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Local Government and Communities Committee

Remit: To consider and report on communities, housing, local government, planning and regeneration matters falling within the responsibility of the Cabinet Secretary for Communities, Social Security and Equalities



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Introduction

1. The Committee reports to the Finance and Constitution Committee as follows—
2. The Finance and Constitution Committee wrote to the Committee with guidance on 30 June 2016¹ recommending that subject and other committees focus on prioritisation and value for money (two of the four² principles of financial scrutiny as a framework for budget scrutiny). It then wrote again on 26 October confirming that the Draft Budget would be published on 15 December 2016 and included some further information on various scenarios provided by the Scottish Government.³
3. The Scottish Government published its Draft Budget 2017-18 and accompanying documents on 15 December 2016⁴. In addition, the Scottish Government also produced the Local Government Finance Circular No. 9/2016⁵ which provides details of the provisional total revenue and capital funding allocations for 2017-18.
4. Due to the late publication date of the Draft Budget and associated documents, the Committee decided to undertake pre-budget scrutiny on two key parts of its remit – local government and housing and issued a call for views on these areas⁶. The Scottish Parliament's Information Centre produced a local government⁷ summary and a housing⁸ summary of the written submissions received. The Committee took evidence from key stakeholders on the issues emerging from the written evidence and then then heard from the Minister for Local Government and Housing and the Cabinet Secretary for Finance and the Constitution on the evidence heard and the Draft Budget figures.

Social impact

5. As part of a long running project looking at the impact of local government budget reductions across the UK, the Joseph Rowntree Foundation commissioned a number of pieces of work from an academic research team at Glasgow University and Heriot Watt University. The final phase of this project involved developing a 'social impact tool' which allows councils to examine their budget choices and look at whether their savings are weighted more on those services that are "pro-rich", "pro-poor", or "neutral".
6. As part of its academic engagement programme, the Scottish Parliament's Information Centre (SPICe), together with the research team referred to above, produced a briefing on the social impact of the 2016-17 local government budget,⁹ which uses published local authority data for 2016-17 to produce a whole of Scottish local government analysis. The Committee received a briefing from SPICe and the research team during its pre-Budget scrutiny work. This was used to examine the way that local authority spending decisions reflect their priorities especially in relation to reducing inequalities.

7. As part of our pre-budget scrutiny, we explored the extent to which local authority spending decisions prioritise funding for policies that are likely to reduce inequalities. During evidence we considered the “social impact” of local authority spending decisions, and how authorities ensure that budget decisions protect the most vulnerable members of the community.
8. The Committee would like to thank all those who provided written and oral evidence, further details are annexed to this report. (Annexe B contains extracts from the Minutes of meetings and Annexe C contains oral and associated written evidence.

Local Government Budget and provisional allocations to local authorities

Context

9. As part of the challenges facing public sector budgets across the country, the Scottish Local Government budget has fallen significantly in real terms in recent years. Local authorities have therefore been making savings for many years. The future shape of the local government settlement is unclear, but local authorities are preparing for further real terms reductions in their resources.
10. The Committee explored the impact of local government settlements to date on local services, and the complexities around local government funding. We considered the different funding streams, such as the £250m provided for health and social care integration (which was provided via health boards), and the £120m educational attainment fund and how these affect the total allocations to local authorities.

Budget allocation

11. The total allocation to local government in the 2017-18 Draft Budget is £10,131m. This is mostly made up of General Revenue Grant (GRG) and Non-Domestic Rates Income (NDRI), with smaller amounts for General Capital Grant and Specific (or ring-fenced) revenue and capital grants.
12. When making year-on-year comparisons with the 2016-17 allocation for local government, the Scottish Government has stated that comparing 2016-17 Budget numbers with 2017-18 Draft Budget is misleading, as there are a number of funds that will be added to the local government settlement from other portfolios, after the Draft Budget is published. At the time of taking evidence, the amounts were not yet clear however additional information was provided by the Scottish Government and is attached at Annexe A. For completeness, and as a wide range of figures have been used when interpreting the local government budget, the Committee has set out the headline figures using all different methodologies below. In addition, SPICe have produced a table which provides a breakdown of

local government funding comparisons with this year's Draft Budget which has been reproduced below. Further detailed tables are provided in Annexe A.

13. In terms of GRG+NDRI, which makes up the core revenue settlement for local authority services, this is shown as falling by either 4.5% (when compared to Draft Budget 2016-17) or 5.8% (when compared to Budget 2016-17).
14. Tables in the Scottish Parliament Information Centre's briefing paper¹⁰ show that the total Local Government budget line is shown as falling by either 1.6% in real terms (when compared to Draft Budget 2016-17) or falling by 3.2% in real terms (when compared to Budget 2016-17).

Other sources of support

15. In the 2017-18 Draft Budget, there is an additional line in the local government budget tables titled "Other sources of support". This is the first time that such a line has been included in the Draft Budget.
16. This "Other sources of support" line includes funding for Health and Social Care Integration, and additional income anticipated to be raised from council tax reform.
17. The money for Health and Social Care Integration is also presented in the Health budget totals (and is described in detail in the "What the budget does" section of the Health and Sport portfolio chapter), and therefore contributes to the real terms growth in the Health budget.
18. Therefore, if choosing to add these "other sources of support" to the Scottish Government's support to local government, the result is either a small real terms increase (+0.4%) when compared with the 2016-17 Draft Budget or a small real terms reduction (-1.1%) when compared with the 2016-17 Budget.
19. This 0.4% real terms increase equates to a cash increase of 1.9%, or £197m. In the "strategic context" chapter of the Draft Budget, the Scottish Government states that its measures in the budget amount to a "potential increase in the total spending power to support local authority services from a combination of government grant and increased revenue from local taxation of £267m." This £267m figure is produced by adding £70m (which assumes all councils raise council tax by 3%) to the £197m figure above.

However, in addition to this, the Scottish Government has also cited figures of "up to £240.6m in additional funding and revenue" for local government.¹¹ This figure is produced by adding the £47.4m reduction in "total local government" from Local Government Finance Circular 1/2016 (for 2016-17) to Local Government Finance Circular 9/2016 (for 2017-18), and then adding the following additional income streams, as for the £267m figure: £111m for additional council tax income from changes to Bands E-H, £107m for the additional integration fund, and £70m for raising council tax by 3%. The table below provides a breakdown of local government funding comparisons with this year's Draft Budget.

Table 1 – Local Government funding, change from 2016-17 to 2017-18

Local Government funding 2017-18 - comparisons	2016-17 (£m)	2017-18 (cash) (£m)	Cash change (£m)	Cash change %	2017-18 (real) (£m)	Real change (£m)	Real change %
Comparison to 2016-17 Draft Budget							
General Resource Grant + Non-Domestic Rates Income	9,454.4	9,163.6	-290.8	-3.1%	9,032.4	-422.0	-4.5%
Total Local Government Level 2	10,152.3	10,131.1	-21.2	-0.2%	9,986.1	-166.2	-1.6%
Total LG level 2, including "other sources of support"	10,402.3	10,599.1	196.8	1.9%	10,447.4	45.1	0.4%
Total LG level 2, including "other sources of support" and £70m council tax income	10,402.3	10,669.1	266.8	2.6%	10,516.4	114.1	1.1%
Comparison to 2016-17 Budget							
General Resource Grant + Non-Domestic Rates Income	9,587.9	9,163.6	-424.3	-4.4%	9,032.4	-555.5	-5.8%
Total Local Government Level 2	10,313.1	10,131.1	-182.0	-1.8%	9,986.1	-327.0	-3.2%
Total LG level 2, including "other sources of support"	10,563.1	10,599.1	36.0	0.3%	10,447.4	-115.7	-1.1%
Total LG level 2, including "other sources of support" and £70m council tax income	10,563.1	10,669.1	106.0	1.0%	10,516.4	-46.7	-0.4%
Comparison between Circulars 1/2016 and 9/2016							
Total Funding	10,300.3	10,252.9	-47.4	-0.5%	10,106.1	-194.2	-1.9%
Total Funding, including "other sources of support" and £70m council tax income	10,550.3	10,790.9	240.6	2.3%	10,636.4	86.1	0.8%

20. The method for funding local authorities is described in detail in a SPICe briefing paper for the former Local Government and Regeneration Committee¹², issued in March 2014.

