



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Local Government and Communities Committee

**Wednesday 21 December 2016**

**Session 5**



The Scottish Parliament  
Pàrlamaid na h-Alba



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**CONTENTS**

	<b>Col.</b>
<b>DECISION ON TAKING BUSINESS IN PRIVATE .....</b>	<b>1</b>
<b>DRAFT BUDGET SCRUTINY 2017-18 .....</b>	<b>2</b>

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**LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**

**16<sup>th</sup> Meeting 2016, Session 5**

**CONVENER**

\*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

**DEPUTY CONVENER**

\*Elaine Smith (Central Scotland) (Lab)

**COMMITTEE MEMBERS**

\*Kenneth Gibson (Cunninghame North) (SNP)

\*Ruth Maguire (Cunninghame South) (SNP)

Graham Simpson (Central Scotland) (Con)

\*Alexander Stewart (Mid Scotland and Fife) (Con)

\*Andy Wightman (Lothian) (Green)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Caroline Dicks (Scottish Government)

Derek Mackay (Cabinet Secretary for Finance and the Constitution)

Kevin Stewart (Minister for Local Government and Housing)

**CLERK TO THE COMMITTEE**

Clare Hawthorne

**LOCATION**

The James Clerk Maxwell Room (CR4)



## Scottish Parliament

### Local Government and Communities Committee

Wednesday 21 December 2016

*[The Convener opened the meeting at 10:08]*

### Decision on Taking Business in Private

**The Convener (Bob Doris):** Good morning. Welcome to the 16th meeting in session 5 of the Local Government and Communities Committee. I remind everyone present to turn off mobile phones. As meeting papers are provided in digital format, tablets may be used by members during the meeting. We have apologies from Graham Simpson who, unfortunately, cannot be with us.

Agenda item 1 is a decision on whether to take in private agenda item 4, which is consideration of the committee's draft report on payments to returning officers. Do members agree to do that?

**Members** *indicated agreement.*

## Draft Budget Scrutiny 2017-18

10:09

**The Convener:** Agenda item 2 is scrutiny of the Scottish Government's draft budget 2017-18. The item is split into two panels. The committee will hear first from the Minister for Local Government and Housing and focus primarily on the housing and communities aspect of the budget.

I welcome from the Scottish Government Kevin Stewart, Minister for Local Government and Housing; Caroline Dicks, head of affordable housing; Angus Macleod, head of the home energy efficiency programmes for Scotland unit; and Barry Stalker, spending review team leader. Good morning, everyone. Thank you for coming along, which is appreciated.

I invite the minister to make a brief opening statement.

**The Minister for Local Government and Housing (Kevin Stewart):** Thank you, convener. The setting of the draft Scottish budget has taken place against the backdrop of tough public expenditure conditions driven by Westminster. Austerity is a choice, not a necessity, in my opinion.

Despite that, we have managed to secure further significant investment for housing, including for our ambitious affordable housing supply and energy efficiency programmes. Our draft budget for 2017-18 shows our commitment to delivering on those, with an increase to the housing supply budget of 3 per cent, and to the fuel poverty and energy efficiency budget of 10.5 per cent. I will take each of those in turn, starting with how we are increasing the capital spending on housing supply.

The budget document notes that the total spend on the more homes Scotland initiative will be £603.615 million. That, together with the housing programmes for transfer of management of development funding, or TMDF, covering Glasgow and Edinburgh, sits in the local government budget line, and means that the total investment will be, provisionally, £699.704 million.

Of the more homes level 4 funding, 99 per cent or £375 million continues to be capital funding to be directly invested in the affordable housing supply programme, chiefly for new social housing. That is a £10 million increase on the equivalent figure for 2016-17 and will enable councils and housing associations to maintain the momentum needed to increase the pace of delivery, which is what stakeholders have asked us to do. That is the most powerful way to invest in housing supply for a fairer Scotland.

Turning now to improving energy efficiency, we remain committed to our ambition of eradicating fuel poverty. 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.

Around half of that reduction can be attributed to the lower price of domestic fuels during that time and I am sure that we all recognise that prices fluctuate. That is why our key focus is to reduce overall energy costs for Scottish consumers by improving energy efficiency in homes where we can. Next year we will allocate £114 million to tackle that and improve the energy efficiency of our homes—a 10.5 per cent increase on the 2016-17 baseline budget of £103 million.

That investment demonstrates our long term commitment to address the challenges of climate change, and also the inequality of fuel poverty in our society. We will deliver on that through our existing and developing fuel poverty programmes, which offer a package of support to help those who are struggling to pay their energy bills and keep themselves warm.

Overall, despite the tough public expenditure conditions, we will still provide significant investment. In the circumstances, that represents a good budget outcome, meeting our commitments to build more affordable homes, improve energy efficiency and tackle fuel poverty.

**The Convener:** Thank you very much for that opening statement, minister. We will move to questions.

**Andy Wightman (Lothian) (Green):** I would like to probe a bit more on the housing supply and infrastructure level 4 figure, which is increasing by 2.7 per cent. As the minister indicated in his opening statement, that is chiefly geared towards building more social housing. Can he say a bit more about what is behind those figures? What considerations helped the increase to be arrived at, and to what extent does this budget contribute to meeting the target of 50,000 affordable homes?

**Kevin Stewart:** The budget is key to delivering the Government's target of 50,000 affordable homes, 35,000 of them for social rent. To do that, we have to rely on our partners in local authorities and housing associations to collaborate with us on that delivery. I am pleased that we have managed to raise that budget this year, and that rise comes on top of the rise that there was in the previous financial year.

10:15

**Andy Wightman:** I would like to know what is behind the £379 million. How many homes is that designed to build and at what individual cost? What assumptions are behind the figure?

**Kevin Stewart:** The subsidy that we give to local authorities was agreed in January of last year. We will have certainty on how much is likely to be delivered when we take that into account along with the investments that councils make. All that will come out in the strategic housing investment plans, or SHIPS, which are coming in at the moment. The subsidy levels that were agreed are benchmark figures. I have said that if councils or housing associations can demonstrate that there is a need for larger, four or five-bedroom homes or homes for disabled people, for example, we will allow them to negotiate with officials to make sure that that need is met. We might increase the subsidy a wee bit to help in that regard.

**Andy Wightman:** When the strategic housing investment plans come in, will you produce some kind of reconciliation of what they intend to deliver, the budgeted cost and what you have allocated in the next financial year?

**Kevin Stewart:** I will keep a close eye on the strategic housing investment plans as they come in. I admit to the committee that, during the Christmas holidays, I will be my usual anorak-ish self. 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.

**The Convener:** Can you provide some clarity on the plans that come in from the local authorities? My local authority, Glasgow City Council, administers the housing association grant on behalf of the Government. When those plans come in, do they come with a costing? Do they include indicative figures on how much money councils have to play with in the system? Will that sit with them for the next financial year, or will they get that at the start of next year, along with the finalised revenue support grant?

**Kevin Stewart:** You were right to point out that Glasgow City Council and the City of Edinburgh Council are somewhat different when it comes to how they are funded. As I mentioned in my opening statement, they are allocated the money that they need through TMDF. The plans are costed. Again, I will look at that over the Christmas holidays.

The majority of the SHIPs have now come in, but we are waiting for one or two authorities to give us an indication of what they are going to do.

In the normal course of circumstances, those documents would be taken to the council or to a committee of the council to be agreed before they would come to us. I recognise that, in some cases, that has slipped a little. You can be assured that I will look at the costings and everything else associated with the SHIPs over the course of the holidays.

**The Convener:** That is helpful.

There is a danger that you will not know the answer to this question, but I will ask it anyway. The councils in Glasgow and Edinburgh are very different from those in the rest of the country in how they are funded. What I was trying to get at is whether, when housing associations make bids for grant subsidy, the moneys that are allocated in each local authority area will depend on the quality of the SHIPs and the strength of the case that they make, or whether it is the case that indicative figures already exist for spend in local authority areas. That is what I am trying to establish.

**Kevin Stewart:** They will get indicative figures from us of what their spend is likely to be. I have not seen any of the SHIPs in depth yet, but I expect that a number of local authorities will—as well as trying to ensure that they use their allocation—build a certain amount of slippage into their planning so that they will have the ability to shift onto something else, if they possibly can. That was certainly the case when I was a councillor in a local authority. We know that, with the best will in the world, things sometimes do not go to plan.

I have been quite clear as I have talked to housing committee conveners and others around the country that, if there is an area that is unable to spend its allocation during the course of the piece, I will shift that resource to areas that can deliver. That is one of the main reasons why I am going to take an overview and look at them all. My ambition—the Government's ambition—is to ensure that every part of Scotland benefits from that very ambitious housing programme, but, if it stalls in certain places, we will look at shifting resource.

**Elaine Smith (Central Scotland) (Lab):** Good morning, minister, and thank you for joining us. I want a very brief clarification at this stage. My colleague Andy Wightman mentioned the sum of £379 million of capital, which was in the Scottish Parliament information centre briefing. However, in your opening statement, minister, you mentioned the figure of £375 million. Are those two different figures, or is it £379 million?

**Kevin Stewart:** The figures are £379.115 million for housing supply and infrastructure, and £375 million for the core capital programme to deliver 50,000 affordable houses.

