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Bob Doris MSP

Convener

Local Government and Communities Committee

The Scottish Parliament

EH99 1SP

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9<sup>th</sup> March 2017

Dear Bob,

With thanks to the Local Government and Communities Committee for its report on the Draft Budget 2017-18. Please find the Scottish Government's response to this in Annex A.

I hope the Committee finds this information helpful.

Kindest regards,

**ANGELA CONSTANCE**

CC Derek Mackay MSP, Cabinet Secretary for Finance and the Constitution

Kevin Stewart MSP, Minister for Local Government and Housing

Jeane Freeman MSP, Minister for Social Security

## **ANNEX A**

### **RESPONSE TO COMMITTEE REPORT RECOMMENDATIONS**

**31. The Committee welcomes the decision by the Scottish Government to meet the commitments on the Attainment Fund from central resources and to increase the Fund from £100m to £120m per year.**

Noted

**39. The Committee notes that whilst the core grant to local authorities is being reduced in 2017-18, the Scottish Government has also provided data which asserts an overall increase to local authorities once all other sources of support are taken into account.**

Taking next year's local government finance settlement, including the extra £160 million announced on 2 February, as well as other sources of income available to councils through reforms to council tax and funding for Health and Social Care Integration, the overall potential increase in spending power to support local authority services in 2017-18 amounted to over £400 million or 3.9 per cent."

**40. The Committee believes that greater transparency is required, and that the Draft Budget for local government, and the allocations to local authorities are very difficult to follow. It is essential in scrutiny terms that this Committee and the Parliament as a whole is clear on exactly how much money local authorities can be expected to receive and from what sources and with what conditions, if any, on their purpose.**

**AND**

**41. We appreciate that there is a wider review of the budget process ongoing, although consider this issue possibly too detailed for the remit of that review. We would request that the Scottish Government produce detailed proposals on making the local government draft budget more transparent in advance of next year's budget process.**

This proposal is accepted and although the publication of the Draft Budget and the local government finance settlement on the same day does not help, the Scottish Government will undertake to provide as clear as possible the necessary transparency. This could include full reconciliations between Draft Budget and Budget figures; Draft Budget to Draft Budget figures; and the changes between the Draft Budget figures and the total local government funding contained within the consultation Local Government Finance Circular. The breakdown of funding outwith the settlement can also be provided and consideration will be given to separating the date of the Draft Budget and the Local Government Finance Settlement. Consideration would be given to any other suggestions on how to provide greater transparency from the Committee would be welcomed.

**59. The Committee welcomes evidence that integration fund monies have addressed some of the cost pressures in social work services and supported the delivery of the living wage.**

**60. The Committee acknowledges the challenges faced by local authorities in the current financial climate and the impact that these financial pressures can have on the**

**provision of non–statutory services and the ability to prioritise additional investment in preventative services.**

**61. The Committee notes the need to have financial flexibility when deciding local service level funding and understands the potential impact that national government policies can have on the levels of flexibility available to local authorities.**

**62. The Committee agrees with the view of the Accounts Commission that that all local authorities should implement medium to long term financial planning to optimise service delivery.**

**69. The Committee understands the desire for local authorities to receive multiyear funding in order to undertake effective financial planning. We do however appreciate why the Scottish Government, on this occasion, published a one year budget, given the levels of economic and fiscal uncertainty. Nevertheless, we recommend that next year an indicative budget for 2019-20 is presented alongside Draft Budget 2018-19.**

**83. The Committee notes the general view that reserves should not routinely be used to support savings or on-going expenditure and agrees that reserve funds should preferably be used for long term planning purposes and transformational projects.**

All noted.

**135. The Committee welcomes the additional funding for the supply of affordable homes and will continue to monitor the Scottish Government’s progress in delivering housing policies on the ground.**

Our commitment to invest over £3 billion to deliver at least 50,000 affordable homes over the lifetime of this Parliament – 35,000 of which will be for social rent – presents a huge opportunity to meet the housing needs of communities across Scotland. And to support jobs and generate economic activity.