Commitments

21. The Circular states that “the Scottish Government will work in partnership with local government to implement the budget and the joint priorities in return for the full funding package.” These joint priorities include:
- an additional £120m for schools to support closing the attainment gap, funds for which have come from the national budget, as explained above
 - additional estimated £111m in council tax income from changes to Bands E-H retained by local authorities
 - local authorities will be required to maintain the overall pupil: teacher ratio at 2016-17 levels, and secure places for all probationers who require one under the teacher induction scheme (this is supported by funding of £88m (£51m to maintain teacher numbers and £37m to support the teacher induction scheme)
 - increase in the funding for health and social care integration by the NHS, from £250m to a total of £357m; and local authorities will be able to “adjust their allocations to Integration Authorities in 2017-18 by up to their share of £80m below the level of budget agreed with their Integration Authority for 2016-17”
 - increases in council tax capped at 3%.

Issues explored

Council Tax

22. On 3 November 2016, the Parliament passed the Council Tax (Substitution of Proportion) (Scotland) Order, which increased the ratios of the upper bands (E-H) relative to Band D for 2017-18 onwards. This Committee scrutinised this Order.
23. In October 2016, we reported¹³ on the changes to the council tax bands and heard concerns regarding the Scottish Government’s intentions to use the revenue generated to fund, at that stage, an additional £100 m investment per year to close the gap in educational attainment.

Attainment fund

24. When considering the council tax Order, the Committee heard that, for some, the proposed changes breaks the principle of reserving local taxes revenues for local services, and that the 3% cap in increases to council tax erodes local democratic accountability. COSLA stated that—

” We cannot stress our concerns strongly enough to the Committee that these proposals do not enhance local democracy and accountability for local taxation, and instead fundamentally undermine these aspirations.²⁰

25. UNISON expressed similar concerns highlighting that, “local taxation should apply to local priorities and councillors should be responsible to their electorate for local decisions”.

26. During our pre-budget scrutiny, Councillor Cook representing COSLA, argued that this plan exacerbated the current problem of a lack of flexibility for local authorities¹⁴—

” We have no flexibility, for example, in relation to local taxation, and what taxation powers we have are being further restricted and are being reused for national purposes rather than the local purposes for which they were designed. I am referring to the multiplier and the creation of the attainment fund, which will result in resource being drawn off from local authority areas and used to support a national policy. We do not bridle at the national policy; what we bridle at is the fact that that approach drives a coach and horses through the principles of local taxation and completely trashes the democratic mandate of local authorities.

27. The Committee welcomes the lifting of the council tax freeze, providing Councils with some flexibility to set council tax rates. In relation to attainment fund, we also intend to consider the forthcoming Education Bill to scrutinise the evolving relationship between schools, local authorities and the communities they serve in the context of enhancing local democracy and community empowerment.

28. In December 2016, in its response to our report, the Scottish Government stated¹⁵—

” The Scottish Government has considered the various representations it has received in relation to this, as well as the evidence heard by the Committee, and can confirm that provision for the additional funding to meet commitments on the Attainment Fund will be met directly from the resources available to the Scottish Government at a national level, rather than from an adjustment to the local government finance settlement.

” The additional resources available directly to schools through the Attainment Scotland Fund will be increased from the proposed £100 m/year to £120 m/year, with the distribution based on P1 to S3 pupils known to be

eligible for free school meals and paid as a ring fenced grant as part of the local government finance settlement.

29. The Committee also requested further details on the procedure that will be followed to enforce the 3% cap, to which the Scottish government responded¹⁶—

” The Cabinet Secretary for Finance and the Constitution wrote to the President of COSLA, copied to all 32 Local Authority Leaders, on 15th December inviting any individual authority not intending to agree the offer and accept the full package of measures and benefits, including the 3% council tax cap, to reply by no later than Friday 13th January 2017. For those authorities not agreeing the offer a revised, and inevitably less favourable, offer will be made.

30. Also, when giving evidence on the Draft Budget, the Cabinet Secretary explained their decision¹⁷—

” I am well aware from my previous appearance before the committee that members had some reservations about our commitment to use the extra money raised through our council tax reforms as direct funding to schools to help close the attainment gap. As you will know, we have listened to those concerns and have decided that the attainment fund should be funded from central resources and that the fund itself should be increased to £120 m next year

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.

Presentation of local government budget allocations

32. Whilst the Committee accepts that there is a certain degree of complexity in presenting the various funding streams available to local authorities, we nonetheless found it difficult to undertake rigorous scrutiny of the Draft Budget actual figures, not only because of the shortened timetable this year but also the way in which the budget allocations are presented and information is contained both in the draft Budget and the Finance Circular.

33. The Cabinet Secretary for Finance and the Constitution told the Committee¹⁸—

” The total funding package for local government as set out in the draft budget amounted to more than £10.131 billion, but once various sums of money from other portfolios have been added, the total settlement, as set out in the consultation circular, amounts to almost £10.253 billion.

34. We asked for further information regarding the total Local Government Funding Settlement 2017-18 across all local authorities. The Cabinet Secretary acknowledged the complexities involved in local government funding allocations and agreed to supply further information to the Committee. This supplementary evidence has been reproduced at **Annexe B** to this report.
35. Professor Gibb in his written submission suggested ways in which the presentation of budget information could be improved to increase transparency. He also suggested there was a case for providing relevant but non-budgetary housing spend information i.e. tax breaks and benefit spend since they impact directly on the housing system¹⁹.
36. We raised this issue with the Cabinet Secretary for Finance and the Constitution asking whether it was possible to supply budget information in one document rather than having to read across a number of budget documents and the circular in order to get a complete picture of monies being allocated to local government.
37. The Cabinet Secretary told us that the complexity in the funding and distribution methodology, had emerged over a number of years . He said²⁰—

” There is a difference between what is presented in the draft budget, what emerges in other funding streams, what is in particular ringfenced funds and then what comes through further needs-based calls on resources. We also have the separate matters, such as city deals—in Aberdeen, Glasgow, Inverness and so on—which surely everyone would welcome.

38. When pressed on the need for all the relevant figures to be presented in one document, the Cabinet Secretary replied²¹—

” I think that your key point is actually a fair one. If we were to design, from scratch, a local government funding arrangement, and we could put all the information in the one place at the same time, I can tell you that that would be helpful for all of us. However, we can look further at how the information is provided for future years.

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.

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.

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.

Pre-Budget Scrutiny

42. A number of written submissions from local authorities received during pre-budget scrutiny described the impact of potential budget cuts by detailing the savings implemented over recent years. Renfrewshire Council highlighted the difficulties in tracking funding because of some responsibilities being removed from local authorities (i.e. police and fire services), and some being added (i.e. responsibilities linked to the Children and Young People Act). They argued that²²—

“It appears perverse and acutely unfair that the Scottish Government have chosen to continue to cut grant resources to council areas like Renfrewshire whilst at the same time providing grant increases to other, in many case, much more affluent areas across the country.”

