



OFFICIAL REPORT
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Local Government and Communities Committee

Wednesday 7 October 2020

Session 5



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LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
25th Meeting 2020, Session 5

CONVENER

*James Dornan (Glasgow Cathcart) (SNP)

DEPUTY CONVENER

*Sarah Boyack (Lothian) (Lab)

COMMITTEE MEMBERS

*Keith Brown (Clackmannanshire and Dunblane) (SNP)

*Gail Ross (Caithness, Sutherland and Ross) (SNP)

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

*Annie Wells (Glasgow) (Con)

*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jonathan Belford (Aberdeen City Council)

Martin Booth (Glasgow City Council and the Society of Local Authority Chief Executives)

Malcolm Burr (Comhairle nan Eilean Siar)

Councillor Gail Macgregor (Convention of Scottish Local Authorities)

Eileen Rowand (Fife Council and the Chartered Institute of Public Finance and Accountancy)

Gavin Stevenson (Dumfries and Galloway Council)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

Virtual Meeting

Scottish Parliament

Local Government and Communities Committee

Wednesday 7 October 2020

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (James Dornan): Good morning. I welcome everyone to the Local Government and Communities Committee's 25th meeting in 2020. I again thank the broadcasting office for its work in helping to organise the meeting. As always, I ask everyone to ensure that their mobile phone is in silent mode.

Agenda item 1 is to consider whether to take in private item 3, which is consideration of the evidence that we will hear today, and item 4, which is consideration of our approach to community outreach on the Community Empowerment (Scotland) Act 2015. Rather than asking whether every member agrees that we should take those items in private, I will instead ask whether any member objects. If there is silence, I will assume members' consent. Does any member object?

As no member objects, we agree to take items 3 and 4 in private.

Pre-budget Scrutiny 2021-22

09:31

The Convener: At item 2, the committee will take further evidence on next year's Scottish budget. The theme of our scrutiny this year is the impact of Covid-19 on councils in the wider context of the long-term financial sustainability of local government.

We will first hear from three local authorities offering, respectively, islands, rural and city perspectives, and then we will hear from witnesses offering a strategic overview of the local authority sector. I welcome to the committee the following witnesses, who are all attending remotely: Malcolm Burr, who is the chief executive of Comhairle nan Eilean Siar—I apologise if I got the pronunciation wrong; Gavin Stevenson, who is the chief executive of Dumfries and Galloway Council; and Jonathan Belford, who is the chief finance officer at Aberdeen City Council.

I am grateful to you for taking the time to answer our questions. For information, we have allocated just over one hour for the session, and we have a number of issues to discuss with you. We will move to questions in a moment, after some technical information.

For the benefit of broadcasting, there is a prearranged order—I will call each member in turn to ask their questions in a block of up to eight minutes. It would also help broadcasting staff if members could indicate to whom on the panel their questions are addressed. We may have a short amount of time for supplementary questions at the end.

As there are three witnesses on the panel, I ask that they indicate clearly when they wish to answer a question—for instance, by raising your hand. Please do not feel that you need to answer every question, especially if your views are generally in line with points that have already been made. Finally, I ask everyone to give broadcasting staff a second to operate your microphones before you speak.

I will ask the first question. Which areas of service and operation were most under pressure before the pandemic? Has that changed? If so, how? Who would like to answer that one first?

Malcolm Burr (Comhairle nan Eilean Siar): I thank the committee for the invitation to speak today.

The main impacts have been on the economy, of course, and on the incomes of those whose financial position was already precarious and reliant on benefits. The economic impact has

undoubtedly hit the poorer end of the community and the commercial sector worst of all.

The most significant additional financial costs are on social care and care for people. There have been additional costs in education as well, as we moved to blended learning, although my council sees itself—rightly, I think—as a leader in that field, anyway.

In addition, there are the hidden costs of capital works. We all know how small the capital programme was pro rata for other years in the current term of local government. The delays to critical investment programmes and the additional costs to contractors, most of which are inevitably borne by those who commissioned the projects, have been the area of biggest cost. However, costs are now increasing in every service area, except for the obvious minor savings in travel and subsistence and other small budget adjustments.

Overall, social care, care for people and the services that support vulnerable people in the community have been most impacted.

Jonathan Belford (Aberdeen City Council): I thank the committee for the opportunity to provide evidence today. I will not repeat what Mr Burr said, but I will add that there was a clear and immediate impact on our arm's-length external organisations in culture and sport, as incomes that are externally generated from customers were immediately affected. In terms of scale, in Aberdeen about £20 million of external customer income was immediately switched off, so those organisations entered a particularly challenging position.

I certainly echo what Mr Burr said about the effect on the council itself. The challenge has extended to all parts of the council, including to staff, who have continued working through the pandemic by working from home, for example. That has involved people getting used to dealing with a sustained period of working away from the office, and it has required dealing with staff and the mental issues that arise from that. On how the pandemic has affected our people, it is clear that some emerging points need to be taken into account.