**Elaine Smith:** Thank you. We just needed to have that clarified.

**Ruth Maguire (Cunninghame South) (SNP):** Good morning, minister. I want to ask about the provision of housing for disabled people and for folk who have particular needs for aids and adaptations, for example. Within the target of 50,000 affordable houses, have you considered whether there needs to be a specific target for the delivery of wheelchair-accessible houses?

**Kevin Stewart:** The funding decisions on those things are based on the priorities of local authorities as outlined in their housing need and demand assessments, their local housing strategies and their strategic housing investment plans—that is another reason for me to look very carefully at the strategic housing investment plans. Housing for social rent already has to meet our accessibility standards, but funding is also available for specialist housing, for example to help folks with more complex needs to lead independent lives in their own homes.

I mentioned earlier that the grant subsidies that we provide are benchmark figures, not flat rates, and I repeat what I said earlier about the flexibility of all that. I have made it clear to local authorities and to housing associations that, if they are going to do something that is above the norm—particularly when it comes to larger houses and housing for disabled folk—we will negotiate subsidy levels. 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. I was questioned in Argyll a few months back about a development there and I did some exploration afterwards to see what was happening.

I have to say that I was fairly happy at the level of communication that there had been between the developer and disabled groups. The Scottish Government has recently put forward its disability action plan—Jeane Freeman has been at the forefront of that. There are elements within that plan that emphasise the importance of housing. I want to make sure that the SHIPs take cognisance of what we have committed to in the disability action plan and that we get that right for folks right across the country.

As a constituency MSP, I am aware of the difficulties that there sometimes are in accessing houses, particularly for folks with the most complex needs. We need to get that right for everyone.

**Ruth Maguire:** I welcome the message that there is flexibility for local authorities that want to do more.

The issue of adaptations is something that comes up a lot, locally, for me. The help to adapt pilot ended in 2016-17. Will there be any changes to the budget for adaptations as a result of that pilot?

**Kevin Stewart:** The adaptations budget has provided resource funding to help registered social landlords to provide housing adaptations for older and disabled tenants. Functions and budgets relating to housing adaptations for local authority tenants, owner-occupiers and private tenants are part of a range of local authority functions that have been delegated under the Public Bodies (Joint Working) (Scotland) Act 2014 to the new health and social care partnerships.

We recently had the independent adaptations working group report that recommended that fundamental changes be made to the delivery and funding arrangements for housing adaptations. Its recommendations were piloted before being rolled out nationwide. Five demonstration sites were included initially: Aberdeen, the Borders, Falkirk, Fife and Lochaber. They are piloting different approaches to test the viability of the proposals. That work, known as adapting for change, will run until the end of this financial year, 2016-17. An evaluation of that adapting for change scheme is being undertaken by Craigforth, and its findings are due by the end of February 2017.

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

**Elaine Smith:** I would like to follow on from that, minister. I appreciate that you have talked about discussing different options with different local authorities. I am sure that you would agree that it is far from ideal for people to be in homeless units for any length of time, but I have found that if there is not suitable adapted wheelchair accommodation, there may not be any other choice. Has any thought been given to specific adaptations in homeless units for councils?

**Kevin Stewart:** That is an answer that I do not have at my fingertips. If Ms Smith would like to write to me about examples that she has come across, where there have been difficulties, I will certainly look at those. I will also undertake to look at what provisions we have in local authorities to deal with folks with disabilities who find themselves homeless.

10:30

**Kenneth Gibson (Cunninghame North) (SNP):** Thank you for your comment that, if local authorities are a bit sluggish about bringing forward housing developments, the Scottish Government will consider stepping in. That is important and I will discuss it with you privately in the next few weeks.

Page 92 of the draft budget says:

"In 2017-18 we will ... help tackle infrastructure blockages through a flexible grant and loan fund".

What do you mean by that? Will you talk us through that a wee bit?

**Kevin Stewart:** We recently introduced the £50 million infrastructure fund to unlock housing sites throughout Scotland. Private developers can access a loan fund to unlock sites, and I recently announced the first loan of £7.9 million to support development at Grandhome in Aberdeen—I hasten to add that it is not in my constituency—where 600 homes will be built as part of the first phase of development, with the potential for up to 4,700 homes to be built in subsequent phases.

The idea of the infrastructure fund is to unlock sites where there are difficulties. It is loan funding for private developers and grant funding for public sector developers.

**Kenneth Gibson:** What impact will that £50 million have on your ability to lever in additional housing? Do you have any numbers in mind for private and public sector development?

**Kevin Stewart:** That is difficult to judge at the moment, because the fund is in its early stages. There have been a number of applications to it and some money has been drawn down. 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.

Like everything else that is new, the fund may take a little while to bed in. However, I hope that it will eventually open up opportunities to build much more. As I said, the Grandhome loan will initially bring 600 homes into existence, with a potential for 4,700 to be built. For a loan investment of £7.9 million, that is a fair whack of houses.

**Kenneth Gibson:** That is significant, which is why I am interested.

**The Convener:** With all the strategic housing investment plans coming in, minister, you will have a lot of reading to do over the holiday. Rather you than me—but I am delighted that you are doing it. Will the plans also identify land where there are barriers to development that could benefit from the infrastructure fund, whether that means loans to



private developers or grants to housing associations?

**Kevin Stewart:** I expect so, as the SHIPs should be pretty comprehensive. I just checked with Ms Dicks that the ones that have come in include some of what you ask about.

**The Convener:** The clerk tells me that the committee meeting is being streamed online by the BBC. You keep saying the word “SHIPs”. For the people who are watching the meeting—there will be some—will you give the full term?

**Kevin Stewart:** Strategic housing investment plans.

**The Convener:** Everyone around the table knew that, but others might not.

**Kevin Stewart:** I keep talking about the SHIPs coming in. I said that the other day and somebody responded by talking about good ships on the alley alley o, which is not an acronym.

**The Convener:** Will there be an analysis of all the SHIPs as they come in and will that be reported on in any way, or will there be just a direct relationship between you as minister and the local authorities? The committee might be interested to know the dynamics of that as we monitor progress towards the 50,000 target.

**Kevin Stewart:** The more homes Scotland team will analyse in depth the strategic housing investment plans. We will have discussions with local authorities and other partners about their plans, to ensure that the plans meet their housing need. That is a pretty comprehensive piece of work to make sure that we deliver on the target of 50,000 affordable homes over this session of Parliament. I imagine that many of the strategic housing investment plans are already public documents, because they will have gone to council committees or full councils for approval before they were sent to my team of officials.

**The Convener:** Of course, local authority aspirations should outstrip the budget that is available for affordable housing. I hope that that will happen, or they will not really be doing their jobs properly. Will that be pulled together across 32 local authorities so that we will know that, if local authorities had all the investment that they wished to have in the next five years, that would provide not 50,000 units but perhaps 60,000 or 70,000 units, on the basis of the strategic housing investment plans? Is that pulled together at a national level and could the committee take an interest in that?

**Kevin Stewart:** In relation to delivery, I have already talked about the austere times that we live in and the fact that our budgets from the United Kingdom Government have not fared well in recent times. To up delivery would require

significant resource and I cannot see that coming from the UK Government at this time. Beyond that, even if a money tree suddenly appeared with a large sum of money that could be plucked from it, there are capacity issues that we have to take cognisance of in relation to delivery, such as the capacity of the construction industry. Jim Mather, the chair of Homes for Scotland, is leading a piece of work that is being carried out with partners to ensure that we have the construction capacity with the right skill set to deliver the target.

Other impediments to delivery may come into play. If we were to add to the target, delivery would be very difficult indeed. At a conservative estimate, about 10 per cent of construction workers in Scotland are from eastern Europe. If we end up with a hard Brexit, without freedom of movement, we will have to look closely at what can be delivered.

**The Convener:** With all the health warnings, including austerity and the fact that, as you said, there is no money tree, if an analysis is carried out of the 32 local plans, maybe some of that could be shared with the committee so that we can decide how our post-budget scrutiny might develop. That is really what the appeal is about, as we tease out how to monitor the move towards the 50,000 target and the funds that are available.

**Kevin Stewart:** We are open and transparent and we can provide the committee with further information, but folks have to understand that we have a £3 billion budget over this session of Parliament to deliver the 50,000 affordable homes, which is the biggest housing programme that there has been in Scotland for decades. That is much higher than the £1.7 billion budget in the previous session.

If the committee could persuade colleagues south of the border to release much more capital funding, I would make a pitch for some of it to go to housing, but I am working to a £3 billion envelope to deliver the 50,000 affordable homes. That in itself will keep me going for the next wee while, to say the least, but we will share whatever information we have with the committee.

**The Convener:** That is helpful, but will that information be an analysis of the situation? The committee could contact the 32 local authorities or ask its research team to look at 32 strategic housing plans, but what we want is the most useful information from the Government that will allow us to do our job. I am sure that, when we come to our budget considerations, we will reflect some of the significant increases in spending in the affordable housing budget, but our responsibility goes beyond budget scrutiny to monitoring the Scottish Government aspirations that are behind the 50,000 target. If you can give us any analysis that will allow us to benchmark

and monitor that or if you can consider making some of that data available, that will be helpful.