43. We were told that there was a similar picture of service evaluation and efficiency measures across local authorities where the focus is on providing only those services which are statutory and tied to councils' key outcomes. The examples given on how councils have been making savings included²³—

- revaluation of service provision, for instance reducing the number of hours and locations where services are offered;
- Removing some services entirely;
- Improvements to ICT systems;
- Transfer of council-owned assets to local community groups;
- Closure of local offices;
- Staffing reductions, including within statutory services;
- The introduction of charges for non-statutory services;
- A reduction in economic development activity;
- Closure of public facilities such as libraries and public toilets;
- Reduced spending on roads, parks, and tourism-related activities; and,
- A reduction in provision of classroom assistants

Impact on non-statutory services and preventative spend

44. West Lothian Council suggested that anything that is non-statutory is at risk and Argyll and Bute Council said that the choices on which non-statutory services could be reduced or cut are becoming narrower. Both Renfrewshire Council and Inverclyde Council suggested that a tipping point will come in 2-3 years when statutory services will become affected by cuts²⁴.
45. We heard of the extent to which local authorities are focusing on preventative spending and whether they are able to take this approach in the current financial climate and the current short-term nature of funding and the impact this has on local authorities' ability to plan ahead. A number of written submissions highlighted the fact that, in a climate where local authorities must work to protect statutory services, preventative spending is becoming increasingly difficult²⁵.
46. Highland Council pointed out that the protection of certain aspects of local government spending in line with Scottish Government priorities, such as teacher numbers and social care places, has a disproportionate effect on other services²⁶. UNISON Scotland suggested that even this protective spend underestimates the real cost of service delivery²⁷.
47. In its written submission, the Association for Public Service Excellence (APSE) stated that a number of non-statutory services like provision of parks and green spaces and programmes focused on active lifestyles and healthy eating were key preventative services at risk of being cut²⁸. UNISON Scotland echoed this and highlighted environmental health services, community sports facilities and allotments as other important aspects of preventative spend²⁹.

Flexibility

48. During evidence we heard of the difficulties faced by local authorities when setting out their priorities and developing long term financial plans. Councillor Cook told us³⁰—

” Last year, local authorities experienced a cut of 3.6 per cent across the board—in real terms, the cut was 5.2 per cent— which is a very significant cut in our budget and has serious implications for council services across the board.

49. Councillor McAveety, representing Scottish Local Government Partnership (SGLP) described the 'structural issue with the relationship between central and local government in terms of capacity to find allocations of resources'. He explained this this was because much of the spend is predicated either by grant or by preconditions on the grant³¹—

” For example, last year's budget settlement was a challenge for a number of authorities, because we had to meet some key priorities that had been

defined as such by ministers, rather than by individuals at local level who—I presume—know the communities best.

50. Councillor Cook told us that the problem was, not just the cut to local authority budgets, but also the lack of flexibility in the budget due to the restrictions on how certain budgets can be spent.³² He used the restrictions in teacher numbers as an example, telling us³³—

” The reality of a teacher number requirement is that, in effect, it locks up resource to maintain the proportion of teachers relative to the number of students across Scotland. That gives us considerably less flexibility in terms of how we employ that resource. It is actually counterproductive to the meeting of some of the Scottish Government’s aspirations on attainment, which are shared by local authorities generally.

51. The Scottish Local Government Partnership (SLGP) stated that³⁴—

” “Local authorities need to be free to manage resources and services locally as they see fit and as being in the best interest of their own communities to which they are locally accountable”.

52. Lloyds TSB Foundation for Scotland argued that local authorities need to have greater flexibility so that they can target spending towards people needs³⁵. East Ayrshire Council suggested that reducing teacher numbers to better reflect local circumstances might “free up scarce resources for investment in high priority areas such as alcohol and drugs”³⁶.

53. Professor Richard Kerley from Queen Margaret University felt that the cap on teacher numbers was an example of a ‘heavy-handed exercise of central control’³⁷ which results in staff cuts in other areas of the workforce which are not capped.

Health and Social Care integration funds

54. The Committee explored how integration funds would be used within local authority areas. Councillor Cook stated³⁸—

” Last year, the £250 m was directed through health, apparently to integration joint boards, and it is fair to say that councils generally were unhappy with that mechanism. There was no clarity about it and, in effect, the whole resource was soaked up on the health side. It certainly did not attenuate any of the cost pressures that councils were suffering from.

55. However, he went on to say that these funds were used to pay staff³⁹—

” A large chunk of the £250 m was used to pay the living wage and the rest of it was used to alleviate pressures in health and social care. Local authorities did not really see any return on that money other than through the alleviation of pressures in that sector.

56. This point was echoed by Councillor McAveety who told us⁴⁰—

” On the figures that I have for Glasgow— obviously, the figures will vary across the four SLGP authorities—£33 m was the element of IJB resource allocation that was made to the council. Half of that had to meet the living wage obligations; the other half was for pressures in social work services.

57. During evidence with the Accounts Commission on their local government financial overview 2015/16 report on 14 December, Ronnie Hinds told us⁴¹—

” ..we make the point that we strongly think that councils should take a long-term view in their financial planning, and we identify where that is happening and where it is not happening. We accept that it is more difficult to do when they have to deal with one-year settlements, as they have for the past couple of years.

58. We explored these issues with the Cabinet Secretary who said of the £250m health and social care integration fund that⁴²—

” That funding will allow the living wage to be delivered for the full year and on an on-going basis in perpetuity. It will also improve quality in the system and provide further resource for service sustainability, and it will support the very specific requests that we made to local government regarding carers and veterans.

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.

63. We heard that the short-term nature of funding allows for limited planning ahead. Argyll and Bute Council highlighted the specific impact on the voluntary sector, which receives much of its funding through local authorities.⁴³ The Scottish

Council for Voluntary Organisations (SCVO) also noted concerns amongst third-sector organisations around both levels of funding and the short-term nature of funding agreements⁴⁴.

64. Professor Kerley argued that if there are reductions in future budget allocations, the Scottish Government should 'have the courage to say that'. He told us⁴⁵—

” It should tell local authorities that they should plan in 2017-18, 2018- 19 and 2019-20 to have a reduction of 1 to 1.5 per cent in their budgets. I would prefer that approach to the modelling that is sometimes attempted in which service directors are asked what they would do next year if their budget was reduced by 10 per cent. Invariably, they bring out what used to be called the shroud-waving options, so that everybody's response is to say, “Oh no, we're not doing that.” A sustained planning exercise would have far smaller variations.

65. George Black from the University of Strathclyde told us that the budget management processes needs to change particularly in light of the new devolved tax powers. He made a couple of suggestions⁴⁶—

” ..it would be more useful if local authorities were given planning assumptions by the Scottish Government, such as what the impact would be of a 3 per cent, 4 per cent or 5 per cent reduction in grant, so that the Scottish Government could take account of issues such as equality impact assessments and economic impact assessments prior to making a decision about how much money goes to local government.

” Secondly, instead of taking a one-year budget approach, we could have a one-year fixed budget followed by a two-year indicative budget, which would allow the Scottish Government to understand from councils what would be the impact of grant reductions over a longer period. If the budget process were to evolve in that manner, you would get better outcomes in reducing inequality and increasing economic growth.

66. Councillor Cook also highlighted the problem with a one year budget approach and the ability of local authorities to plan ahead, telling us⁴⁷—

” We want long-term planning, so that we can see the topography ahead of us. It needs to be understood that the single-year settlements that we had last year and this year were a decision of the Scottish Government. The Government could have decided to have a multiyear arrangement or a multiyear set of assumptions, but it chose not to do that.

67. George Black echoed the need for multi-year budgets, telling us⁴⁸—

” ..if local authorities had three-year budgets and were able to go into their transformation programmes with much more confidence that they had the right envelope, they would be in a better position to explain to the public

why they were going through that process. My point is that we cannot change the numbers but we can make the process much more transparent for the public and easier for councils to implement.

68. The Cabinet Secretary explained that his decision to adopt a one year budget approach was based on the fact that he had to 'wrestle with deep economic turbulence' and potential changes to UK fiscal policy. He acknowledged the desire for multi-year budgets however and told us⁴⁹—

” Would I prefer to set out a three-year spending review? Of course I would. Would that be welcomed by local government, the third sector and business? Of course it would. However, I would rather have an accurate, credible budget than one that was ill informed or subject to so many variables that it would change drastically and would not provide the certainty that people sought.