Our economy has clearly been affected, as has our ability to support it either through events or through the investment that we make. Mr Burr mentioned capital. We saw an immediate delay in the capital works that were on-going in the city, and those are still being delayed. An awful lot of work has been done with the entire supply chain for both revenue and capital in order to maintain payments and support organisations and businesses that we need to have around in the future in order to deliver. That extends across the private and third sectors and our public sector colleagues.

The Convener: Before I bring in Gavin Stevenson, can you tell us whether any areas have been affected more during the pandemic than they were beforehand? Has there been a change in emphasis in any way?

Jonathan Belford: From Aberdeen City Council's perspective, there was a great deal of pressure in the system anyway in managing our finances and managing the city as a whole.

We moved immediately to delivering critical services. There was a shift towards supporting our vulnerable communities—for example, by supporting emergency childcare. There was definitely a shift in emphasis to identify the services that were critical to people and to the city at that moment.

We simply had to stop provision in a number of service areas, including our roads team and some of our infrastructure work. Those areas were massively affected, because their work could no longer continue. However, people stepped up by volunteering, and we moved people around the organisation. We worked hand in glove with our partners in the integration joint boards and in health to identify specific challenges such as looking after our people and dealing with those who were shielding by setting up crisis lines. The effect was that we shifted from what we normally do to the appropriate response that was required for those critical services that immediately emerged.

Gavin Stevenson (Dumfries and Galloway Council): I will not repeat what my colleagues have said, but I want to emphasise some aspects. In Dumfries and Galloway, we are used to emergency situations—we have three or four emergencies in winter every year. We are experienced in community resilience, and our communities model has been well built. Therefore, in our response, we are able to build from that model.

Going into the pandemic, we were almost in crisis in our social care system, due purely to capacity issues. Our care homes were full and our home care sector was beyond 100 per cent capacity, so we had unmet hours. Of course, that has got worse as we have moved through the pandemic, and it presents an enormous challenge with regard to how we respond to a second or third surge of the virus over the winter ahead of us. Chairs and vice-chairs of the health board, the IJB and the council met yesterday to talk about radical workforce planning.

It is also important to say that we wanted to give hope throughout the pandemic, so we kept up services such as the maintenance of flowerbeds and street cleaning, because people were almost trapped in their homes and they needed to see

that life was still going on and that we still value their communities. That is why we were able to empower a communities model—we already had poverty money and arrangements in our communities, so we were able to add to those arrangements in our contracting.

We embedded the third sector in our local resilience partnership, which has served us well and will take us forward. As a result, we were able, through coterminosity with the health board and police, to achieve a total regional response. In looking across the country, I think that that has served us well. In partnership with the IJB, we were able to do it once and do it well, such as with home visits, instead of having multiple people from agencies trying to do that under Covid rules. Those models will serve us well. Let us not go back, but move forward.

A big issue for us was the number of vulnerable people we identified whom we previously did not know about, particularly the working poor. The Edinburgh Poverty Commission has made reference to that issue. Given the state of the economy, that will get only worse. At least we now have intelligence on where those people are and what their needs are.

Many of those vulnerable people are not used to the system, and dealing with them as they come into it is an additional burden on local authorities. Again, given some of the issues around the economy and unemployment, that intelligence is really helpful. The situation will become an enormous pressure for us, because our systems are designed to deal mostly with people who sort of understand them. There is an additional burden to do with education and communication and how we help and support everybody as we progress. I support my colleagues in that regard.

On traditional services, we are well versed in, for example, the loss of income from leisure services and so on, but it is about how we focus and prioritise. Using our communities to support our communities must be the focus for local authorities.

Sarah Boyack (Lothian) (Lab): The witnesses' written evidence is powerful, and I have listened to everyone talk about the impact thus far and how they have managed to change their services hugely. The witnesses represent three very different areas. Are there particular challenges because of the areas that you are dealing with, whether that is island communities, city communities or a mix of urban and rural communities? What are the key financial issues that you have to consider and deal with now? We know about councils using their reserves, and a couple of the witnesses have mentioned challenges with regard to arm's-length external

organisations and capital expenditure. What are your big financial challenges?

Malcolm Burr: I will give some context to the additional deficit on account of Covid. In our case, it is about £4.3 million. That will be offset by Scottish Government support of about £1.7 million and reduced costs of about £0.4 million. Therefore, we are talking about a gap of around £3.7 million from lost income alone. Like most councils, our council has worked through the past few years dealing with the impacts of a decade of austerity. I will not bombard the committee with statistics, but the impact is significant.

Our budget is £106 million in 2020-21, compared with £121 million in 2010-11. We have seen a decade of austerity and a £15 million reduction, which masks significant so-called efficiency savings. That represents about 240 full-time equivalent jobs, which is an awful lot of people in a community like ours, where the public sector is the main employer and is critical to the economy.

09:45

Covid has blown away our capacity to manage through prudent savings, mitigation shortfalls and reserves. Some elements will change for the better, but it has disrupted the programme of service redesign and transformation on which we had embarked and which had brought many savings. Inevitably, that has been slowed or halted by Covid. Our national health service partners are wholly focused on Covid management and no longer have the same capacity to develop new ways of working. That combination of prudent saving and use of balances, combined with service redesign and transformation, is under threat at a time when we are all hit with massive lost incomes.