**Kevin Stewart:** We will ensure that the committee gets a summary of the strategic housing investment plans and the analysis that lies behind them. That might be a while off yet, but Ms Dicks says that we will be able to provide the committee with that information.

**The Convener:** That will be helpful. Do you want to come in, Mr Wightman?

**Andy Wightman:** I want to move on to rural issues.

**The Convener:** In that case, I will take Alexander Stewart next.

**Alexander Stewart (Mid Scotland and Fife) (Con):** Good morning. What are your views on the additional funding for homelessness support as a result of the transfer from Westminster?

**Kevin Stewart:** Are you talking about temporary accommodation?

**Alexander Stewart:** Yes—it comes under homelessness support.

**Kevin Stewart:** We will have a transfer of funding from Westminster for temporary accommodation for homeless people but, to be honest with you, I would not call it extra money, what with the concerns that homelessness services are at risk. Because of higher management costs, rents in temporary accommodation generally exceed local housing allowance rates. As a result, 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.

The temporary accommodation group has been working on the impact of rent capping on temporary accommodation since 2013. 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.

We are also working with ALACHO—*[Interruption.]* I will stop there, convener, as that was another acronym. We are also working with the Association of Local Authority Chief Housing Officers on reasonable costs for temporary accommodation provision as well as looking at local authorities' management of such accommodation. We have begun a stream of work with our local authority partners on how best to

allocate the resources and funding that will be available for temporary accommodation, and we are in discussions with the Convention of Scottish Local Authorities to establish a fair model for the distribution of temporary accommodation funding. Moreover, we need to rethink the role that such accommodation plays and to see what we can do to improve our use of the resource.

If Alexander Stewart could talk to his colleagues in the UK Government about helping us out and not reducing the funding, that would be extremely useful for the Scottish Government, local authorities and the folk who are in need.

10:45

**Alexander Stewart:** Are homelessness services at risk from the lack of funding that is going into local government for that purpose?

**Kevin Stewart:** It is a challenging time for the Scottish Government, local authorities and other partners, which are having to deal with the constant cutting of services by the UK Government. It is particularly galling for my colleagues and I that we are told that powers are being transferred when we are not getting the resources that there have previously been to deal with such matters.

The scenario with work budgets was similar—the budgets to help disabled folk into work were devolved with an 87 per cent cut. As far as I am concerned, that is completely and utterly unacceptable. If Alexander Stewart has the ear of ministers at Westminster, I suggest that he tells them that such situations are unacceptable, that they should treat us fairly and that they should stop slashing social security and welfare funding for our most vulnerable people.

**The Convener:** Does Alexander Stewart want to comment on any of that?

**Alexander Stewart:** No—I am happy to leave it there.

**Elaine Smith:** Minister, you have said that there is not a money tree, which we accept. Although Shelter Scotland welcomes the £450 million capital commitment, it said that the Government had missed an opportunity in not using its new devolved tax powers to raise extra funds, and it warned that cuts to local government core funding risk hitting homelessness services. Although there may not be a money tree, with the ability to raise tax being devolved to the Scottish Parliament, there is an opportunity to make available extra funding, rather than to make cuts to local government. What is your comment on that?

There are different types of homelessness. We have noticed a rise in street sleeping—certainly in big cities and particularly in Glasgow. What

specific plans are there to address rough or street sleeping?

**Kevin Stewart:** I will deal with the last part of the question first. When people present as homeless, local authorities ask whether they have slept rough in the past three months and whether they slept rough the previous night. The percentage of folk who reply yes to those questions is down 4 per cent and 6 per cent respectively, if I remember rightly.

However, those are the folk who are presenting to local authorities. Like Ms Smith, I have heard anecdotally that rough sleeping seems to be on the rise, particularly in Glasgow. To ensure that we have the right information, I have asked Glasgow Homelessness Network whether it will help the Government to ascertain what the numbers are. It has agreed to do that. As we move into the winter months, we will again see the opening of the Glasgow winter shelter, which will give us an indication of whether there has been a rise in the numbers. I assure the committee that I will continue to keep a close eye on all that and try to get the most robust data possible.

**Elaine Smith:** I will just interrupt you on that point, before you address Shelter Scotland's comments. Last year, the winter shelter stayed open for an extra month. Are you planning for it to stay open this coming year if necessary?

**Kevin Stewart:** That is a matter for the partners who run the winter shelter. Analysis was done on what happened last year, although I must be honest with Ms Smith and say that I received it only on Tuesday, so I have not gone through it in the depth that I would have liked to. I will certainly have a look at the findings from the analysis of the folk who went through the doors last year and of the support that was offered to them.

As the committee is well aware, a lot of these services are delivered by local authorities. Recently, I have gone round various organisations that deal with homeless folk and talked to homeless people themselves about their experiences, because I want to see whether we are getting our whole approach right.

Beyond that, the key issue for me is to prevent homelessness in the first place. That is why we have put so much effort into the housing options hubs to ensure that local authorities export best practice and are getting it right for those folks who find themselves in the tragic situation of being homeless. Prevention is the main thing. Beyond that, this area of work must be cross-cutting through government to ensure that mental health services, addiction services and other areas of work gel together to tackle homelessness. That is key, which is why I have been out and about as

much as I have been to get a true picture of what is going on out there.

The Government laid out its tax plans very clearly in its manifesto in the run-up to the elections. The tax proposals that the cabinet secretary put forward are designed to protect low-income and middle-income taxpayers and to generate extra revenue over the current parliamentary session by forgoing the substantial real-terms cut that would have been made in the 40 per cent tax band.

I recognise that some parties have called for an increase in the top rate of tax. The Scottish National Party manifesto said that we would look at that in 2018-19, after we had ensured that an increase would not lead to reductions in tax revenue as a result of richer folks moving their tax situations south of the border. It would be much easier to deal with some of these issues if we had more powers to carry out enforcement. If we were to raise the rates in the top band, we could see a number of tax exiles placing their affairs south of the border, which would mean that we would be taking in less tax income for the Government to spend on vital services.

**The Convener:** I am also conscious that the committee is taking a view on the money that is available in the budget under the heading of local government and communities, rather than on how that money is raised. We will leave that exchange sitting there, as it might be one for outwith the committee.

**Kenneth Gibson:** How is UK welfare reform impacting on demand for housing and how is that reflected in the Scottish Government's choices in this budget?

**Kevin Stewart:** 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.

Some councils and, in particular, some housing associations have concerns about social security cuts and about payments to them through housing benefit, because their investment is reliant on rental funding streams, which often come from housing benefit. The uncertainties that are created by the constant tinkering and cuts have an obvious effect on decisions that other bodies take. We have had a fair amount of discussion with the likes of the Scottish Federation of Housing Associations about that. As it stands, that is not holding folk back from committing to and investing in the housing programme. However, 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.

**Kenneth Gibson:** Has welfare reform influenced your decision to increase the budget to tackle fuel poverty by more than 10 per cent?

**Kevin Stewart:** Welfare reform has had an impact on that, as well as many other factors. The Government has a commitment to eradicate fuel poverty, which will take some time to achieve. We will look very closely at the more than 100 recommendations that came from the two groups that looked at fuel poverty—the Scottish fuel poverty strategic working group and the rural fuel poverty task force—and they will influence a number of workstreams that will lead to the warm homes bill. From some of the findings of those groups, it is quite clear that UK Government welfare reform plays a part in some folk being unable to heat their homes to the degree that they should be able to.

**Andy Wightman:** I have a couple of questions: one on rural housing and one on energy efficiency. I have been trying to find out numbers for the investment that the Scottish Government is making in rural housing, but I have not been able to find any. You break expenditure down by local authority area. Would it be possible in future to provide some analysis of the spend specifically on rural housing?

**Kevin Stewart:** Ms Dicks is looking for further information on that. Our £25 million rural housing fund and the £5 million islands fund, which I announced recently, show our commitment. Can we break the information down in a different way?

11:00

**Caroline Dicks (Scottish Government):** As Mr Wightman said, what we normally do at the end of each financial year is produce a report that gives a more detailed analysis of how the affordable housing supply programme has been spent. That is usually broken down by local authority, so it shows how many homes every authority is delivering.

**Andy Wightman:** Given that Scotland is split up into remote rural, rural, urban and so on, is it possible to get such a breakdown?

**Caroline Dicks:** We can look at that.

**Andy Wightman:** That would be helpful—thank you.

**Kevin Stewart:** We will look at that, but I cannot give a definite commitment, because it might be difficult to provide the information that Mr

Wightman wants. However, we will do the best that we can.

**Andy Wightman:** It should be borne in mind that houses have postcodes, so one might think that such a breakdown would not be too difficult to provide.

On energy efficiency, you will be aware that, for some time now, the existing homes alliance has been arguing for the provision of £190 million in the coming transition year and £450 million per year by the end of the parliamentary session to tackle fuel poverty. Do you recognise those figures? If you do, do you have any plans to significantly increase the investment that you are making in energy efficiency?