69. The Committee understands the desire for local authorities to receive multi-year 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.

Use of reserves

70. We explored how General Fund Balances are used by local authorities and in particular the extent to which the General Fund Reserves are being used being used to offset savings in the short to medium term. We heard evidence on the varying levels of general fund reserves across different local authorities, and local authorities' ability to effectively manage reserves.
71. The Accounts Commission reported that unallocated General Fund Reserves rose 18.5% during 2014/15. It reported that there is wide variation in the level of reserves that councils hold and the levels of unallocated General Funds but noted that "finance directors tell us that they are being careful to save whenever opportunities arise, in anticipation of further funding reductions".⁵⁰
72. Local authorities were agreed that general reserve funds should be used, to actively support councils' "financial planning arrangements to deliver change, investment and modernisation in services as well as supporting meeting medium to longer term spending commitments".⁵¹
73. Inverclyde Council stated that it has thus far been able to keep charges for services low, but warned that this is not a sustainable model as this had been funded through general fund reserves⁵². East Ayrshire Council also said it had used reserve funds for specific initiatives, including a fund to mitigate the impacts

of welfare reform, but it feels that there is a challenge in being able to mainstream these initiatives⁵³.

74. Some local authorities report that general fund reserves have been used to implement longer-term savings, for instance to fund voluntary redundancy schemes when reducing workforce numbers. The equal pay settlement is noted as another use of reserve funds on internal resources. The SLGP said—

“Some councils have utilised reserves to support the release and delivery of savings in a planned way over short to medium term. Such approaches have been implemented to protect service and mitigate the risk of being required to make unnecessary cuts to services over the short term. Depleting these reserves to manage pressures in the short term could not be sustained longer term.”

75. The majority of local authorities’ submissions confirmed that they had not had to use general fund reserves for every day spending or to offset savings. Those that had had to use general fund reserves to address a budget shortfall did so acknowledging that this was an unsustainable approach and should only be used in the short-term⁵⁴.

76. The majority of local authorities report that they retained an emergency balance, though levels varied. Many councils with high balances report that much of this is earmarked. Orkney Islands Council told us⁵⁵—

“Orkney Islands Council has maintained a fairly constant level of unallocated General Fund Reserve for a number of years. In percentage terms this is higher than the level held by most councils but with the smallest budget of any Scottish council it considered prudent to hold a higher percentage level of the revenue budget as a balance as we are probably more exposed to catastrophes than a lot of Councils due to the provision of significant harbour services, ferry operations and the island airport operations.

77. Moray Council⁵⁶ reported that it is reaching minimal reserve levels and is approaching the point at which service provision would have to be cut. It cites a lack of flexibility in its finances, with the Scottish Government “effectively” controlling 94% of its income.

78. Morag Johnston representing SLGP told us of the situation in Glasgow⁵⁷—

“What has happened most recently, certainly in the 2016-17 budget, is that the scale of reduction—the level that was received was unexpected—resulted in the council having to look to its reserves because it was statutorily obliged to set a budget before 8 March. To extend our transformation programme and make savings in such a short period of time would not have been possible, so in 2016-17 we had to use some oneoffs to enable us to set our budget and allow our transformation programme to

catch up. We know that there can be risks in delivering certain things, and reserves are important to allow us to bridge the gap if areas such as technology take longer than anticipated to implement.

79. Mr Russell explained the situation in Renfrewshire where, in principle, they do not rely on reserves to underpin their budget. He did, however, point out that⁵⁸—

” However, reserves are an important financial planning tool in the medium term, alongside other resources, to support change and the delivery of projects and initiatives that span a number of years. There are often difficulties with getting the message out to the public and the media, with regard to the level of reserves that councils sometimes hold.

80. The use of reserves for delivering transformation in certain areas was also employed in Borders Council. Councillor Cook told us⁵⁹—

” There are often difficulties with getting the message out to the public and the media, with regard to the level of reserves that councils sometimes hold. Certainly in Renfrewshire, the unallocated reserves, which are there to help to manage unforeseen risks that might emerge, are retained at less than 2 per cent of the council's budget; that level is prudent but minimal. Moving forward, it is important to recognise the role of reserves in supporting budgets, but for addressing the financial challenges on a sustainable basis, reserves are certainly not the answer.

81. Kirsty Flanagan, representing Argyll and Bute Council informed us that they do not advocate the use of reserves to support savings or on-going expenditure because the money can only be used once. She also said⁶⁰—

” However, it is worth pointing out that we have had to use it to support savings to pay for redundancy costs. That is depleting our reserves. We have also set aside our reserves to support the economy. Our main priority in Argyll and Bute is to boost the economy and we have put significant investment into regenerating our area. We also use reserves for transformation.

82. We asked the Cabinet Secretary whether the Scottish Government takes into account the local authority level of reserves when setting the budgets. He confirmed that the level of reserves is not generally taken into account in the financial settlement received by local authorities and commented⁶¹—

” It is valid for politicians, the public, Audit Scotland and others to look at local authorities' reserves and to make judgments or comments on them, but that is not something that the Scottish Government would generally do.

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.

84. The Committee believes that consideration should be given to the issue of local government reserves, given the evidence we received on the significant variance between local authorities.

Housing

Context

85. The Committee focussed its pre- budget scrutiny on the housing supply budget given that the majority of the housing budget is used for housing supply. The housing supply budget for 2016/17 was around £690 m of which the majority £572m (83%) was for spending on the Affordable Housing Supply Programme (AHSP) with the remaining £117m for other housing initiatives (mainly the Help to Buy (Scotland) Affordable New Build Scheme).
86. The Scottish Government plans to invest over £3bn on housing supply over the next five years. It aims to deliver at least 50,000 units (of which 35,000 will be social rent) for the period 1 April 2016 - 31 March 2021. This represents a 67% increase in the target for the preceding five years.

Budget allocation

87. The total housing budget in 2017-18 is £739m. This represents an increase of 3% in cash terms from the 2016-17 budget. In real terms (2016-17 prices) this is a 1.7% increase.
88. In 2017-18, £96.1m is also available for housing through the Transfer of Management of Development Funding (TMDF) arrangements. This has declined slightly from £96.5m the previous year. TMDF and the housing budget line combined gives a total of £808.1m.
89. The biggest proportionate increase (41% from the actual 2016-17 budget) is in the housing support line which has increased because of a transfer of £22m from Westminster for funding for temporary accommodation and support for homeless people.
90. Of the total budget, around 60% is available in capital, while just over a third, 34%, is financial transaction funding.

91. Overall, the increase in the housing budget was welcomed. During our pre-budget scrutiny, Mary Taylor representing the Scottish Federation of Housing Associations was typical of the views we heard when she commended the overall 5 year commitment to increase investment in housing. She said⁶²—

” ..there is no question but that the commitment to invest over a five-year period and at a rate that helps to achieve affordable rents for people who need to live in rented properties is hugely welcomed by all and sundry.

More Homes

92. The largest proportion of the budget, 74%, is spent on More Homes. Including TMDF resources, a total of £699.704m is available for More Homes.
93. More Homes Scotland⁶³ is the Scottish Government's overarching banner for the activities undertaken to increase housing supply and meet the Government's 50,000 affordable homes target. It includes the Affordable Housing Supply Programme and funding for shared equity and loans programmes e.g. Help to Buy, Open Market Shared Equity and infrastructure. Announcing the budget on 15 December, the Cabinet Secretary for Finance and Constitution referred to “provision of around £470 m of capital funding for housing in 2017-18” (Col 47). It has been assumed that this is the £379m capital identified in the level 4 information plus the majority of TMDF resources.
94. The Scottish Government has committed to maintaining existing programmes, such as the Rural and Islands Housing Funds, help to tackle infrastructure blockages and continue to work with industry to grow the emerging Build to Rent sector.