I will move on to something more positive. There are opportunities in all this, but they have to be seized. By and large, as public services, we have all worked well together throughout the crisis, with excellent support from the community and third sector. However, we need to take that a step further. Service redesign can go only so far. There is a cost in running a leisure centre in Barra and sending a bin lorry to South Harris. We can do it efficiently, but it has a definite cost and we cannot save that cost—there is no outsourcing, no community provision and no commercial sector. There are real opportunities for a different form of governance, incorporating community empowerment. That is the way forward. We need a place-based integrated-service approach, building on what we have managed to do through the pandemic. I apologise for the length of that reply.

Sarah Boyack: It might restrict the answers of the other two witnesses.

Malcolm Burr: I am sorry about that.

Sarah Boyack: It is okay. Dumfries and Galloway also mentioned issues for different sectors, such as ALEOs. Will you follow up the points that you made in your written evidence and that Malcolm Burr has just talked about in relation to the loss of income?

Gavin Stevenson: We do not have an ALEO. We are projecting a loss of income of about £8 million in the leisure sector if restrictions continue through to next year. It is a fundamental issue.

We have not mentioned transport. Members representing rural areas will know how fragile the transport system is in such areas. The lack of use of buses and so on has made them commercially vulnerable. Any recovery needs to be based around transport. We do not have the capacity to step in, as Glasgow or Edinburgh might, and make buses available. There would be enormous capital issues if we were to try to progress that.

In social care, there will be a real cost in the vast increase in child protection and adult protection. The capacity of the system to deal with looked-after and vulnerable children is already fully used. We will have to start using agency-type packages—as members will know, those are extremely expensive. Our child protection register has doubled and, in the past two or three weeks, we have begun to see the impact of Covid coming through. Families are at breaking point. We all know that that involves really expensive interventions. We are also talking about staff who have been working at 100 per cent capacity since March. Capacity and resilience will be huge issues as we move through the winter. If we are unable to manage, the personal cost, as well as the financial cost, will be enormous.

Connectivity is an issue. We are having to invest millions of pounds for our schools to get broadband capacity and bandwidth. We cannot just automatically switch on, because we do not have broadband in our rural area. I do not get a mobile phone signal in my house and I live in Dumfries.

You can probably get a sense of some of our challenges. We do not get efficiencies in rural areas. We have to physically go to our communities and people, and Covid has brought restrictions. Rural areas are particularly affected by transport issues and, if Stagecoach removes some of its commercial operations, there is no plan B.

Sarah Boyack: That is powerful. Do you want to highlight any key issues or challenges for Aberdeen, Mr Belford?

Jonathan Belford: Yes. The context in which Aberdeen entered Covid was an oil and gas downturn, with low dollar rates—\$20 per barrel of oil—and a depressed market and economy. There was a struggle and challenge in growing and stimulating that sector. The council has looked ahead to energy transition and set out its stall on the net zero challenges, placing stepping stones to allow businesses and the economy to move forward, and plotting how the council might support that.

It was interesting to look back, because Aberdeen almost got to the point at which all our funding was raised directly from non-domestic rates. However, that changed with the oil and gas situation, and it changed fundamentally due to the exemptions and reliefs that were offered this year to the retail, leisure and hotel sectors. There has been a shift from the business community providing the funding for local government to grant funding through general taxation. We have seen from studies provided by Centre for Cities that it is very important to have a shift back to cities being the engine rooms that drive the economy.

We are a regional hub and a centre to which people are attracted, because we have facilities that are available to the wider population beyond our boundaries. We try hard with our investment in those facilities and I have put a great deal of money into supporting the economy of the city and the wider economy through our investment in Aberdeen's events complex and the regeneration of Aberdeen art gallery, which both opened just last year and, almost immediately, have had to close. The effect of that and not being able to see the benefit that will undoubtedly come from such fantastic facilities is an enormous challenge. Being able to attract footfall and visitors is not possible at the moment.

In terms of the longer—

The Convener: I will have to interrupt and bring your contribution to a close. Thank you very much.

Alexander Stewart (Mid Scotland and Fife) (Con): Good morning, panel. You have talked about the financial difficulties that you have faced in managing the pandemic. I want to drill down into how prepared you were to manage the move from working in the normal office environment to home working, or the digital first approach. How difficult was that transition for you? If, because of that, there were improvements in some of the services that were provided, have any opportunities arisen that you might now develop in the short and medium-term future as part of your digital approach as a council?

The Convener: I ask witnesses, while answering fully, to keep their answers as brief as

possible. Alexander, who was the question aimed at?

Alexander Stewart: It is aimed at all the witnesses, but Malcolm Burr has indicated that he wants to come in first.