**Kevin Stewart:** I have met individuals from the existing homes alliance and I am well aware of its proposals. In the programme for government, we have committed more than £0.5 billion to SEEP—Scotland's energy efficiency programme—over the next four years. That commitment of substantial public funding demonstrates our clear commitment to tackling fuel poverty and improving energy efficiency. SEEP will commence in 2018. As I have said, it will receive substantial public funding on an annual basis. It will be a co-ordinated programme to improve the energy efficiency of not just buildings in the residential sector but buildings in the commercial, public and industrial sectors.

Initial estimates suggest that the overall level of investment that will be required will be around £10 billion, but it is important to note that that will not just be Government funding; it should come from a range of public and private sources. We will continue to update that figure. That process will be led largely by the climate change action plan, which will be published in early 2017. We will outline a fair amount more in the warm homes bill, but improving energy efficiency is not just a matter for the Government or for public funding. We should be cognisant of the fact that private funding will come into play and will be used to ensure that we make advances on that front.

**Andy Wightman:** I am well aware of that split, which is why I used the figure of £450 million, which is the existing homes alliance's estimate of the public expenditure that is required. Do you recognise that figure? Do you have any problems with the targets that the alliance is setting?

**Kevin Stewart:** I recognise that that is a figure that the existing homes alliance has put forward. As I have outlined, in its programme for government the Government is committed to a spend of £0.5 billion over the next four years.

**The Convener:** That was our last question. I thank you and your team for coming along to provide evidence that will help us in our budget consideration.

11:04

*Meeting suspended.*

11:08

*On resuming—*

**The Convener:** Welcome back, everyone. We now move to the second evidence-taking session on the Scottish Government's draft budget 2017-18, in which we will hear from the Cabinet Secretary for Finance and the Constitution on the local government aspects of the budget. I welcome to the meeting the cabinet secretary and his officials from the Scottish Government: John Nicholson, deputy director, financial scrutiny and outcomes; and Douglas McLaren, head of local taxation, and Bill Stitt, assistant team leader (revenue), both from the local government finance, local taxation policy and business rates unit. Thank you for coming along this morning.

I understand that you wish to make an opening statement, cabinet secretary.

**The Cabinet Secretary for Finance and the Constitution (Derek Mackay):** Yes, please, convener.

I am grateful for this opportunity to discuss the local government finance that is included in the draft budget. As I have made clear to Parliament, despite the challenging economic and political circumstances that prevail, the draft budget will improve our public services and support our economy. After extensive discussions and negotiations with COSLA, I have proposed a full package of measures and benefits that I hope all 32 local authorities can sign up to.

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. That includes general revenue and capital grant funding, specific revenue and capital grants and the distributable non-domestic rates income. The Scottish Government guarantees the combined general revenue grant plus the estimated non-domestic rates income.

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 million next year. We have also

maintained councils' share of capital funding, with a £150 million increase compared with this year.

In addition to the total settlement, we will transfer an additional £107 million from the national health service on top of the quarter of a billion pounds that has been transferred this year for health and social care partnerships. That will meet the full costs of our joint aspiration to deliver the living wage to social care workers, and has been warmly welcomed by Scottish Care and the Coalition of Care and Support Providers in Scotland.

Over and above those sums—and as a result of our decision to fund the attainment fund from central resources—local authorities will have £111 million more council tax income to spend on services, with the option of adding a further £70 million following our decision to lift the council tax freeze. Together, that central funding and local taxation amount to a rise in spending power of £240.6 million, or 2.3 per cent. It is a settlement that, even before we take into account a further range of funding streams, invests strongly in education, social care and wider local services. Funding in support of local government services will see a real-terms uplift that is broadly comparable with the Scottish Government uplift in the 2017-18 draft budget.

On non-domestic rates, the draft budget outlines our proposals in the context of the 2017 revaluation of non-domestic properties by the independent assessors, who have now published draft revaluations online. To maintain competitive business taxation, I do not propose to insist on a revenue-neutral revaluation; instead, I propose to cut the rates poundage by 3.7 per cent to 46.6p. We will expand the small business bonus scheme by raising the eligibility threshold for 100 per cent relief to £15,000 rateable value, thereby exempting 100,000 properties from rates. We will continue the large business supplement at 2.6p but raise the threshold to £51,000 so that 8,000 properties are excluded and fewer than 10 per cent of properties are liable. Our non-domestic rates income estimate has been considered by the Scottish Fiscal Commission and, in line with its current remit, it has considered as reasonable the economic determinants underpinning the estimate.

In summary, this is a fair settlement for local government, and we are committed to taking a partnership approach with local authorities to deliver the agreed package of measures.

I am happy to answer questions, convener.

**The Convener:** Thank you. I might return later to some of the very helpful numbers that you mentioned in your opening remarks.

My first question is on the statistics that you have used. In comparing the financial year that we

are coming to the end of and the new financial year, are you using the previous year's draft budget statistics or the figures for actual spend?

**Derek Mackay:** It is more appropriate to use like for like, so we have compared draft budget figures. It is not appropriate to compare the figures for end-year spend with figures for spend at the start of the year, because they are different. Indeed, I think that that is where some people have got the numbers wrong.

**The Convener:** That was helpful.

I am looking at the SPICe briefing that has been prepared for today's meeting and the two tables that it sets out. They do not include some of the moneys that you have outlined, but according to that briefing, if we compare the figures for actual spend, there has been a 3.2 per cent real-terms cut to local authority budgets, while a comparison based on the draft budget figures suggests a real-terms cut of 1.6 per cent. I will come back to those figures in a second.

We now appreciate why you are comparing draft budget figures with draft budget figures. Given the proposition that, under those figures, the cut is 1.6 per cent, can you tell me what they do not include? You listed some of the other moneys that are not immediately obvious in the draft budget document because they do not all sit in the one place. What would not be included in that notional 1.6 per cent real-terms cut?

**Derek Mackay:** There is no doubt that local government funding is incredibly complex. The draft budget document sets out the local government table, but there is also funding that goes from other portfolios to local authorities and local government services for very specific outcomes. That has to be taken into account. Then there is other support for local government services and local projects—for example, city deals. There is a range of other funding streams that come into play: some funding streams are delivered over the course of a year, and there are also demand-led funding streams.

11:15

It is incredibly complex. That is why there are figures in the draft budget and why we cannot just refer to one table on local government finance; we have to look at the totality of funding streams from each portfolio to local government. Even beyond that, as I said, there are others, such as city deals.

We pull all of that together and send local authorities a circular to give them their financial position, but even that is supplemented by further funding streams. That is why, when we look at the headline figures, we see a fair and strong settlement that shows an increase.

As well as all of that, we have the council tax. The Parliament has considered the multipliers that generate £111 million more for local authorities. Every council keeps every penny of council tax. Lifting the freeze on council tax means that local authorities could raise a further £70 million. Even if we exclude the potential to raise council tax—with the 3 per cent cap that we have proposed—there is still an overall increase in spending power for local government services as a consequence of our budget decisions.

If the committee wants to have more detail of the accountancy in relation to all of that, I am happy to provide it—any of the officials can do that. As I have said, it is incredibly complex, but when we play in all the different funding streams, it is a very fair and strong local government settlement.

**The Convener:** That was a complex answer for what I suppose I thought was a straightforward question: if we look at the views of those who say that there is a 1.6 per cent real-terms cut to local government, what moneys are not included in the numbers? In that regard, I want to clarify something that you said in your opening statement. Those numbers do not take account of the £250 million integration fund moneys that will be transferred, the additional £107 million of new integration fund moneys, or the £111 million additional multiplier effect from council tax. Potentially—it is up to local authorities—the numbers do not take account of a 3 per cent increase in council tax, if authorities choose to increase it, and perhaps some other moneys. The Scottish Government has a very different figure from that asserted by some local authorities.

The committee would prefer to have had all those numbers in the one place, rather than looking at a budget document, a circular and other documents. Is the information needlessly complex?

I sometimes think that it is councils' job to say that they have the poorest possible funding settlement and the Government's job to say that they have the best possible funding settlement—and that the truth lies somewhere in between.

I think that the committee would like to have all the appropriate numbers that feed into support for local government services in the one place.

**Derek Mackay:** Part of the funding mechanism in the local government world has emerged over some years. Many of us have local government experience, but I think that I am one of the few members who was in a settlement and distribution group in COSLA when I was in local government. Much of this work is done in partnership with COSLA, which is, of course, the negotiating body for local government.

Much of the complexity in the funding and distribution methodology, the needs-based assessment and the floor mechanism has emerged over a number of years. It is incredibly complex. There is a difference between what is presented in the draft budget, what emerges in other funding streams, what is in particular ring-fenced 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.

As I say, it is incredibly complex, but I can draw down two figures that, ultimately, show that spending power for local government is increasing.

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.

A lot of this is driven by the budget timetable, and, of course, the Parliament is looking at reviewing the budget process. The Parliament is doing that partly in light of the new powers that we have, because we are no longer just a spending Parliament; we are a tax-and-spend Parliament. I think that it is right that we look at our processes. The decision to review them is further vindicated by the Chancellor of the Exchequer's decision to change his budget timetabling so that in future years—apart from next year, when there will be two budgets—there will be a spring statement and an autumn budget. That will flip the budget process for the whole UK, and it has profound implications for how we do the budget in Scotland.