**136. The Committee was pleased to hear the Minister’s acknowledgement that delivering these policies requires partnership working and urges the Scottish Government to continue to work collectively to ensure the housing needs of older people and people with particular needs are addressed.**

In spring 2017 we will publish our refreshed ‘Age, Home and Community’ strategy to take account of changing need, demographics and help address issues of isolation older people can face as well as improving access to suitable housing.

One of our ambitions is that disabled people in Scotland can live life to the full in homes built or adapted to enable disabled people to participate as full and equal citizens. As set out in our 2016 action plan ‘A Fairer Scotland for Disabled People’, we will work with local authorities, disabled people, and other stakeholders to ensure that each local authority sets a realistic target within its Local Housing Strategy for the delivery of wheelchair accessible housing across all tenures and reports annually on progress.

**137. The Committee welcomes the Minister’s commitment to scrutinise the latest Strategic Housing Investment Plans and requests that the results of his analysis is shared with the Committee to help inform the development of any post budget scrutiny it may undertake.**

At his appearance at Committee the Minister Local Government and Housing agreed to share with the Committee a summary of the SHIPs. Officials are currently analysing the information from the 32 local authorities SHIPs and will share an overview with the Committee as soon as this is practicable.

**138. We have concerns regarding the potential impact of welfare reform on the future funding and supply of housing in Scotland and we recommend that the Scottish Government continues to work with local authorities, and their partners, to ensure the effective allocation of funding and resources to those who need it most and ensure the impact on vulnerable people in Scotland is minimised.**

The impact of the UK Government's ongoing programme of welfare reforms is a serious concern. In 2017/18 will have allocated £57.9m for Discretionary Housing Payments to fully mitigate the bedroom tax and also provide assistance to those most adversely affected by the Local Housing Allowance rate and the benefit cap.

In 2017 we are planning to implement our new powers in relation to the administration of the housing element of Universal Credit to give claimants the choice of opting to receive their award in twice monthly payments and of having their rent paid directly to their landlord. Our aim is to make it easier for claimants to manage their money and avoid falling into rent arrears.

We are also working with our partners in the sector to ensure the funding devolved to Scotland for supported accommodation from 2019 is used wisely and provides the right support for those who need it.

**139. The Committee requests that the Scottish Government provides further information and clarification on the transfer of £22m for homelessness services from the UK Government including how it intends to allocate this money, when and how it will be spent.**

The UK Government is to transfer £22.5m to the Scottish Government to fund the loss of the management fee for temporary accommodation and this can be used for homelessness services more generally. Scottish Government officials are currently in discussion with COSLA around how to distribute this funding. COSLA leaders are currently considering a paper which outlines a distribution formula. The Leaders will next meet on 31 March to consider their position. Alongside this, the Scottish Government is in discussion with Local Authorities about how to review their models of provision of Temporary Accommodation to meet the challenges posed by the change in funding arrangements.

**140. The Committee welcomes the resources dedicated to housing supply and the Infrastructure Fund however, we note the concerns from stakeholders regarding the practicalities of delivering the affordable homes target and we urge the Scottish Government to address these concerns.**

The current target builds on our excellent track record in delivering affordable homes. It presents a huge opportunity but we also recognise the challenge, which is why the Scottish Government has listened to what the housing sector needs to deliver its ambition and has set out how it will support the programme through the More Homes Scotland approach. This includes:

- increased housing grant subsidies
- a £25 million rural housing fund, and a £5 million islands' housing fund

- a flexible housing infrastructure grant and loan fund – to help tackle infrastructure blockages,
- expansion of mid-market rent provision, and
- responding to the review of the planning process.

We are also working closely with local authorities through an enhanced programme of engagement with all 32 Chief Executives, and in partnership with key infrastructure providers like Scottish Water and SEPA, to support the delivery of more housing.