Malcolm Burr: I will be as brief as I can. It was a revelation to me how quickly information technology enabled us to move to full home working. As in Mr Stevenson's local authority area, because of a lack of broadband connectivity in some areas, it is not a universal option, but we were able to move quickly to home-based working for large sections of our workforce, and that model will stay. We do not want to lose the learning and social side of work, but our staff surveys have shown that 90 per cent would like to move to a blended working model. That builds on our other strategies of reducing the number of buildings that we occupy and sharing them with other public sector bodies.

With regard to preparation, we were already working on a hub and satellite model, particularly using schools and other public buildings. In areas such as ours, schools are often the only public building in council ownership, so that built on a model that was already there and we hope to develop that as much as broadband connectivity will allow. Despite the age demographic, our population seem to have adapted well to the use of digital technology, so there are encouraging signs there.

Gavin Stevenson: It is nice to see you again, Alexander.

Alexander Stewart: You too, sir.

Gavin Stevenson: I agree completely with Malcolm Burr. We were not prepared through infrastructure beyond moving out into our communities through the schools, but the response of our staff has been magnificent. Many do not want a 100 per cent home-working model. Isolation is a big issue in rural areas, and we value the social aspects of work and mixing; I think that we can deal with both.

Moving forward, we need to learn new ways of holding meetings. Some of you are used to NHS staff turning up with a computer and working linearly down an agenda, and being able to flick between things. We need to develop and exploit those new ways of holding meetings, so that we can interact more and move away from the previous approach of all sitting around the room watching each other; we are learning that.

The approach of the incident management teams in the NHS has been phenomenal—talking about the things that matter, getting everybody on the same page and leaving with clear actions at the end. I recommend that model to the

committee, because that action-oriented meeting approach has been phenomenal and it would create huge efficiencies in the number of meetings. Those of you who have been involved in community planning know about the number of sub-groups; there are real opportunities there.

We invested heavily in hand-held technology, particularly for our front-line staff, and being able to communicate with staff where they are has been such a boon. The infrastructure is not there for us to do it across the entire region, but there are enormous opportunities to change. We need to change the way we do things, by broadening out and bringing the approach from the outside in.

Jonathan Belford: I completely agree with what my colleagues have said and I will add some other points about being prepared. To maintain the delivery of education, during the three months of Covid lockdown, we managed to distribute—from our schools and other sources—5,000 Chromebooks to children. We managed to get 94 per cent engagement among the 24,000 children and young people in our system during that period, using Google Classroom, for example. That was remarkable.

10:00

I can only succinctly say that the emerging picture of the experience of our staff is undoubtedly exactly the same as for those in both the Western Isles and Dumfries and Galloway, with people looking for a blended work experience—for those who can do their jobs from a remote location—but we were able to deliver a digital solution to our staff at pace. It has certainly surprised me, as an individual, how effective that has been.

Alexander Stewart: As for the future, you have all identified that there is an opportunity to ensure that you have the connectivity and the opportunity for staff to manage. What are the main challenges facing you in trying to achieve that?

The Convener: These responses will have to be brief, please.

Gavin Stevenson: The main challenges involve infrastructure at the front line. The more remote the staff are, the harder it is to have coherent management and supervision. For us, it will be a matter of ensuring that it is still possible for all staff to feel part of a team plan and to be provided with supervision and support.

There are also health and safety issues. It is all well and good having people out there, but we need to ensure that they are not exposed to risk or isolation. That will be a big issue.

Those will be huge challenges, but we can manage them. We have fantastic arrangements

with our trade unions and staff side just now. This situation is like nothing that I have experienced in 20 years in and around the sector. We are working together, with proper collegiate working, and the ability to get the school system up so quickly has been a testament to that—and we do not have the easiest set of trade unions to work with.

Alexander Stewart: Would the other witnesses like to comment on that?

The Convener: We will have to move on, Alexander. The witnesses can perhaps respond on that point in the course of the next line of questioning, if they get the opportunity.

Alexander Stewart: If I can—

The Convener: I am moving on to questions from Keith Brown now.

I remind the witnesses that they do not need to touch their microphones, which will be operated by the broadcasting team.

Keith Brown (Clackmannanshire and Dunblane) (SNP): A number of witnesses mentioned the issue of capital at the start of the session. I want to check that I am getting this right. The issue here is that it is very hard to spend the capital, limited as it is, because of the impact of the virus on capital projects. We have seen requests in your submissions to have more flexibility with capital so as to alleviate the situation with revenue. I would like to hear any views on that. Do I understand correctly that the capital can be expended, and that you are seeking flexibility to allow that to help out with some revenue pressures?

Gavin Stevenson: We are in a slightly different position. We came in with a very healthy financial situation. It was hard to get there, but that has served us well. Other councils that do not have borrowing flexibility will be in exactly that situation, however.

We have been able to use some of the slippage in the capital from major projects that have had to stall to make investments in the school system and in infrastructure—in stuff that could get done. We have been able to move capital through our budget. Other colleagues whose councils are maxed out on borrowing levels or who face significant pressures—in Edinburgh, for example—will need access to such funds just to allow them to manage over the next couple of years.

For me, it is a cash management issue far more than an issue for the future. It is about having the ability to get through the next couple of years, to do transformational restructuring and to deal with the consequences of the situation. That is why flexibility is needed.

