

From COSLA Resources Spokesperson, Cllr Katie Hagmann



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Ariane Burgess MSP  
Convenor, Local Government, Housing and Planning Committee  
The Scottish Parliament  
Edinburgh  
EH99 1SP

Dear Ariane,

Thank you for your letter and for the invitation to appear before the Committee in January. Local Government continues to recognise the vital importance of advancing discussions on the development of a Fiscal Framework as a critical part of improving the Budget process and securing much-needed stability for Councils across Scotland.

It is worth stressing that the Fiscal Framework is very much an ongoing process and a number of key strands are already in place, as outlined in the recent joint Progress Report published. This includes a commitment to earlier engagement with Scottish Ministers on next year's Budget, as well as continuing work already underway around fiscal flexibilities such as removing ring-fencing, the process for this having already begun with the 2024/25 Scottish Budget, as well as fiscal levers such as the Visitor Levy. We look forward to providing you with further updates and to continue our positive discussions around developing the Fiscal Framework and very much welcome your support to ensure all parties remain committed.

You asked a number of questions around flexibilities and I address each of these in turn in the remainder of this reply.

On directed and ring-fenced spend, we agree that there is need for further clarity. Whilst we explained that a number of areas of ring-fencing were removed in the 2024/25 Budget, this gave little in the way of additional flexibility to Councils as the underlying policy and/or legislative requirements remain therefore the spend remains directed spend – as an example, while funding for the expansion to 1140 hours of ELC provision (from 600 hours) is no longer provided via a ring-fenced grant, Councils will continue to provide the 1140 hours of provision, including the first 600 hours that we funded from General Revenue Grant. Of the £1bn baselined in 2024/25, over 90% is for policies which continue in the current form. We will therefore ensure this remains at the core of our discussions on the Fiscal Framework, recognising that this is a journey embedded by a partnership approach, where we should mutually agree at the earliest possible stage how spending on national and local priorities can more interrelate.

There remains concern from Local Government on increased direction in relation to maintaining teacher numbers, with the £145.5m funding now having been removed from General Revenue Grant and instead is to be distributed via Specific Resource Grant.

This has the much greater impact of effectively directing and ring-fencing the spend of the entire teachers' pay bill which is c.£3.3bn. Ring-fencing spending on school staff provides no flexibility and will force even deeper cuts in other areas that are vital to supporting the health, wellbeing and attainment of children and young people.

On flexibility to deliver preventative services, this is very much at the core of our ambitions and we are of the view that the Fiscal Framework should facilitate a focus on prevention. There has been a will to move towards preventative practice since the Christie Commission, but this has not been easy to do within cycles of short-term funding where agreement of repeat funding is based on evidence of short-term results and outputs. Nonetheless there are a wide variety of positive examples of preventative approaches across Local Government, including interventions to support people to remain in their home for longer and prevent admission to care homes or hospitals, services for children and young people at risk of offending, welfare rights advisors in GP surgeries and homeless prevention services.

Reflecting on multi-year funding, this has long been an ask from COSLA, to enable Councils to have greater financial certainty going forward. Multi-year funding has to be at a level that each Council can know with a fair degree of certainty what their financial outlook is likely to be. The Scottish Government's Resource Spending Review was not an effective tool to enable planning at a Council level. The Fiscal Framework needs to be a mechanism which drives greater financial certainty into future years and there is work underway to look at options to achieve this, which demonstrates that there is joint commitment to look at how greater financial certainty can be delivered.

Regarding the Council Tax freeze, Council Tax raises around 19% of Local Government revenue so fundamentally this is only a part of the overall funding and should not be looked at in isolation. However, as we have said a freeze on Council Tax removes much needed revenue from the sector, regardless of the funding Scottish Government has provided for this. Previous freezes have already significantly eroded the Council Tax base and this policy adds to that. This means that there is less funding available for investment in services across Scotland and negatively impacts the overall long-term financial sustainability of Local Government. Additionally, it means that all subsequent increases in Council Tax will generate less income than would otherwise be the case, and this ongoing and compounding forgone income will not be compensated for.

Due to systemic underfunding, Councils have been forced to use their reserves to bridge funding gaps and fund vital services. Reserves can only be used once, therefore, if Councils are being forced to use reserves for day-to-day service delivery there will be no means to respond to a crisis. 2% of unallocated reserves only equates to a week of running costs. The use of reserves is not a sustainable solution to counteract underfunded policy areas from the Scottish budget. As the Accounts Commission reported in [January](#) "Councils continue to rely on savings and reserves to balance budgets. Over half of councils used financial flexibilities in 2022/23. This helps with immediate budget pressures but defers costs to later years and fails to tackle underlying challenges to financial sustainability." Reserves are a snapshot in time and Councils already had in place medium/long-term financial plans that would impact on reserves held.

I look forward to working with the committee in the future as the Fiscal Framework develops further.

Yours sincerely,

Cllr Katie Hagmann