Fuel Poverty/Energy Efficiency

95. The Fuel Poverty/Energy Efficiency budget line in 2017-18 is £114.1m, an increase of 15% from 2016-17. However, as in previous years, it is possible more money could be transferred to this budget over the course of 2017-18, which would be documented in future autumn and spring budget revisions.
96. The Scottish Government stated that it will continue to tackle fuel poverty through their Home Energy Efficiency Programmes for Scotland (HEEPS). Further funding for a round of SEEP pilots will also be made available and, “A total of £74m capital funding will help over 14,000 households heat their homes more affordably. We will also make available a total of £30m loan funding through our interest free HEEPS: Loans and Help for Homes scheme”⁶⁴. Level 4 data indicates that the loan funding has increased by 25% over the year.
97. The Existing Homes Alliance said they were disappointed the funding for energy efficiency programmes was cut by 15% in 2016/17. They welcomed the commitment made by the Scottish Government to spend £500m on energy efficiency this parliamentary session but they said this still fell short of what was

required. They made a number of recommendations including that, as a transitional year, the 2017/18 budget should allocate around £190m for energy efficiency so that total public spending is increased to around £250m⁶⁵.

98. The Minister for Local Government and Housing acknowledged that more needs to be done to improve energy efficiency in homes. He told us⁶⁶—

” Latest statistics indicate that around 748,000 households were in fuel poverty in 2015. That is almost 100,000 fewer households compared with the previous year. While that is obviously welcome news, we know that there is much more work to be done.

Housing Support

99. The housing support budget line in 2017-18 is £38m. The main change is the addition of the £22.5m for homelessness support as a result of a transfer from Westminster. The Help to Adapt pilot scheme ended in 2016-17.

Issues explored

100. During our pre-budget scrutiny and in our call for written views we explored with witnesses the value for money and the effectiveness of centrally managed funds in supporting housing supply. Centrally managed funds include the Help to Buy scheme, Open Market Shared Equity, Home Ownership Support Fund, Rural Housing and Islands Housing Fund and Housing Infrastructure Fund and other innovations such as the Local Affordable Rented Trust.
101. Many respondents to our call for views, including West Lothian and Orkney Islands Councils and the Association of Local Authority Chief Housing Officers (ALACHO), reported that the centrally managed programmes were well managed. ALACHO thought that they were delivering outcomes that are in line with Local Housing Strategies and Strategic Housing Investment Plans. A summary of all the responses received was produced by SPICe.⁶⁷

Value for money

102. ALACHO suggested that value for money was being achieved and there was plenty of evidence of significant efforts to control costs, improve procurement and achieve better standards.
103. East Ayrshire Council referred to the lower level of subsidy available to councils compared to RSLs and that the balance of the capital cost must be paid for via borrowing and rents. They argued that value for money considerations must go beyond the initial capital cost to the ongoing borrowing required by the affordable housing developer and the affordability of the resultant rent.⁶⁸

104. West Lothian Council and Orkney Islands Council considered the Open Market Shared Equity Scheme to provide value for money. It was pointed out that government funding is repaid when the property is sold. Homes for Scotland made a similar point about the Help to Buy scheme and suggested that it does more than support those customers who qualify. An additional benefit was that it gives confidence to builders to open up new sites. On the other hand, Shelter Scotland said they have consistently questioned whether schemes to underwrite increased home ownership per se provide value for money in light of the scale of backlog housing needs.

Innovative funding mechanisms


105. Glasgow and West of Scotland Forum of Housing Associations (GWSF) and Scottish Federation of Housing Associations (SFHA) suggested that the role of innovative funding mechanisms was at the fringes of the mainstream programme. It was noted that the innovations particularly supported the use of mid-market rented housing. Although there was a role for this in some areas in many areas the greatest need was for social housing. GWSF argued that only decent levels of grant could support the development of social rented housing.⁶⁹
106. East Ayrshire Council was supportive of innovative funding where they met housing needs and offered the reassurances developers require in terms of due diligence. But they said models which are founded on short term affordable housing delivery which is not sustained do not meet the needs of people who seek long term security.
107. Professor Gibb noted that, in a context of sustained budgetary pressures and a need to target scarce public resources, it was right that the Scottish Government sought to move beyond traditional funding models. Homes for Scotland welcomed the development of innovative funding packages that have resulted in greater variety and creativity in the delivery of affordable housing.
108. CML indicated that there continues to be a strong supply of private funding and investment at competitive rates for RSLs. Given this, they suggested that innovative funding approaches could continue to supplement funding from traditional sources. They suggested the development of alternative sources could be accorded a lower priority at this time.
109. Unison Scotland outlined their proposals, with the support of SFHA, for innovative financing to invest in housing needs, using some of the assets represented by public sector pension funds. They indicated there had been some limited take up of this proposal and they urged the Scottish Government to do more to make it happen widely.

Locally developed programmes

110. In 2016-17, most (71%) of the ASHP budget (£406m)⁷⁰ is provided for locally developed grant programmes. Since 2012-13, the Scottish Government has

provided each council with a 3-year Resource Planning Assumption⁷¹ which councils then use to develop Strategic Housing Investment Plans (SHIPs).

111. The core purpose of the SHIP is to set out strategic investment priorities for affordable housing over a 5 year period to achieve the outcomes set for the Local Housing Strategy. SHIPs will be the key documents for identifying strategic housing projects to assist the achievement of the 50,000 target. Priority projects may include, for example, those provided by local authorities or Registered Social Landlords (RSLs) operating in the areas.
112. SHIPs are currently submitted to the Scottish Government every two years and form the basis of Strategic Local Planning Agreements (SLPAs) which are discussed with local delivery partners and then agreed with councils. SLPAs then form the basis of individual RSL and local authority programme agreements. SLPAs will be reviewed and reissued, at least annually, to enable the programme to roll forward and to maintain a minimum 3 year programme planning horizon, based on the most up to date approved SHIP.
113. Under the Transfer of Management of Development Funding (TMDF) arrangements Glasgow City Council and the City of Edinburgh Council manage the development programme in their areas on behalf of the Scottish Government.
114. During evidence, the Minister confirmed that he is currently analysing the latest SHIPs which have just been submitted. He told us⁷²—

 I intend to go through all the plans that have come in to make sure that they are robust and will help us to deliver on our targets. Members can be assured that I will scrutinise those plans, and I am sure that the committee will want to take a closer look at them in the future.

Impact of subsidy levels

115. Affordable housing grant subsidy benchmarks for RSLs and local authorities have been increased following the report of the 2015 Subsidy Working Group. In addition, the Scottish Government increased the flexibility within the subsidies such that grants can be awarded for higher cost projects.
116. These subsidies are designed to support new affordable housing developments and have varied over the years in response to a range of factors including the availability of private borrowing.
117. We considered how increased subsidy benchmark levels are helping progress towards to the 50,000 affordable homes target and whether there is a need for greater parity between council and RSLs subsidy benchmarks. In addition, we explored the issues around developing housing for older people and those with particular needs. We asked witnesses whether the increased flexibility within the subsidy framework support the development of such housing and whether the

Scottish Government could support the development of housing for older people in a range of tenures, not just social housing.

118. Many of the submissions welcomed the increase in subsidy levels (e.g. SFHA, ALACHO, Homes for Scotland, Renfrewshire and East Ayrshire Councils and GWSF), although it was pointed out though that subsidy levels had been cut in previous years and were just back around 2009 levels (GWSF, Renfrewshire Council).
119. It was suggested that increased subsidies had allowed providers to increase their development programme or to start developing again (SFHA, Renfrewshire Council, ALACHO). However, Orkney Islands Councils indicated that subsidy levels in its area may need to be increased to make developments viable⁷³.