Jonathan Belford: Switching capital to revenue is a short-term opportunity and not one that I have proposed to our council. Clearly, you need permission for that. In the discussions, it would be helpful if there was flexibility to offer the sector.

We expect to spend less on capital this year, but will we spend more than our capital grant? Yes, we probably will, and I expect us to continue to develop our infrastructure through capital. From that point of view, we will continue to spend in that area. In the longer term, what does capital works and construction, for example, look like in an environment with physical distancing, increased cleaning, personal protective equipment requirements and so on? That is an additional cost that we have been trying to work through with each and every individual contractor during this period, in order to try to understand their requirements. When we reported in June, we said that we expect more than £20 million over the life of our current capital programme to be expended beyond what had already been approved. However, that is subject to on-going discussions.

Malcolm Burr: I entirely agree with the previous comments and will not add much to them. I will simply point out the importance of capital works to other transformative activities. For example, the community campus that is planned for Barra and Vatersay is for every public service: hospital, care facilities, school, leisure, library, council office and further education—the lot. If the pressures on capital are inhibitive to such developments, that will also inhibit the kind of transformation that I think most councils and community planning partnerships seek in how services are delivered and managed.

Keith Brown: I am not really hearing a ringing endorsement of the submissions that we have received, which have asked for flexibility with capital in order to help revenue. That is a turnaround from the way it was when I was a councillor 20 years ago, when it was all about capital finance from current revenue.

All three witnesses have said how important capital projects are. Have your councils, jointly or individually, made any representations on the increase in the Public Works Loan Board's interest rates? To quote one of the witnesses, that must be an inhibiting factor, given that it would add, say, £5 million on to the cost of a primary school over its 25-year payment period. Is that a factor for any of your councils? Have you made any representations on that 1 per cent increase in interest rates for PWLB projects?

Malcolm Burr: We have made representations along those lines.

Jonathan Belford: The extra cost last October was a bit of a surprise. I am conscious that we

manage when we borrow. We make sure that we borrow at the right moment at the right rates—we undoubtedly watch that carefully. A lot of our capital programme is moving towards delivering housing, and I am also conscious that, from a housing perspective, discounts were approved. I think that it was in March that there was a reduction if the borrowing was specifically for social housing. We have taken advantage of that to manage our borrowing exposure. As a city, we have not always taken PWLB loans when we are borrowing for the long term.

Gavin Stevenson: We, too, have made representations. Some councils—particularly Dundee, Edinburgh and Glasgow—are in a completely different position, in that large elements of their income have disappeared. It is about their ability to stay where they are in their borrowing—it is as if their credit cards are almost maxed out. Because they have been doing really good things and rely heavily on income coming in, they might need short-term support.

Of course, as the good old-fashioned saying goes, you have to pay it back some time. Therefore, there is a balance between borrowing and making future generations pay for where we are just now. That is difficult for all of us. The 32 councils will all be in different positions in that regard, so I suspect that you will be getting strong representations from those that have had huge income losses and have had to manage them throughout this period.

We need to look to the future. Capital is critical to local economies and our supply chains in the rural area. Without council and NHS spend, very little else goes into our communities. For us, any restriction in capital would prevent the local employment benefits of that supply chain. Capital is a quick way to support the economy through crisis.

Andy Wightman (Lothian) (Green): My first question is for Gavin Stevenson and Jonathan Belford. How effective have communications been between the Scottish Government and your councils in relation to practical management of Covid, in particular on the extra lockdown in Aberdeen and the enhanced measures taken for acute outbreaks in Dumfries and Galloway? Have communications worked well, and have the arrangements that are in place to manage variations in restrictions been appropriate?

Gavin Stevenson: When lockdown came in, I chaired the Scottish resilience partnership, which includes the category 1 responders—police, fire and health services. We also brought the third sector in, at that point. We recognised that lockdown was going to be a particular challenge, so we set up a strategic co-ordinating group of senior officials from across the public sector. That

allowed direct communication from the Government cells that were then set up, into a body that could communicate out to the 32 councils and other partners. That has worked tremendously well. It is an emergency structure that is normally used just for a few days. We were also able to feed in to formulation of some policy. I would not say that it was always smooth, given the pace at which decisions had to be taken, but it gave us a good model.

We have now moved on to the incident management model, under test and protect. As structures in Government have changed, the pace at which the many incident management teams have had to be set up has meant that there has been quite a learning curve, and capacity is an issue.

I liaise closely with my English colleagues on the border; what we have done in Scotland has been exemplary compared with communication in England. We have been able to put good practice and good messaging into the English system.

It could always be better, but there was absolute good will on both sides, and central Government's move on the cell approach was absolutely needed. I think that it went from about 50 to six over a weekend. Having a single point of contact, with all the public bodies hearing the message at the same time, has perhaps been one of the key things that has made it work so well—as I believe it did. Our response to lockdown has worked, particularly with regard to how we reached into communities. The English model has shown an inability to get messages into communities. We still have lessons to learn, but there was clear understanding that we needed to do that.

