accounts Commission's annual financial reviews of Local Government in Scotland. The Commission's [Local Government Financial Bulletin 2021/22](#) shows that:

- a) 94% of targeted savings were achieved – up from 84% in 2020/21
- b) 76% of savings achieved were on a recurring basis
- c) Half of councils which had set savings targets achieved them in full

The Commission further reported that recurring savings were expected to contribute more than a third of the £0.4bn budget gap for the year (more than twice as much as the use of reserves) and a similar proportion of the larger gap in 2022/23.

107. However, such is the extent to which Local Government has had to make savings year after year for more than a decade, that the cracks are starting to show. The [latest LGBF report](#) shows that public satisfaction with some services – especially those most affected by budget cuts, such as culture and leisure, waste and street cleaning – is starting to decline. (A similar trend is also apparent in relation to social care, but the report finds that this can be largely attributed to the pandemic, during which time people's experiences fundamentally changed.)

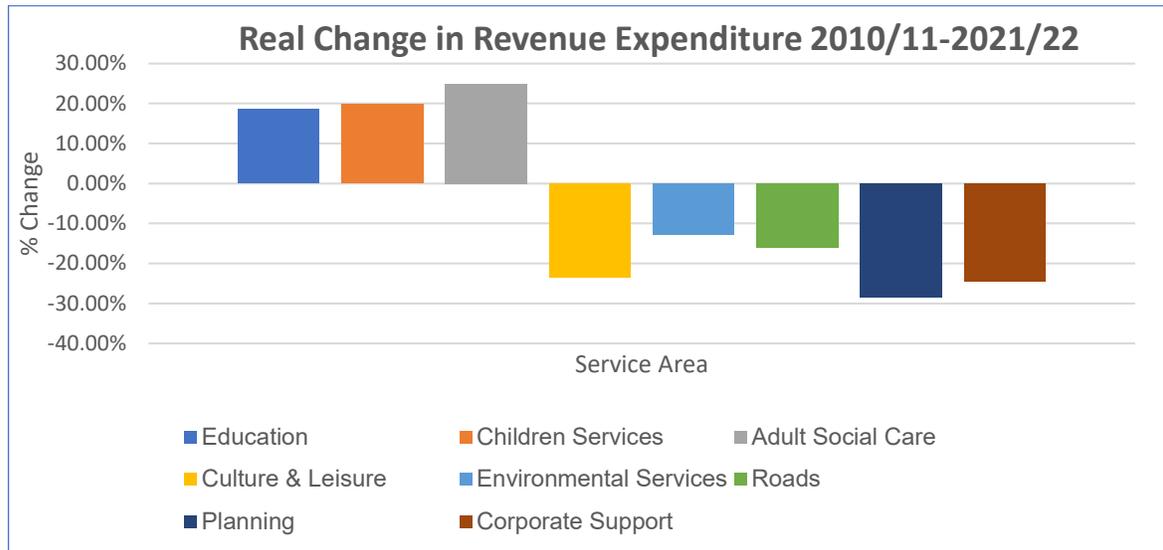
108. An example of the consequences of the savings that Local Government has had to make in recent years can be seen in relation to libraries. Years of real-terms cuts to core funding have led to a 10% decline in FTE staff in libraries over a 4-year period and – together with rising running costs – have forced Councils to close a similar proportion of library buildings (whilst seeking innovative ways to maintain vitally important library provision).

109. These are not policy decisions that Councils have freely chosen to take but instead are the direct result of budget cuts, coupled with increased policy direction giving Councils less flexibility in how to allocate resources. Increasingly, these cuts and lack of flexibility are putting at risk the viability of some Local Government services, including those which fulfil statutory duties.

110. While spending on education, children's services and adult social care has been protected – increasing since 2010/11 by 19%, 20% and 25% respectively – this has increased pressure on other service areas, for example:

- a) Culture and leisure: 24% reduction in spending since 2010/11
- b) Trading standards and environmental health: 27% reduction
- c) Planning: 28% reduction
- d) Roads: 16% reduction
- e) Corporate support services: 25% reduction

The graph below illustrates these figures.



Source: Local Government Benchmarking Framework [National Benchmarking Report 2021-22](#)

111. The ability to deliver more efficient services which could, in turn, deliver savings depends very much on Local Government's ability to invest in infrastructure, without the restrictions on flexibility which we have increasingly seen in recent years. For instance, effecting the behaviour change necessary to reduce transport emissions requires substantial investment in public transport, active travel and electric vehicle infrastructure, as well as collaboration between planning, regeneration, housing and support services - but their capacity for this is put at risk by them bearing the bulk of the pressure when it comes to funding reductions and expected savings.

112. Crucially, cuts to these services does not just affect Local Government and those who are the direct recipients or beneficiaries of these services - they have an impact across the whole of the public sector (and conversely, cuts to services such as the NHS and police also have knock-on effects for Local Government). Whole-system thinking is therefore needed, recognising for example that education, housing and employment are all key social determinants of health and wellbeing which must be invested in to improve health outcomes and reduce health inequalities.

END

Appendix: Numbered list of questions

- 1) Please tell us about your organisation type and sector.
- 2) How many FTE (full time equivalent staff) does your organisation have?
- 3) To what extent is your organisation fully using its land/estates/offices and what scope is there for efficiencies in these areas?
- 4) What is your organisation's total pay bill for 2023-24 (in £ millions), compared to 2022-23 levels?
- 5) What opportunities for further efficiencies has your organisation identified in these five priority areas for reform? *[digitalisation, maximising revenue through public sector innovation, reform of the public sector estate, reform of the public body landscape, and improving public procurement.]*
- 6) The Scottish Government has asked public bodies to produce their plans for delivering public sector reform by later this year, in order to inform the 2024-25 budget. How realistic is this timescale?
- 7) Please tell us if, and how your organisation's plans seek to deliver on the Scottish Government's three strategic priorities, set out below? Please also outline briefly any barriers to delivering these priorities.
 - a) Tackling child poverty
 - b) Transforming the economy to achieve a just transition to net zero
 - c) Ensuring sustainable services
- 8) Given the Government ambitions to reduce the public sector head count and total pay bill costs to 2022-23 levels, what level of reduction in FTE does this mean for your organisation, and how do you plan to achieve it and by when?
- 9) How, if at all, is your organisation working collaboratively with other public sector organisations to produce joint service reform plans for the public body landscape and use of resources (for submission to the Scottish Government later this year)?
- 10) What level of support and guidance has your organisation been given by the Scottish Government to deliver the efficiencies and plans necessary for your organisation, and how adequate has this been?
- 11) Can you describe the impact of your plans for reform on how your services will be delivered, in both the short and long term?
- 12) How do you propose to monitor and assess the impact of any reforms on the quality and delivery of your organisation's services?