Everyone is well aware of the timing of this year's budget. I had to wait for the chancellor's autumn statement to have a fully informed Scottish draft budget; there was consensus on that. I think that there is an opportunity to refine that process, but I will also commit to looking at—with my officials, who are very dedicated and well informed—trying to get as much information in one place and simplifying it as best we can.

I say again, in all seriousness and sincerity, that the complexity of local government funding has come from years of process, deals and arrangements that were agreed to ensure that we make the right decisions about how we fund local services and deliver the needs-based approach. I know that you have a particular interest in issues such as poverty, attainment and needs, convener. Those all feature in the very complex mechanism that exists. In addition, we consult local authorities on our assessment, and there is a negotiation. It is

incredibly complex—and then there is the interpretation of the figures.

When you boil it down, this is about what a local authority has to spend at the end of the day. That is a really interesting question, but you can go further and ask what the public are most interested in. I think that they are most interested in what is being spent on the services in their area. That is where you can play in a whole host of funding streams that cannot just be discounted. As an accounting exercise, you say that that is new money—that it is real, additional money—for things that matter to the population of Scotland. In all of that, I can point to specific funds and financial arrangements that support those services in this budget.

**The Convener:** Could you put it all in one place for us? Ahead of our final report on the draft budget, can you write to the committee and outline every single budget line in relation to which the Scottish Government asserts that additional moneys are going to support local authority services? We can consider that in detail ahead of our report on the local authority budget.

**Derek Mackay:** Yes, I can commit to doing that, with the caveat that, as I have explained, some funding streams may land even after that exercise is complete. Those funding streams will not necessarily involve new money, but they will be additional funding streams for local government services. I absolutely commit to giving you that figure and that analysis as quickly as I can and in the timescale that you have set out.

**The Convener:** We can contrast that with assertions that have been made elsewhere about levels of cuts. If I can see the numbers that are available now, I can feed them to my colleagues.

Had there been more time, we would have done more of an exercise around this. You have talked about £250 million health and social care integration fund money being transferred from the health budget through to the new partnerships, and there is an additional £107 million on top of that. We know that some of that was to deal with wage pressures in the social care sector and to make sure that the living wage was paid. I know that in Glasgow some of that money has been invested in step-down beds and care home beds to deal with delayed discharges and the like.

Some very real pressures sit on local authority social work budgets that would have to be addressed with funds from the general funding stream if the integration fund did not exist. What do you consider to be some of the financial pressures on local authorities that those moneys will ease?

**Derek Mackay:** I think that it is correct to say that a transfer from health to front-line social care

has happened before. The baseline is the £250 million in the budget, and then of course there is the £107 million, which was and remains a matter of negotiation with COSLA.

I believe that those moneys will fund the full implementation of the living wage for the year, as negotiated last year. 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.

Every part of the public sector will deliver efficiencies. We are all having to consume the extra pressures that are on the public sector—incidentally, the private sector is having to do that, too, through, for example, the UK apprenticeship levy.

On integration joint boards, the process of integration was achieved through consensus across the Parliament. We wanted to bring front-line social care together with our health commitment. As you have described, convener, it is no longer about cost shunting; it is about supporting the person who needs support and addressing need, rather than being about an accounting exercise or a confrontation between the NHS and social workers. We are integrating our funding streams and our systems to give the best possible and the best quality front-line care as we transfer from an acute approach to a community approach.

The right infrastructure at a local level certainly helps with delayed discharge and pressure on the NHS, so strengthening community infrastructure is good for the NHS. I have a number of quotes from members across the political parties who support the integration agenda and who say that pooling the money is the right thing to do.

**The Convener:** I will perhaps ask you not to give us those quotes. The point that I was trying to make was about not only the timing of the budget but the fact that local authorities might take a different view of the cost pressures that those moneys will alleviate at local authority level. We gave local authority representatives the opportunity to put their views on the record in relation to that, which is why I asked you to do the same.

I have a point that I want to leave hanging. This committee is increasingly aware that there is a huge amount of money swirling around local authorities. I imagine that the Education and Skills Committee will look at the £120 million attainment fund cash and how that is spent; the Health and Sport Committee is now looking at the £357 million health and social care integration fund moneys;

and there are city deals and a variety of other moneys. As a committee, we are conscious that we are not sure who is scrutinising, as a consolidated piece of work, the financial position of local authorities and the support that is provided to them. The information that you will provide to us will be a good starting point, but the Parliament has to do better in following the public pound at local authority level.

**Derek Mackay:** There are audit agencies that scrutinise local authority spending and revenue raising, so local authorities are certainly held to account for what they spend. That money does not come just from Government grants and council tax, as local authorities are able to raise revenue through fees and charges. Accountability for that does not necessarily go through Government, and that is where the audit agencies get involved, given that councils and councillors have to get their accounts signed off.

**Andy Wightman:** I have a couple of questions on local tax. First, you have said that you are lifting the council tax freeze and you are imposing a 3 per cent cap. You do not set the council tax rate for councils, so how do you propose to enforce that?

Secondly, you are making a cut of £200 million in the revenue that derives from non-domestic rates. What economic assessments have been done on the economic impact of the cut to that rate?

**Derek Mackay:** Okay. Those are fair questions.

On council tax, I am in dialogue with COSLA to see whether we can arrive at a partnership deal on our position. One of the Scottish Government's asks is that councils ensure that if they increase council tax the increase is not above 3 per cent. I propose a partnership deal with COSLA—but not every council is a member of COSLA, as Mr Wightman will be well aware. Therefore, I have written to all 32 local authorities outlining the Government's very fair offer and what I am asking for, which includes—I say for completeness—the council tax increase cap of 3 per cent, maintenance of the pupil to teacher ratio and of teacher numbers, and the arrangements for health and social care. Those are some of the key commitments that I am looking for.

I am happy to share with the committee, for its information, a copy of the letter that I have sent to every local authority. As members will see, I am trying to achieve a partnership approach. I have asked local authorities to write to me by 13 January saying whether they accept the package or not.



11:30

I suspect that, if the settlement to local government was so bad, COSLA would have rejected it at a special leaders meeting. It has not done that, however; it is considering the package that I have put to it, and it has welcomed some of the positions that the Government has taken. It is now for local authorities individually to decide whether they support that package. I am not proposing sanctions or imposition, or anything other than a partnership approach with local government. If authorities do not accept the deal, I will clearly have to revisit the position, but I hope that we will achieve the arrangements through positive engagement, constructive dialogue and a partnership approach.

The assessment on non-domestic rates came from projected income and policy changes that I have made. It is important to support sustainable economic growth at this time. I have not had a revenue-neutral position on non-domestic rates. That would have meant putting the poundage up—up to a level that would be higher than that in England. That is not the choice that I have made: I have chosen to increase support for the small business bonus, to change the thresholds, to be more supportive on the large business supplement and to reduce the poundage for everyone, in the terms that I have described. All that—as well as distributing what we will actually receive—shows how I have arrived at the non-domestic rates figure. When it comes to the economic modelling, all that has been assessed by the Scottish Fiscal Commission, which has said that my assessment is reasonable.

**Andy Wightman:** Do you accept that if you propose a 3 per cent cap on council tax it is not really a local tax, but a central tax? You are, in effect, setting the rate, as you are with non-domestic rates. My question on non-domestic rates is this: what assessment, if any, have you done of the economic impact? There is past evidence from academics on enterprise zones. If people get 100 per cent relief, for example, all that happens is that rents go up. The relief is capitalised into rent payments for tenants and into asset values for owners. I am interested to hear the economic assessment of the impact of cutting non-domestic rates.

**Derek Mackay:** I understand the points that are being made.

First, on council tax, Parliament is within its rights to set the multipliers in the way that we see fit, and it has done so. As we know, that raises £111 million and more for local services. Every penny that is raised through council tax will be retained by every local authority. How much they raise council tax by is at the discretion of local authorities. The SNP Government was elected on

a manifesto proposition to cap council tax at 3 per cent. We were not the only party in Parliament that suggested a cap on council tax—other parties have gone into Scottish Parliament elections with a position on council tax. Parliament and, therefore, the Government are within their rights to set out an expectation of what we want to happen.

Many people said that the council tax freeze for nine years was unsustainable. We are now giving local authorities the discretion to lift it, and I want to do that through partnership. Intelligence that I am now receiving suggests that very few councils want to raise it by more than 3 per cent, but I am holding true to the manifesto on which the Government was elected. Right now I am having positive dialogue with COSLA, and I have given the Scottish Local Government Partnership the courtesy of engagement. I am negotiating with COSLA to achieve the cap. However, it is a matter for each local authority.

On economic modelling for non-domestic rates, I happen to believe that the support for the small business bonus in particular has saved many of our town centres. I did an analysis in my community, in my home town of Renfrew, where I saw that many town-centre businesses pay no rates whatever or pay reduced rates as a consequence of that policy. I might not have report after report after report to tell me that it has made a difference, but I know that it has from my engagement with the business community and local businesses, and from what I have seen, so I am sure that it has made an impact on the sustainability of town and village centres across this land.

What evidence do I have of that? Andy Willox of the Federation of Small Businesses has said that

“By giving full rates relief to 100,000 Scottish firms, the government has lifted the prospects of smaller businesses facing a tough 2017”,

and Liz Cameron, the chief executive of Scottish Chambers of Commerce said:

“We very much welcome the Scottish Government’s decision to match the ... business rates poundage to that south of the border”.