Housing needs of older people and people with particular needs

120. The Independent Living in Scotland project was critical of the planning processes and argued that Strategic Local Planning Agreements did not effectively enable the local housing needs of disabled people to be established, prioritised and resourced⁷⁴.
121. They believed that national strategic intervention was required to address this. They argued that there was a 'tacit assumption' amongst housing professionals and other decision makers that the housing needs of disabled people were being met. But they argued that their evidence suggests that the current housing system is failing to meet the needs of disabled people, particularly in relation to wheelchair users. They argued that appropriate decision makers need to commit to ensuring that 10% of new build developments of 20 or more units for sale or rent are built to, or easily adaptable to wheelchair accessible standard.
122. It was noted that the majority of specialist provision was in the social rented sector which is likely to narrow the options open to wheelchair users.⁷⁵ Some evidence suggested that the provision of older people's housing in other tenures should be looked at as a way of meeting demand whilst improving options of older people⁷⁶. CML also said that issues around delivering older people's housing should be considered in the mix of related issues including how property taxation might be used to support older homeowners to downsize⁷⁷.
123. Mary Taylor from the SFHA questioned why the Scottish Government had not accepted the recommendation from the 2015 Subsidy Working Group that higher subsidy should be available for special needs housing.
124. Julia Fitzpatrick from Horizon Housing Association spoke of the need for the grant system to support accessible housing and suggested⁷⁸—



We should ensure that 10 per cent of the 50,000 new homes are built to a design standard that would accommodate easy adaptation for full

wheelchair use. We also need an intermediate standard to make a broader range of homes suitable for the large majority of home owners

125. When asked whether there should be a specific target for the delivery of wheelchair- accessible homes, the Minister explained that funding decisions are based on the priorities of local authorities and that the Scottish Government intends to be flexible when negotiating subsidy levels with individual local authorities. He said⁷⁹—

” I am absolutely determined to ensure that the housing needs of folk in individual areas are met, which is why I will scrutinise the strategic housing investment plans in the way that I will. I am aware, from being around and about in recent times, that many places already ensure that they bring disabled groups in to discuss their needs.

126. Given the help to adapt pilot ended in 2016-17, the Minister was asked if there would be any changes to the budget for adaptations as a result. He explained that the adaptations budget been to the new health and social care partnerships. He pointed out⁸⁰—

” In line with the 2016-17 investment, we will provide £10 m for registered social landlords to deliver adaptations to help older and disabled folk live at home independently and safely.

Impact of welfare reform

127. GWSF told us that welfare reform posed a “significant threat” to the 50,000 target. ALACHO raised concerns about the impact on temporary accommodation for homeless people⁸¹.

128. Concerns were made about the plans of the UK Government to restrict social tenants’ housing benefit to the Local Housing Allowance (LHA) rate which is used to determine private tenants’ housing benefit. GWSF cited an example of how one housing association could not make a development stack up financially because of this⁸².

129. Stakeholders spoke of the impact that welfare reform measures are having on plans to build new housing and the ongoing provision of housing services, particularly for homeless people. Tony Cain from ALACHO said⁸³—

” There is a difficulty for providers that want to provide 15 or 20 new units on a site in three years’ time, because there is no certainty any more about the availability of the core revenue stream—the rental stream

130. When asked if funding for homelessness services were at risk following the transfer of funding from Westminster, the Minister replied⁸⁴—

” The UK Government’s decision to reduce the funding for temporary accommodation that is available through the benefits system represents a significant challenge not only for the Scottish Government and local authorities but for the folks who find themselves in such accommodation...

” ..Although the Scottish Government cannot fully mitigate the effect of the UK Government’s welfare reform programme, we are committed to ensuring that temporary accommodation is of high quality and serves its residents’ needs, and we are working with councils and the third sector to ensure that that happens.

131. The Minister went on to say⁸⁵—

” UK Government social security policy is having an effect on almost every aspect of life for some of our most vulnerable people. In all the work that we will undertake, the key thing for me is to increase the affordable housing supply with the 35,000 homes for social rent.

132. He referred to the fact that some councils and housing associations have concerns about social security cuts and the payments received from housing benefit, and the associated uncertainties surrounding future funding levels. He told us⁸⁶—

” We have had a fair amount of discussion with the likes of the Scottish Federation of Housing Associations about that...those constant changes by Westminster might lead to a situation in which folk become more pessimistic, which is why I will continue to have discussions with the SFHA and other bodies, and we will continue to relate their concerns about those changes to the Westminster Government. Those bodies have lobbied pretty hard on that front over the piece and we will help them in whatever way we can.

Infrastructure and Delivery

133. Evidence highlighted a range of challenges that could threaten the delivery of the 50,000 affordable homes target. Land and infrastructure problems, planning issues and a lack of skills were highlighted. Shelter Scotland noted that the scale of funding available for the Housing Infrastructure Fund in 2016-17 (£50m) was relatively small against the cumulative infrastructure funding needs emerging from Local Development Plans. Fraser Stewart from New Gorbals Housing Association said⁸⁷—

” Given the range of the issues that have been raised today, we must ask ourselves whether we have a coherent and consistent Government policy for dealing with all those aspects and whether we have the right machinery in Government to have all those questions properly addressed. At the moment, I doubt it.

134. The Minister explained that aim of the Infrastructure Fund was to ‘unlock sites where there are difficulties. He said that it was loan funding for private developers and grant funding for public sector developers. He told us⁸⁸—

” One of the key things that we need to do is make folk much more aware that the fund is available, which we will do. I will keep an eye on that and analyse it.

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.

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.

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.

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.

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.

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.

¹http://www.parliament.scot/S5_Finance/General%20Documents/Convener_to_Convener_guidance_2016.30.06.pdf [Accessed December 2016]

² The other two principles are Affordability and Budget processes.

³http://www.parliament.scot/S5_Public_Audit/2016.10.26_Convener_Finance_Committee_to_Subject_Committees.pdf [Accessed December 2016]