Jonathan Belford: A number of lessons have undoubtedly been learned from implementing the second lockdown in Aberdeen, and how we emerged from it. There was constant communication with and access to civil servants and ministers, and there was communication through the incident management team structure on resilience, which was led and supported by Public Health Scotland. I think that communication was open.

Aberdeen City Council was able to reinstate some groups that had been stood down. I have spoken about the impact on the economy. Our business resilience group was reinstated, which allowed an open opportunity to discuss directly the requirements of business and the sectors that were being affected. That was a helpful opportunity that has paid back in spades through keeping open communication and allowing understanding of what was possible to support the business sector during the second lockdown period.

10:15

Undoubtedly, communication at the local level had been extremely good before our second lockdown; it continued with strong partnership working between public health colleagues and ourselves, in the local authority.

As I have said, communication with the Scottish Government has, I understand, been open, including in respect of our being able to communicate what was happening. It felt like something was emerging. One of the challenges was about when the lockdown would end—wondering, “Is it this week? Is it next week?” I think that we all struggled with understanding the triggers, so to speak, that would make the difference and get us to the point of knowing when Aberdeen would return to being, in effect, the same as the rest of the country.

Andy Wightman: Thank you very much.

My question is focused mainly at Malcolm Burr and Gavin Stevenson, whose council areas are both quite heavily dependent on tourism as a mainstay of their economies. In general, how are you planning to build greater resilience into the economy, in particular to cope with the projected muted demand in tourism?

Malcolm Burr: Thank you for the question. Tourism has had an interesting summer. The Western Isles have had lots of visitors. From the moment when the ferry services reopened, they have been very well used. The issue for tourists was that not all the commercial facilities were open—for understandable reasons.

Yes—our areas are heavily dependent on tourism. As part of the community and place-based approach that I mentioned earlier, we seek to provide enhanced facilities for tourists and the people who work in the tourism industry. The irony of tourism is that it can price out of an area the people who need to live there to service the industry. We have to strike a balance in that.

At a time when public sector finances are under unprecedented strain, we will have less flexibility, unless we are very imaginative and are helped to be imaginative to support the increase in tourists, who I think will come from Scotland and the United Kingdom and not so much from abroad, in the immediate term. Tourism remains an absolutely key sector for our economy. The local authority needs to work with communities to manage that, in both a development sense and a regulatory sense.

Andy Wightman: Does Gavin Stevenson have anything to add, briefly?

Gavin Stevenson: I will be very brief.

By being innovative, and letting the tourism sector speak for itself down here in Dumfries and

Galloway, we have set up a destination in Portpatrick that is led independently by a Michelin-starred owner, working with the excellent new agency, South of Scotland Enterprise. It promotes the staycation agenda through simple things such as making sure that there are toilets for recreational vehicles—mobile homes—to stop at. We can do simple stuff like that.

We are also launching an initiative with our Northern Ireland colleagues, in making the most of our local neighbours in the UK, to get tourists across from some of their wonderful facilities. I think that we will need to focus on the staycation for the next couple of years. Much of the relevant infrastructure has been withdrawn because of previous austerity and efficiencies. We need to reinvest in that basic infrastructure.

We—Malcolm Burr even more than I—have some of the most beautiful landscapes in the world. We just need to get the people there and give them facilities. It will be the simple stuff, in the medium term—investing in toilets, waste infrastructure and all the things that will make people want to come in their vans and caravans to stay in our area and spend their money.

Gail Ross (Caithness, Sutherland and Ross) (SNP): I want to follow on from Andy Wightman's line of questioning about communication. When you had to implement your emergency measures at the start and get involved in new groups, how much were local elected members involved in the groups and decision making? How were decisions communicated to the public?

Gavin Stevenson: First, we prepared for all elected members, including MSPs, daily briefings containing all the information that was available to us, from the early days up until about two weeks ago. Therefore, we were able to take them on the journey, so that things did not come as a surprise.

Secondly, as we moved closer to the lockdown—of course, we were the first council area to have a change to lockdown, with differentiation from councils over our borders—the Government was very open to having my council leader and deputy leader in a co-leader model. They were involved in the discussions, in hearing all the evidence and taking things forward. We then interacted closely with council ward members; immediately following those meetings, we were able to brief them, as the local representatives, advocates and supporters. At the same time, we communicated to local MPs and MSPs what was going to happen, using consistent messages. Because of our coterminosity with other services, public health led all the messaging, which worked really well and was effective for us. There was a single message going out across the system at all times; there were no mixed messages.

Thirdly, every ward worker in the place-based model, which Malcolm Burr so eloquently described, was given exactly the same information. They are our local eyes and ears, on the ground.

Having the leaders involved in the detailed discussions with ministers has been absolutely essential, so that the fullest information is transparent to our leaders.

Jonathan Belford: On communication throughout the pandemic, as was agreed by our urgent business committee, Aberdeen moved to emergency governance structures on 20 March, and that was clear in our actions. That changed how we worked, but it did not exclude people. The chief executive briefed elected members and group leaders no less than weekly.