She goes on to welcome other elements of the business rates package. Clearly, folk in the business community recognise that it is the right thing to do.

Although I have reduced the poundage for all businesses, I have targeted our support at small and medium-sized businesses in particular across Scotland, which is why it has been so warmly welcomed by ratepayers across the country.

**Andy Wightman:** For clarification, you have no evidence of that; you talked anecdotally about businesses in your constituency. If I were a

landlord in Renfrew and I saw business costs go down, I would just jack up the rent. I am talking about the economic impact in the medium and long terms.

**Derek Mackay:** I simply throw back at you that you are using anecdotal evidence to challenge my evidence—

**Andy Wightman:** I am not putting forward any evidence. I am asking you for evidence.

**The Convener:** Mr Wightman—just let the cabinet secretary respond. I will take you back in after that.

**Derek Mackay:** I think that you were trying to make the point that if I reduce business rates, all that happens is that owners—landowners or property owners—put up rents. I am sure that that happens in some cases, but I do not think that it is universal. Overall, the benefit of our non-domestic rates regime is that it will support sustainable economic growth. It has been a lifeline to town centres and villages across the country.

I add, of course, that I propose to increase the rural rates relief from 50 per cent to 100 per cent, just for completeness. However, I think that the small business bonus has made a major impact. If there is evidence that it has not, I would like to see it. I believe that it has and I am not alone in that. The Federation of Small Businesses carried out a survey that showed that it is a very popular and effective policy in supporting small businesses.

**The Convener:** Mr Wightman, do you want to come back in?

**Andy Wightman:** I will leave it there.

**Kenneth Gibson:** The first question that Andy Wightman asked about non-domestic rates was almost word for word the one that I was going to ask, although the figure of £200 million should actually be £162.7 million.

Is it not the case that Colin Borland of the Federation of Small Businesses said in 2011 that without the small business bonus scheme, one in six small businesses in Scotland would have gone to the wall?

**Derek Mackay:** I am familiar with that comment and I believe it because—let us face it—there have been quite turbulent economic times, between the crash and other pressures, and town centres have had particular pressures as well. That is why the Government endorsed the town centre first principle and why it has supported small businesses and targeted a release to small and medium-sized enterprises. All members should reflect on that comment. In our overall approach to taxation, we are trying to be more progressive and our approach in this respect fits within that.

**Kenneth Gibson:** I have no doubt that the small business bonus scheme helps small businesses to survive, to thrive and—I hope—to become bigger businesses that employ more people and contribute to our overall prosperity.

Specifically on the local government core budget, one of the frustrations of members of the committee is the fact that we have seen the impact on the core budget but we do not have a breakdown by local authority of all the additional moneys. That has been talked about by the convener and others.

On additional council tax being raised through the increase in some bandings, in my North Ayrshire Council the core budget will be down by £3.863 million, in Elaine Smith's North Lanarkshire Council it will be down £14.401 million, but East Lothian Council's amount will be up £1.413 million, East Renfrewshire Council's will be up by £495,000 and Stirling Council's will be up £699,000. That is obviously because they are more prosperous areas than North Ayrshire and North Lanarkshire. When the figures come in on the additional moneys for health and social care integration and so on, will the position be evened out in order to ensure that poorer local authorities gain additional revenue to compensate for the reductions in their core funding?

**Derek Mackay:** You make a fair point about how the situation looks if we consider council tax in isolation. Other parties in Parliament asked me not to redistribute at local level, so every council keeps every penny of council tax.

However, we are still delivering the attainment fund—what is more, we have increased it—which is delivered absolutely on the basis of need. The core grant to local authorities is also distributed largely on the basis of need, through the methodology that is agreed between the Scottish Government and COSLA. What is more, there is the floor mechanism—people's eyes glaze over when we start talking about such things, which are complex—which ensures that in the range of adjustments to local authorities, there is support, so that there is a bit of convergence around the change in what a local authority receives.

I am looking at charts right now, and I will share the information with the committee as soon as I can, as the convener requested. That will show you the increase for authorities across Scotland when we take together the funding streams, the change to the multipliers, the ability to raise council tax by up to 3 per cent and what we are doing around integration joint boards.

To look only at the core settlement is to ignore totally a range of other funding streams. What communities are most interested in is the totality of the package that goes to the community—what is

being invested in schools and health and social care partnerships, and the range of resource that goes to the local authority. That is how I get to the £240 million figure, which is a 2.3 per cent increase. What is more, there are funding streams on top of that to support local services.

I will give the committee all the detail, and you will see—as I said in my opening remarks—that the settlement for local government services is broadly in line with the increase in the Scottish Government's settlement. I think that that helps to inform a debate in which some people have made rather misleading remarks.

**Kenneth Gibson:** I think that the frustration is that we have the total figure but not the local authority breakdown figures, which we are keen to have.

I take issue with the idea that everything is based on need, because if we look at aggregate external finance from 1997, when Tony Blair came to power, we find that the local authority with the biggest increase in resource per capita in all that time was East Renfrewshire Council and the one with the lowest was Glasgow City Council. The format has to be looked at.

I am delighted that there is a £149.614 million increase in capital funding. That is an increase of about 24 per cent, which I warmly welcome. How will the funding be dispersed? Will we get more information on the specifics?

**Derek Mackay:** You are right that one of the main drivers in distributing the core grant settlement is population. I know that Kenneth Gibson understands that, given his experience of the local government world as well as the finance world. On the attainment fund, the £120 million is absolutely distributed on the basis of need; that is, with regard to recipients of free school meals, which I think is the right thing to do.

For the first time, I have been able to look at council tax and Government support in the round, because we cannot ignore an element of local government financing when we are delivering resources on the basis of need. That is why I keep focusing on the totality of the package. I know that a number of members are keen to ensure that resources are allocated on the basis of need.

There is a substantial increase in capital, and there is a further reprofiling of capital moneys to go back to local government, to the tune of £150 million, which can happen over the next two years, for the rest of the spending review period, but for this year that increase through reprofiling is not even. The capital allocations are in the circular that we issued and I can provide the detail to the committee—unless you would like my officials to give a further explanation of how the capital settlement is generated.

**Kenneth Gibson:** That would be helpful, but we are really looking for when we will have the council-by-council breakdown of all the additional figures. It looks as though it will be mid-January, but can we get a specific date? It would be helpful to all members of the committee and, indeed, Parliament.

11:45

**Derek Mackay:** I can give you the circular on resource and capital now. I can give you the capital settlement now because it is out for consultation with every local authority. However, my point, which went back to the convener's original point, was that, if you want the totality of resource, that requires further work because of the timetabling.

**Kenneth Gibson:** Hold on just a second. I have some information on capital but not the increase. Bizarrely, the budget document gives us the capital in the previous draft budget and the capital—departmental expenditure limit—in the current draft budget. We have the information on the local authority capital for 2017-18 but not for 2016-17, so we cannot compare the allocations from 2016-17 and 2017-18 to see what the increases have been in our areas. On core funding, the situation is almost the opposite: we have the core funding but not the detail of the increase. That seems to me to be a bizarre way of doing it. We really want to see what the draft budget was in 2016-17 and what it is in 2017-18 for capital and revenue across the board.

**Derek Mackay:** I will have that information for you by the end of the day.

**Kenneth Gibson:** Thank you.

**The Convener:** That is helpful. We do not want to assume, but we think that a huge amount of the capital moneys might be related to delivery of the bricks and mortar element of our commitment to increasing the nursery estate in Scotland. Is that right?

**Derek Mackay:** No, the increase is before we even engage in that exercise. The capital increase is largely at the discretion of local authorities. There will absolutely be an escalation of resources to deliver our childcare plans. That begins this year with a £60 million investment in pilots and the current arrangements. The current capital grant is not conditioned on childcare expansion, but there will absolutely have to be childcare expansion in the years to come.

**The Convener:** The capital provision is £210 million in total. Where did the £60 million come from?

**Derek Mackay:** The £60 million is the childcare investment for the draft budget. It is not capital.

We are not mixing it up. To be clear, convener, I say that the £60 million is the beginning of the childcare investment for training and support. The point that I am making is that there is nothing specifically conditioned in the capital grant for the next financial year around the increase to local authorities.

**The Convener:** So the £60 million that is earmarked for childcare is resource. It is not for putting a spade in the ground and building extensions to childcare facilities to plan ahead for the Scottish Government's commitment, but is about staffing and resourcing in that revenue stream.

**Derek Mackay:** The £60 million is from the education portfolio to begin the process of expanding childcare. It is not the capital resource to which you refer. Capital resource is the local government share of capital. That is the increase about which Mr Gibson was speaking and it is not conditioned on the expansion of childcare. That is the position.

**Elaine Smith:** Thanks for joining us, cabinet secretary. It is fair to say that a lot of this is complicated. Council leader after council leader has talked about cuts. The leader of the City of Edinburgh Council, which is led by Labour with the SNP, said that

"this is the worst revenue settlement from the Scottish Government since the onset of devolution".

That is the kind of comment that we are hearing on the budget.