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- ⁴ <http://www.gov.scot/Publications/2016/12/6610> [Accessed December 2016]
- ⁵ <http://www.gov.scot/Resource/0051/00511890.pdf> [accessed December 2016]
- ⁶ <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/101084.aspx> [accessed December 2016]
- ⁷ http://www.parliament.scot/S5_Local_Gov/Inquiries/20161109_Budget_SPICeSummaryOfEvidenceLG.pdf [accessed December 2016]
- ⁸ http://www.parliament.scot/S5_Local_Gov/Inquiries/20161116_Budget_SPICeSummaryOfEvidenceHousing.pdf [Accessed December 2016]
- ⁹ Financial Scrutiny Unit Briefing. The social impact of the 2016-17 local government budget . 16/84. http://www.parliament.scot/ResearchBriefingsAndFactsheets/S5/SB_16-84_The_social_impact_of_the_2016-17_local_government_budget.pdf [Accessed December 2016]
- ¹⁰ http://www.parliament.scot/ResearchBriefingsAndFactsheets/S5/SB_16-103_Draft_Budget_2017-18.pdf [Accessed December 2016]
- ¹¹ Scottish Government press release, 15 December 2016. <http://news.gov.scot/news/budget-local-government-funding-1> [Accessed January 2017]
- ¹² http://www.scottish.parliament.uk/S4_LocalGovernmentandRegenerationCommittee/Meeting%20Paper%2020140423-Papers.pdf [Accessed January 2017]
- ¹³ <http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/101845.aspx> [Accessed December 2016]
- ¹⁴ Local Government and Communities Committee, *Official Report*, 9 November 2016, c7
- ¹⁵ Scottish Government response 22 December 2016.
- ¹⁶ Scottish Government response 22 December 2016.
- ¹⁷ Local Government and Communities Committee, *Official Report*, 21 December 2016, c17
- ¹⁸ Local Government and Communities Committee, *Official Report*, 21 December 2016, c17
- ¹⁹ Professor Gibb. Written submission.
- ²⁰ Local Government and Communities Committee, *Official Report*, 21 December 2016, c21
- ²¹ Local Government and Communities Committee, *Official Report*, 21 December 2016, c21
- ²² Renfrewshire Council. Written submission
- ²³ http://www.parliament.scot/S5_Local_Gov/Inquiries/20161109_Budget_SPICeSummaryOfEvidenceLG.pdf [accessed December 2016]
- ²⁴ http://www.parliament.scot/S5_Local_Gov/Inquiries/20161109_Budget_SPICeSummaryOfEvidenceLG.pdf [accessed December 2016]
- ²⁵ http://www.parliament.scot/S5_Local_Gov/Inquiries/20161109_Budget_SPICeSummaryOfEvidenceLG.pdf [accessed December 2016]
- ²⁶ COSLA. Written submission on the Council Tax Order.
- ²⁷ UNISON Scotland/ Written submission
- ²⁸ The Association for Public Service Excellence. Written submission
- ²⁹ UNISON Scotland. Written submission
- ³⁰ Local Government and Communities Committee, *Official Report*, 9 November 2016, c2
- ³¹ Local Government and Communities Committee, *Official Report*, 9 November 2016, c8
- ³² Local Government and Communities Committee, *Official Report*, 9 November 2016, c3
- ³³ Local Government and Communities Committee, *Official Report*, 9 November 2016, c7
- ³⁴ Scottish Local Government Partnership. Written submission
- ³⁵ Lloyds TSB Foundation for Scotland. Written submission
- ³⁶ East Ayrshire Council. Written submission
- ³⁷ Local Government and Communities Committee, *Official Report*, 9 November 2016, c14
- ³⁸ Local Government and Communities Committee, *Official Report*, 9 November 2016, c3
- ³⁹ Local Government and Communities Committee, *Official Report*, 9 November 2016, c3
- ⁴⁰ Local Government and Communities Committee, *Official Report*, 9 November 2016, c5
- ⁴¹ Local Government and Communities Committee, *Official Report*, 14 December 2016, c3
- ⁴² Local Government and Communities Committee, *Official Report*, 21 December 2016, c23
- ⁴³ Argyll and Bute Council. Written submission
- ⁴⁴ Scottish Council for Voluntary Organisations. Written submission
- ⁴⁵ Local Government and Communities Committee, *Official Report*, 9 November 2016, c14
- ⁴⁶ Local Government and Communities Committee, *Official Report*, 9 November 2016, cols8-9
- ⁴⁷ Local Government and Communities Committee, *Official Report*, 9 November 2016, c19
- ⁴⁸ Local Government and Communities Committee, *Official Report*, 9 November 2016, c17
- ⁴⁹ Local Government and Communities Committee, *Official Report*, 21 December 2016, c38

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- ⁵⁰ http://www.parliament.scot/S5_Local_Gov/Inquiries/20161109_Budget_SPICeSummaryOfEvidenceLG.pdf [accessed December 2016]
- ⁵¹ Renfrewshire Council. Written submission
- ⁵² Inverclyde Council. written submission
- ⁵³ East Ayrshire council. Written submission.
- ⁵⁴ http://www.parliament.scot/S5_Local_Gov/Inquiries/20161109_Budget_SPICeSummaryOfEvidenceLG.pdf [accessed December 2016]
- ⁵⁵ Orkney Islands Council. Written submission
- ⁵⁶ Moray Council. Written submission
- ⁵⁷ Local Government and Communities Committee, *Official Report*, 9 November 2016, c25
- ⁵⁸ Local Government and Communities Committee, *Official Report*, 9 November 2016, c26
- ⁵⁹ Local Government and Communities Committee, *Official Report*, 9 November 2016, c26
- ⁶⁰ Local Government and Communities Committee, *Official Report*, 9 November 2016, c26
- ⁶¹ Local Government and Communities Committee, *Official Report*, 21 December 2016, c37
- ⁶² Local Government and Communities Committee, *Official Report*, 16 November 2016, c22
- ⁶³ <http://www.gov.scot/Topics/Built-Environment/Housing/reform/more-homes-scotland> [Accessed January 2017]
- ⁶⁴ Scottish Government Draft Budget 2017-18, page 92.
- ⁶⁵ Existing Homes Alliance. Written submission
- ⁶⁶ Local Government and Communities Committee, *Official Report*, 21 December 2016, c3
- ⁶⁷ http://www.parliament.scot/S5_Local_Gov/Inquiries/20161116_Budget_SPICeSummaryOfEvidenceHousing.pdf [Accessed December 2016]
- ⁶⁸ East Ayrshire Council. Written submission
- ⁶⁹ http://www.parliament.scot/S5_Local_Gov/Inquiries/20161116_Budget_SPICeSummaryOfEvidenceHousing.pdf [Accessed December 2016]
- ⁷⁰ This £406m accounts for 59% of the total housing supply budget
- ⁷¹ The Scottish Government has committed to a new offer of 5 year resource planning assumptions for all local authorities following the 2016 spending review.
- ⁷² Local Government and Communities Committee, *Official Report*, 21 December 2016, c4
- ⁷³ http://www.parliament.scot/S5_Local_Gov/Inquiries/20161116_Budget_SPICeSummaryOfEvidenceHousing.pdf [Accessed December 2016]
- ⁷⁴ Independent Living in Scotland. Written submission
- ⁷⁵ Written Submission. GWSF
- ⁷⁶ written submissions from Homes for Scotland, CML and the Independent Living in Scotland project
- ⁷⁷ Written Submission CML
- ⁷⁸ Local Government and Communities Committee, *Official Report*, 16 November 2016, c35
- ⁷⁹ Local Government and Communities Committee, *Official Report*, 21 December 2016, c6
- ⁸⁰ Local Government and Communities Committee, *Official Report*, 21 December 2016, c7
- ⁸¹ http://www.parliament.scot/S5_Local_Gov/Inquiries/20161116_Budget_SPICeSummaryOfEvidenceHousing.pdf [Accessed December 2016]
- ⁸² http://www.parliament.scot/S5_Local_Gov/Inquiries/20161116_Budget_SPICeSummaryOfEvidenceHousing.pdf [Accessed December 2016]
- ⁸³ Local Government and Communities Committee, *Official Report*, 16 November 2016, c35
- ⁸⁴ Local Government and Communities Committee, *Official Report*, 21 December 2016, c11
- ⁸⁵ Local Government and Communities Committee, *Official Report*, 21 December 2016, c14
- ⁸⁶ Local Government and Communities Committee, *Official Report*, 21 December 2016, c15
- ⁸⁷ Local Government and Communities Committee, *Official Report*, 16 November 2016, c49
- ⁸⁸ Local Government and Communities Committee, *Official Report*, 21 December 2016, c8

Annexe A

Detailed Tables

Table 2: Local Government budget – compared to 2016-17 Draft Budget

Local Government	2016-17 (£m)	2017-18 (cash) (£m)	Cash change (£m)	Cash change %	2017-18 (real) (£m)	Real change (£m)	Real change %
General Revenue Grant	6,685.9	6,557.8	-128.1	-1.9%	6,463.9	-222.0	-3.3%
Non-Domestic Rates	2,768.5	2,605.8	-162.7	-5.9%	2,568.5	-200.0	-7.2%
Support for Capital	480.6	623.1	142.5	29.7%	614.2	133.6	27.8%
Specific Resource Grants	91.0	211.0	120.0	131.9%	208.0	117.0	128.5%
Specific Capital Grants	126.3	133.4	7.1	5.6%	131.5	5.2	4.1%
Total Level 2	10,152.3	10,131.1	-21.2	-0.2%	9,986.1	-166.2	-1.6%
GRG+NDRI	9,454.4	9,163.6	-290.8	-3.1%	9,032.5	-421.9	-4.5%