We stood up the urgent business committee on three occasions between 20 March and 30 June to consider all aspects of the effects and impacts of the crisis on the city. That allowed detailed papers and information to be shared, and it allowed decisions to be made locally and appropriately by elected members.

There absolutely was ongoing discussion at the local level. On Mr Stevenson's point about the joined-up approach, our incident management teams and response co-ordinators were working next to and with our public health colleagues and across the range of partnerships in order to maintain communication, with the understanding from that communication being distributed to staff and elected members.

Malcolm Burr: Communication has been vital, and has been done jointly with the NHS. However, we also made a conscious decision to include a lighter element in our response. As well as the public information and serious messages, we did a lot of online ceilidhs, which were incredibly popular. We also did a lot of social news to balance out the messaging. That was welcomed by communities. We have had extraordinarily high levels of engagement from communities on that, and a lot of good feedback.

The weekly briefing from the council leader and me was important. However, in the early days I was very conscious that elected members could be excluded from some of the work, because it was an emergency that involved all officers deciding what had to be done. Political structures have to be kept alive, so there was a weekly briefing. However, a lot of special full councils were meeting through Teams, not only to give information but to allow members the political space to talk about the issues that were not coming through in ordinary dialogue.

That we need to include elected members has been a good learning point for us. They should be

included, even at times when we are running around attending emergency meetings, because there is a political element that has to be accommodated.

Gail Ross: We spoke before about how staff are being supported as they work from home. How are staff being supported with their mental health? The situation must affect some sectors more than others. What structures do you have place now and for the future?

Malcolm Burr: Taking into account and nurturing the mental and general wellbeing of staff who are working at home has been a key feature for line management from day 1. We set up a confidential line, through our human resources department, for anyone who wanted to move out of that structure. It has not been used much, but the fact that it has been used at all shows that it is essential.

From day 1 we put structured team meetings in place so that people are talking about their work not only one to one, but also at team meetings. We have kept those meetings going as much as possible, which has been appreciated. Of course, there are some sectors, such as social care, in which that is difficult even under normal working conditions. However, we have certainly made structured efforts to do it.

We also have an employee forum with trade unions, which seems to have been appreciated.

Gavin Stevenson: Staff are our number 1 resource. For me, the key is being able constantly to acknowledge the people who have been working hard. Not everybody was working so hard; there have been different types of pressures.

I do not know how our front-line social work and care staff have done it, to be honest. However, they did fast referrals when the pressure built up, because our key focus was on the basics—rota systems that recognised that people could not work flat out forever, and insisting that even social work staff take their holidays. All staff are taking all their holidays. Some will not manage to take them all by Christmas, so we have been working with trade unions to manage that.

A lot of mental health issues are caused by isolation, so people need to know and be told that they are doing a good job. A real problem for local government is that key workers work for the NHS; I think that local government sometimes has not got the message out about how critical our integrated systems are and how fantastic health staff are. Recognition is absolutely critical.

Care home staff—the lowest-paid staff in the country—were out there seeing the horror of Covid daily. We need to consider seriously the reward packages and professionalism in those services,

because without those key workers we in Scotland would have been in a much more difficult position. It is about recognition: telling people that we know that they are working hard, and that we are there to support them, is a critical message.

Jonathan Belford: I would echo all of what has been said about encouraging contact. From a line-management point of view, we have tried to identify issues, and perhaps probe a little, to ensure that we support staff and respond to how they feel.

10:30

I am not sure that we get that right in every instance—I would not deny that—but we have provided signposting and the means and mechanisms by which people can access support. Encouraging people to maintain communication and opening a discussion about how things are for them has been vital in Aberdeen.

Annie Wells (Glasgow) (Con): Good morning, panel. I will go back to services. Have any of your services been halted during the pandemic? If so, are they now back in operation? Are any services that were halted returning in a different format? Is there any risk that some services will not return at all?

Malcolm Burr: Thank you for the question. The biggest change has been in our library service, which was not back in operation until last month. We are currently operating the service partly online and partly in person. People choose their books online then collect them from and return them to the libraries. I thought that that approach would be criticised by the public, but it seems to have been readily accepted. It might be a model for the future, although we would have to ensure that people who are digitally excluded would be able to participate—perhaps through continued use of the mobile libraries. That is one example of where we will be looking to change things.

You asked which services had stopped. Leisure and recreation services were largely stopped; they are now back on in a limited way and are very popular. We have to maximise provision of those services to the extent that is allowed for safety.

Gavin Stevenson: In appendix 2 to my submission, I provided a council report that goes through our services and reports which ones ceased delivery. All services are different, but perhaps, as we move forward, the fundamental questions should be about who delivers them and how they are delivered. We have learned from the pandemic about the capacity of our communities—our third sector colleagues, in particular—to deliver services in a different way, with more local provision and local decision making. It will all have to be different now, because we do not have the

money, so the community empowerment that Malcolm Burr mentioned is critical.

We have a lot of services in which provision is face to face. Austerity has probably driven out all possible efficiencies, so we need to think more about things such as how we embrace digital technology without exclusion, and how we change who delivers a service. We have noticed that delivery of most of our vulnerable people, poverty and food-related services directly to the community through community groups has worked really well. We can build on that model, as we move forward.