SPICe gives us a figure of a £327 million cut. That seems to be a real-terms cut but you say that it is not comparing like with like because you are comparing the draft budget with the previous draft budget. We will put that to one side. If we compare the draft budget with the previous draft budget, we are looking at a 1.6 per cent cut, based on the figures that we have. I will try to drill down a wee bit into that. Your figures talk about £267 million being the potential increase in total spending power, but that includes the revenue from local taxation. If the 3 per cent were not to be used, how would that figure be adjusted, or is that something that you are going to come back to us with?

**Derek Mackay:** I can give the top level figures, to be helpful, and then I will reference the local authority that you have mentioned, because I think that that helps to explain the position. At the top level, if every local authority raises council tax by 3 per cent, that should generate about £70 million. Bear in mind what I have said about the £240 million increase for local government services, which explains that it is still an increase because the multiplier issue happens anyway—that is £111 million. That is the figure within the top line—the

top level of the totality of local government services.

Elaine Smith is right to pick on some of the evidence that has been received from local authorities and to compare it with what I am proposing in the draft budget; that is a very fair point. The council that has been namechecked is the City of Edinburgh Council. If we look across the support that will go to the City of Edinburgh Council, with the multiplier increase and the council tax increase of 3 per cent, we see that the council will have an increase of £18.5 million as a consequence of all of those decisions, which is an increase of 2.36 per cent. I say again—it is an increase of £18.5 million. That is the totality of resource: the additional council tax income, the multipliers and the support to the integration joint boards. I have already explained why that matters and why I see that as local government services. The resource it is supporting that. I could give you the breakdown within the total of each element.

There is a total figure of a £240 million increase, and I say again that there are still further resources on top of that. When I break it down authority by authority—which I have said that I will share with the committee—it will show that the reality of the financial settlement for local government services is as I have described it since the budget.

**Elaine Smith:** Okay, that would obviously be very helpful. I want to come on to the integration fund that you mentioned but, specifically, can we say that there is a funding increase when it is based on a possible 3 per cent tax increase? It would not be a central Government tax increase, as you have chosen not to have one, but a tax increase at local level? You are calling it a funding increase, but actually it would be a local tax increase.

**Derek Mackay:** I have explained how I get to that figure, but for the purpose of this dialogue, for Elaine Smith, I suggest that even if you discount the £70 million that could be raised from 3 per cent on the council tax the total package to local government services has still increased.

**Elaine Smith:** That leads me very nicely to my next question, which is on the integration fund. That was explored earlier, and much of the fund is to meet the commitment to the living wage for care sector workers. That is clearly an increase—well, a financial transfer, if you like—to local government, but the question that was asked was this: if it is going to be counted in local government, should it also be counted in health? That is where a lot of the confusion around that has come from.

**Derek Mackay:** The transfer that exists from health to social care is the same as in previous

years; there is no double counting in that. It is part of local government services, as we have described, and I think that that point has been acknowledged. The money certainly features within the draft budget in the health portfolio, but it is in the local government section as “Other Sources of Support”, with the explanation in the chapter. That is the narrative of the position that we have just discussed.

Elaine Smith has fairly made the point that it is legitimate to describe the funding as coming under both those services, because that is what it is doing. I take some pride in the fact that we are delivering the living wage in social care—that is long overdue. It is a very important step to be able to ensure that that will be delivered year on year, now. However, the funding does not just deliver that; there is extra resource for sustainability of services and other discretionary elements around the charging policy too.

As I said earlier, there is pressure on all public services, but the living wage commitment represents a direction of travel on which I thought there was political consensus. We need to transfer more resources from the acute sector to community care, and we need to support local infrastructure to ensure that we take the right preventative approach and provide quality care. Our policy properly rewards those in the sector who deserve to be paid the living wage.

**Elaine Smith:** I do not argue with the cabinet secretary on that point. I agree with the living wage, as I am sure he appreciates, but the transfer adds to what is a complicated process. The Fraser of Allander institute, for example, has said that the Government often double counts that funding as spending on local services, which is not right—it must be one or the other. That is where some of the confusion has arisen.

Unless the cabinet secretary wants to add to what he has said, I will move on to council tax bands E to H and the attainment fund. You mentioned three issues earlier, cabinet secretary. As you pointed out, the committee spent some time on the attainment fund and the council tax banding issues, and concerns were raised. The decision was made, for whatever reason, that the additional money—£111 million, I believe—that would be raised from increasing council tax rates in bands E to H could not be taken from local authorities, so there would have to be a different way of working it out. When the committee was considering all that, it was thought that the Government would reduce the grant in order to give funding back to cover the cost. Has that happened, or is the funding extra money from central Government?

**Derek Mackay:** The attainment fund is extra money from central Government and is funded

through our central resources. You are right that we discussed council tax banding, and this Government has listened to the committee, to Parliament and to COSLA. It is good that the Government is willing to listen to other people and to change our position. We are not compromising on our principle, which is that we want to give the resource to schools to improve attainment. Education is the Government’s number 1 priority, and we have held true to that and increased the amount in the forthcoming financial year for the attainment fund, which we are funding centrally.

To go back to the other point, for completeness, it is the case—as the Cabinet Secretary for Health and Sport has also confirmed—that there is no double counting. The position on health and social care and the IJBs does not change the aggregate position with regard to the departmental expenditure limits for our budget. It is important to set out the context for local government services.

Convener, you cut me off—as is your right—earlier on, when I was about to give you a quote. It is a really important quote, looking at the nature of integration—I suppose the clue is in the name of the integration joint boards—of health and social care. In 2011, Stephen Dorrell, the then Secretary of State for Health and chairman of the House of Commons Health Select Committee, said:

“For a generation the elephant in the room in discussions about integrated care has been the artificial distinction between healthcare and social care. Those (including me) who have sought to defend the distinction have sounded increasingly absurd and out of touch. It often takes a crisis to force an issue. If not now, when?”

The point that I am making is this: local government finance is complex and the integration is equally complex, but it is right to ensure that the resources are in place to support people so that they get the right care in the right place at the right time. That is what we are doing through our budgeting, which affects both local government services and the wider NHS. As I said, we have raised through the multiplier to be able to ensure that every local authority now has that extra resource, which I think will be very well received.

**Elaine Smith:** There is not much argument over the principles in that regard. Obviously the matter is complex, especially if organisations such as the Fraser of Allander institute are getting it wrong and saying that it is double counting when you are clearly saying that it is not.

However, I will move on to my final question—

**The Convener:** Can you make it very brief, please? It might be worth our while to check with the cabinet secretary how much time we have left for evidence this morning. I am keen to take questions from Alexander Stewart and Ruth Maguire before we finish at a quarter past 12. If

you could be brief, Ms Smith, that would be helpful.

**Elaine Smith:** I will be very brief. Cabinet secretary, you are responsible for the whole budget but we are the Local Government and Communities Committee. I put it to you that there are concerns that local authorities are facing greater cuts than other areas of the public sector. How do you respond to that?

**Derek Mackay:** I think that I have been able to outline, in the figures and the statement that I have given, that the increase for local government services is broadly in line with the increase in the Scottish Government's budget. You can see more of the detail of that, but that is the position. Therefore, that accusation is without foundation.

12:00

**The Convener:** Two committee members have been very patient. Alexander Stewart will be followed by Ruth Maguire.

**Alexander Stewart:** Cabinet secretary, you talked initially about the attainment fund. I was one of the committee members who, the last time that you gave evidence, suggested that you would be plundering our councils' funds to pay for closing the attainment gap. This morning, you have explained that that is now not the case and that you have listened. I very much welcome that U-turn, because I believe that that is the right way forward as we progress.

You have talked about new, real and additional funding. You have touched on the need for a fair settlement, but you have also put in the mix the complexities of the financial settlement and how complicated it can be. It can sometimes be perceived as misleading when reports from other organisations suggest that double counting is taking place, and you have indicated that that is not necessarily the case. For a layperson or someone trying to go through the process, the matter is complicated and it is difficult to understand exactly where the funds are going.

As some of my colleagues have said this morning, local authorities throughout Scotland see what is going to happen to them over the next few months and the next year and recognise that they are going to have to deal with massive cuts in their council areas. You have responded this morning by saying that that is not necessarily the case, because you are giving more funds and additional money. However, there is still an imbalance, because local authorities are dealing with their budget processes at present, as we move towards the festive season, and will set their budgets in February. All the local authorities that I have spoken to in my region tell me that they are facing

massive cuts to the services and facilities that they provide for their clients and service users—

**The Convener:** We are rapidly moving towards the festive season, Mr Stewart. Is there a question wrapped up within that?

**Alexander Stewart:** Yes. The cabinet secretary has answered many of the questions that I wanted to ask, but we are facing a very difficult financial situation across the 32 local authorities, and none of those that I have spoken to perceives that they are going to receive additional resources. They are dealing with the removal of services, and they are having to streamline and salami slice as they have in years past.

**The Convener:** That was a reflection rather than a question. Would you like to respond to that, cabinet secretary?

**Derek Mackay:** I ask Mr Stewart to name one of the councils that he has spoken to.

**Alexander Stewart:** I have spoken to a number across my region—

**Derek Mackay:** Can you name any one of them?

**Alexander Stewart:** Mid Scotland and Fife covers the Clackmannan side of the things, the Stirling side of things and the Perth and Kinross side of things—that is my own local authority. I was at a budget preparation meeting last week, and the council was talking about that.