Table 3: Local Government budget – compared to 2016-17 Budget

Local Government	2016-17 (£m)	2017-18 (cash) (£m)	Cash change (£m)	Cash change %	2017-18 (real) (£m)	Real change (£m)	Real change %
General Revenue Grant	6,819.4	6,557.8	-261.6	-3.8%	6,463.9	-355.5	-5.2%
Non-Domestic Rates	2,768.5	2,605.8	-162.7	-5.9%	2,568.5	-200.0	-7.2%
Support for Capital	506.5	623.1	116.6	23.0%	614.2	107.7	21.3%
Specific Resource Grants	92.5	211.0	118.5	128.1%	208.0	115.5	124.8%
Specific Capital Grants	126.2	133.4	7.2	5.7%	131.5	5.3	4.2%
Total Level 2	10,313.1	10,131.1	-182.0	-1.8%	9,986.1	-327.0	-3.2%
GRG+NDRI	9,587.9	9,163.6	-424.3	-4.4%	9,032.5	-555.4	-5.8%

Table 4: Total Local Government, added to “other sources of support”

Local Government	2016-17 (£m)	2017-18 (cash) (£m)	Cash change (£m)	Cash change %	2017-18 (real) (£m)	Real change (£m)	Real change %
Other sources of support	250.0	468.0					
Total LG, + other sources of support, compared to 2016-17 Draft Budget	10,402.3	10,599.1	196.8	1.9%	10,447.4	45.1	0.4%
Total LG + other sources of support, compared to 2016-17 Budget	10,563.1	10,599.1	36.0	0.3%	10,447.4	-115.7	-1.1%

Table 5 – Total Local Government, added to “other sources of support” and £70m additional council tax income

Local Government	2016-17 (£m)	2017-18 (cash) (£m)	Cash change (£m)	Cash change %	2017-18 (real) (£m)	Real change (£m)	Real change %
Other sources of support + £70m council tax income	250.0	538.0					
Total LG, + other sources of support, compared to 2016-17 Draft Budget	10,402.3	10,669.1	266.8	2.6%	10,516.4	114.1	1.1%
Total LG + other sources of support, compared to 2016-17 Budget	10,563.1	10,669.1	106.0	1.0%	10,516.4	-46.7	-0.4%

Table 6 – Local Government Finance Circular Comparison, including “other sources of support” and £70m additional council tax income

Local Government	2016-17 (£m)	2017-18 (cash) (£m)	Cash change (£m)	Cash change %	2017-18 (real) (£m)	Real change (£m)	Real change %
Total Funding	10,300.3	10,252.9	-47.4	-0.5%	10,106.1	-194.2	-1.9%
Other sources of support + £70m council tax income	250.0	538.0					
Total Funding, including "other sources of support" and £70m council tax income	10,550.3	10,790.9	240.6	2.3%	10,636.4	86.1	0.8%

Annexe B

Extracts from the Minutes of the Local Government and Communities Committee and associated written and supplementary evidence

3rd Meeting 2016 (Session 5), Wednesday 7 September 2016

5. Draft Budget Scrutiny 2017-18 (in private): The Committee agreed its approach to the scrutiny of the Scottish Government's Draft Budget 2017-18. The Committee agreed to issue a call for written evidence, to hear oral evidence, to delegate to the Convener approval of any witness expenses and to consider its draft response to the Finance Committee in private at future meetings.

10th Meeting 2016 (Session 5), Wednesday 9 November 2016

1. Draft Budget Scrutiny 2017-18: The Committee took evidence on the Scottish Government's Draft Budget 2017-18 from—

George Black, Visiting Professor, University of Strathclyde;

Professor Richard Kerley, Professor of Management, Queen Margaret University;

Cllr Michael Cook, Vice President, and Vicki Bibby, Chief Officer, Local Government Finance, COSLA;

Eileen Howat, Chief Executive, South Ayrshire Council, SOLACE Scotland;

Cllr Frank McAveety, Leader, Glasgow City Council, and Morag Johnston, Executive Director of Financial Services, Glasgow City Council, Scottish Local Government Partnership;

Kirsty Flanagan, Head of Strategic Finance, Argyll and Bute Council;

Alan Russell, Director of Finance and Resources, Renfrewshire Council.

2. Consideration of evidence (in private): The Committee considered the evidence heard at agenda item 1.

Written Evidence



[Scottish Local Government Partnership](#)



[Argyll and Bute Council](#)



[Renfrewshire Council](#)

Supplementary Written Evidence



[Glasgow City Council](#)

11th Meeting 2016 (Session 5), Wednesday 16 November 2016

2. Draft Budget Scrutiny 2017-18: The Committee took evidence on the Scottish Government's Draft Budget 2017-18 from—

Nicola Barclay, Chief Executive, Homes for Scotland;

Mary Taylor, Chief Executive, Scottish Federation of Housing Associations;

David Bookbinder, Director, Glasgow and West of Scotland Forum of Housing Associations;

Tony Cain, Policy Manager, Association of Local Authority Chief Housing Officers;

Fraser Stewart, Director, New Gorbals Housing Association;

Julia Fitzpatrick, Managing Director, Horizon Housing Association;

Professor Kenneth Gibb, Director, Policy Scotland, University of Glasgow.

4. Consideration of evidence (in private): The Committee considered the evidence heard at agenda item 2.

Written Evidence



[Homes for Scotland](#)



[Scottish Federation of Housing Associations](#)



[Glasgow and West of Scotland Forum of Housing Associations](#)



[Association of Local Authority Chief Housing Officers](#)



[Professor Kenneth Gibb](#)

Supplementary Written Evidence



[Homes for Scotland](#)

16th Meeting 2016 (Session 5), Wednesday 21 December 2016

2. Draft Budget Scrutiny 2017-18: The Committee took evidence on the Scottish Government's Draft Budget 2017-18 from—

Kevin Stewart, Minister for Local Government and Housing, Caroline Dicks, Head of Affordable Housing, Angus Macleod, Head of Home Energy Efficiency Programmes for Scotland Unit, and Barry Stalker, Spending Review Team Leader, Scottish Government;

and then from—

Derek Mackay, Cabinet Secretary for Finance and the Constitution, John Nicholson, Deputy Director for Financial Scrutiny and Outcomes, Douglas McLaren, Head of Local Taxation, Local Government Finance, Local Taxation Policy and Business Rates Unit, and Bill Stitt, Assistant Team Leader (Revenue), Local Government Finance, Local Taxation Policy and Business Rates Unit, Scottish Government.

3. Consideration of evidence (in private): The Committee considered the evidence heard at agenda item 2 and agreed to consider a draft report to the Finance and Constitution Committee at its next meeting.

Supplementary Written Evidence



[Scottish Government](#)



[Scottish Government](#)

1st Meeting 2017 (Session 5), Wednesday 11 January 2017

7. Draft Budget Scrutiny 2017-18 (in private): The Committee agreed a draft report to the Finance Committee on the Scottish Government's Draft Budget 2017-18.

Annexe C

List of Other Written Evidence

-  [Scottish Retail Consortium](#)
-  [West Lothian Council](#)
-  [Unite Scotland](#)
-  [Inverclyde Council](#)
-  [Moray Council](#)
-  [Council of Mortgage Lenders](#)
-  [Orkney Islands Council](#)
-  [Fife Council](#)
-  [YouthLink Scotland](#)
-  [East Ayrshire Council](#)
-  [Association for Protection of Rural Scotland](#)
-  [Chartered Institute of Housing Scotland](#)
-  [Shelter Scotland](#)
-  [Inclusion Scotland](#)
-  [Lloyds TSB Foundation for Scotland](#)
-  [UNISON Scotland](#)
-  [Highland Council](#)
-  [Aberdeenshire Council](#)
-  [NHS Health Scotland](#)
-  [Existing Homes Alliance](#)
-  [Scottish Council for Voluntary Organisations](#)
-  [Association for Public Sector Excellence](#)
-  [Independent Living in Scotland Project](#)
-  [South Lanarkshire Council](#)