**The Convener:** Okay. I think that you have been good value for money, Mr Stewart, even though you have waited. Three local authorities have been mentioned, cabinet secretary.

**Derek Mackay:** I will focus on one, although I could talk about more if you would like. Shall we look at Fife Council? In outlining the position that I have outlined around council tax multipliers and IJBs, I have been very clear about local government services. In the Fife Council area, the increase is £15.6 million, which is an increase of 2.4 per cent. I can give you a similar figure for any other local authority.

I know that you are short of time, convener, but I am happy to stay as long as I am required. Mr Stewart said that some of this is about interpretation, but those are the facts and you will have more detail coming your way. I could quote the BBC, which said online yesterday that the Government was "telling the truth". It said that councils were, too, but who would have thought that the BBC—especially after last week—would say that? You will see the information.

**The Convener:** I am sensing mission drift, cabinet secretary.

**Derek Mackay:** I am sure that you will forgive me, convener, but I want to address Mr Stewart's comment that I was going to plunder local government. At no point was the Scottish Government going to do that. In proposing to change the multipliers, I made it perfectly clear that every council would keep every penny of council tax raised at the local level although, on the basis of need, there would be an element of redistribution within the local government settlement. Because people objected to that, we are not doing that now, but it was never our intention to take a single penny away from a local authority's council tax. What we are now doing, as every member fully understands, is delivering the attainment fund at an increased level from central resources.

**Ruth Maguire:** Good afternoon, cabinet secretary. You rightly mentioned that the public sector and the private sector are operating in quite challenging times. When we carried out our pre-budget scrutiny, the Accounts Commission was keen to stress the importance of long-term planning for local government. I would be interested to hear your reflections on the impact of one-year funding rounds on local government's ability to plan ahead and manage reserves effectively. Does the Scottish Government take into account the respective reserve levels of local authorities when it sets budgets?

**Derek Mackay:** We generally do not take reserves into account; it is a matter for each local authority to determine its optimal level of reserves, and we would not take that into account in the finance settlement that authorities receive. There are other factors to do with need, population and all the other indicators that drive the figures—reserves are not taken into account. 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.

On the timetable for local government settlements—and I would say the same of the third sector and the business community in relation to tax propositions—I think that people prefer certainty, if it can be given. However, I am sure that all members appreciate that, this year, I have had to wrestle with deep economic turbulence and a chancellor—the new chancellor, not his predecessor George Osborne—who said that he was about to reset fiscal policy. The autumn statement was to be a major fiscal event.

For all those reasons, it was possible that the UK Government would reopen our settlement and that the economic drivers would change. All of that led to the view that a one-year budget was the most sensible approach to take in the

circumstances, and that is the approach that I have taken. 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.

Through the budget review group, whose work is under way in Parliament, I will look at the budget processes to ensure that we can move as quickly as possible and that the budget is as well informed as it can be and provides longer-term certainty. The member makes a fair point, but I hope that it is understood why I have had to make the decisions that I have made.

The Government has proposed a draft budget to the tune of some £37 billion or £38 billion within three weeks of the chancellor's autumn statement, and it has put forward a local government settlement within hours of my presenting the draft budget to Parliament. Why? Because Parliament gets to see the budget first, then other elements follow as soon as they can thereafter. We enter a period of consultation and engagement. I must commend the civil service and my officials, who have worked incredibly hard to deliver what has been required of them by ministers to ensure that we could present the figures as quickly as possible and give people greater certainty.

With regard to the wider timetable question, I will continue to look at that and consider what longer-term financial outputs I can pursue.

**The Convener:** I will take a couple of brief supplementaries.

**Kenneth Gibson:** As we heard last week, one thing that came out of the Accounts Commission's work was that local authorities should do medium to long-term planning. It expressed concern about the fact that three of the 32 local authorities, one of which was Glasgow City Council, were not carrying out medium to long-term planning, with the result that they were not able to optimise services. Is that a concern for you? Will we also get the figures for how much an increase of 3 per cent could raise for each local authority?

**Derek Mackay:** Yes, I can provide those figures. I have already outlined the methodology. For Glasgow, which has been mentioned, the increase is £27.7 million—which, for completeness, is an increase of just over 2 per cent.

We all take advice from the audit bodies and other experts on longer-term planning. I am sure that local elected politicians will now be thinking about council elections, but there is a real need to

consider long-term planning in local government. Mr Gibson and I have often discussed this subject. There is still more room for efficiency, shared services and procurement, and for a direction of travel whereby local government can do even more with the resources that it has. We should do that in partnership, and we should do it right across the public sector.

**Elaine Smith:** I understand that, after the original allocation figures had been given to councils, they had to be contacted again about a revision of those figures, as some of them were wrong. For example, the City of Edinburgh Council was originally allocated £699.4 million, and that was put down to £691.5 million. I appreciate, though, that other councils' figures were revised upwards. Can you give us some explanation as to how that happened and how the councils reacted to that?

**Derek Mackay:** It is a matter of process. That is the point of the local government circular. The settlement letter—the circular—goes to the local authority, and the local authority checks it. COSLA is engaged in that as well. There is engagement on the various factors to determine whether the settlement is right.

Then there is adjustment. There have been adjustments before, and there were adjustments again this year. That is the point of the consultation; that is what the exercise is meant to do. The adjustment is made in a further circular the next day. The first circular goes out one day, and there is immediate engagement from COSLA, through which councils engage, and officials. The officials meet, engage and address the issues. A new circular is issued and then councils engage with that; there is further joint work between our officials; and we finally arrive at an order that covers what is actually released to local government. That is what comes before Parliament.

It is a matter of process, involving technical adjustments, and that has always been the case. There have been adjustments in the past, and there was an adjustment this year. However, because of the timetabling issue, that happened much more quickly this year than would ordinarily have been the case.

**Elaine Smith:** So that is normal, and the councils were perfectly cool with that process, were they?

**Derek Mackay:** When the councils look at their settlement letters, they ask how we arrived at the figures and what the drivers behind them are. Once they understand that, they come back, through COSLA, to our officials. We engage and we adjust and reissue the circular. My current understanding is that COSLA is content with the

current circular adjustments that have been made and with the proposition in terms of the technical arrangements. It is still a matter for debate, discussion and agreement whether or not individual local authorities accept my offer.

**Elaine Smith:** And that has to happen by 13 January.

**Derek Mackay:** That is correct.

**Elaine Smith:** If you do not mind, cabinet secretary, it was important to clarify that.

**Derek Mackay:** I agree that it is important to clarify that, and I am delighted to have been given the opportunity to do so.

**The Convener:** In reply to Kenneth Gibson, you mentioned Glasgow City Council, and your response was very helpful to the committee. As a Glasgow member of the Scottish Parliament, I am particularly interested in Glasgow City Council's funding position.

Councillor McAveety, the leader of the administration at Glasgow City Council, gave evidence to the committee on budget scrutiny. Before he gave evidence to the committee, he spoke publicly about cuts; when he gave evidence to the committee, he spoke about cuts; and after your budget—and after he knew the numbers that you have highlighted today—he spoke about cuts. Today, you have said that there is a £27.7 million cash increase for Glasgow City Council, which is a 2 per cent increase in support. That is very different from what the leader of the council has said. That means that we have almost come full circle, with local authorities almost seeking to make their financial position a bargaining chip with national Government by making things look as under pressure or as dire as possible, while the Government tries, for pretty obvious reasons, to make the position look as generous as possible. Sometimes the truth lies somewhere in between.

I listened carefully to the figures that you gave there. That information was helpful, given Councillor McAveety's evidence on the budget process, and the committee will look at it.

12:15

**Derek Mackay:** You have heard me explain the methodology. There is an increase in resource and capital; there is the multiplier—in other words, the council tax issue; and there is the potential to increase council tax by 3 per cent. There are also the funds for the IJBs and the integrated arrangements. That is what gets you to the local government services figure that I have described for Glasgow City Council. In fact, I could take that figure and add in, for example, the city deal and other funding streams, so that is not even the total final position for that area. There is more that



makes up the total resources that go into that area, and that is why we need to consider local government services in the round. I know that politics will be played out in local government finance, especially as we enter local government elections, but these are the facts and figures, and I am happy to share all of them with you.

**The Convener:** The reason for giving that illustration is that we would like you to share that information with us long before 11 January, which is when the committee has to sign off its budget report back to the Finance and Constitution Committee. Members will want the opportunity to look in detail at the numbers that you provide. A breakdown, rather than just the headline figures, would be very helpful in that respect. Our appeal is that, in future budget processes, some helpful way is found to ensure that SPICe, our researchers and members do not have to thumb between various documents and circulars to get the actual position as purported by the Scottish Government. There must be a better way of doing this in the future.

I will just leave that point hanging there, because time is upon us. Do you wish to make any final remarks before we move to the next part of our meeting, cabinet secretary?

**Derek Mackay:** I have no further remarks if there are no further questions.

**The Convener:** I thank the cabinet secretary and his team very much for coming along this morning. We now move to agenda item 3, which is in private.

12:16

*Meeting continued in private until 12:48.*



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