Some people have the idea that customers will flood back into our leisure services in the near future, but our leisure services usage is currently really low—even lower than the Covid restrictions allow—so there will be some tough decisions to make regarding them. In my view there are priority services and there are nice-to-have services, many of which are designed around the middle class. We need a real focus on more vulnerable people and on which services our communities really need to stay, as we move forward.

Jonathan Belford: I reiterate the point about our venues and leisure services in particular, which stopped immediately. The reopening of those services is obviously subject to guidance and messages about what is possible, which continues to be challenging. Parts of the system have reopened, but other parts, including our theatres and hospitality venues, for which things are particularly challenging, remain firmly shut.

Yes, things have changed in terms of our customer contact. There are reduced hours for face-to-face contact and we have moved more to digital, and there is an expectation that that will probably continue. How we do that engagement and interaction with our customers and promote access to digital are also important.

I think it was Malcolm Burr who spoke about libraries. We had to make the decision to close ours and will reopen them only when that is appropriate. We have looked to provide alternatives. When we reset our budget at the end of June, we recognised that service standards and what we intended to commission had to change, and that a number of efficiencies and changes had to be made to the way in which we delivered services, whether that be our waste services or our road services. Those changes are clearly having an impact on service standards; the level that we can achieve is lowered because of the restriction on funds.

Annie Wells: Gavin Stevenson talked about how partnership working and working with groups and organisations has been more at the centre of things during the pandemic. In the limited time that

we have left, can each of the witnesses give me an example of where the council has used partnership working during the pandemic, and say whether it will carry on that relationship?

Gavin Stevenson: Fundamentally, we would have used partnership working around shielding. We had already set up a poverty reference group for people who were experiencing poverty, and it was designing a system. Through participatory budgeting, we had already developed the ability to get money to individual communities and areas, so we were able to build out rapidly from that. Through having already done some of the hard miles in contracting and data protection, we could develop that system really quickly. We were able to develop a model that could respond to shielding requests almost instantly, because the money was out in our communities.

Moving forward, because we now know about that vulnerability, the infrastructure is not just sitting there; members have chosen to invest more in it. What I am saying is that we were able to build out from our communities through community groups that are respected, and that can understand the issues of stigma within their communities.

That is a really good model. The work that local government did in supporting the shielding group of hundreds of thousands of people is an exemplary model that was all about being community-based and understanding vulnerability. It is a good example of how we will deal initially with the first impact of the economic hit that we are about to take.

The Convener: Thank you. Can I ask the other two witnesses to give shorter responses, as we are running a wee bit short of time?

Malcolm Burr: As a similar example, we have an outbreak of Covid in South Uist. We have had only three calls to our helpline because we are supporting a local resilience group that is doing all the work, supported by council and health board officers but not being run by them directly. That is a model not just for emergencies but for supporting individuals in a more responsive and efficient way that none of the bureaucracies can deliver themselves.

Jonathan Belford: My example is our vulnerable childcare hubs, in which integrated working between health and social care in particular has reaped rewards in respect of their ability to work together, as well as focusing on the right outcomes that are needed for children. The model has been successful, which has been shown by the fact that our strategic commissioning committee has examined it since we returned and we are now looking to commission the model for

the future and to make it a permanent aspect of our business.

The Convener: Thank you. That completes our questions and concludes the evidence session with the first panel. I thank you all for taking part today in what has been a useful session.

10:40

Meeting suspended.

10:45

On resuming—

The Convener: I am pleased to welcome our second panel of witnesses, who are attending remotely. They are Councillor Gail Macgregor, who is the resources spokesperson at the Convention of Scottish Local Authorities; Martin Booth, who is executive director of finance at Glasgow City Council and is also representing the Society of Local Authority Chief Executives; and Eileen Rowand, who is the director of finance at Fife Council and is also representing the local government directors of finance section of the Chartered Institute of Public Finance and Accountancy.

I am grateful to you for taking the time to answer our questions. We have allocated just over an hour for the evidence session. As I said to the previous panel, there is no need for panellists to give a full answer or to answer if your views are generally in line with points that have already been made. That might allow us to cover more themes during the session. Members will ask their questions in a prearranged order, with any supplementaries taken at the end, if time allows.

It would help the broadcasting team if members could indicate to whom their questions are addressed. I ask everyone to give the broadcasting staff a second to operate your microphone before you start speaking.

I invite Councillor Gail Macgregor to make a short opening statement.

Councillor Gail Macgregor (Convention of Scottish Local Authorities): Good morning. I welcome the committee's invitation to discuss in more detail the evidence that COSLA submitted, which has been endorsed by SOLACE Scotland and shares the fundamental messages of the directors of finance section of CIPFA.

These are unprecedented times across all public services, and the past six months have proved to be challenging and uncertain for those who have been at the forefront of the local and national response to Covid-19. Local authorities across Scotland have responded without hesitation to the needs of their communities,

ensuring that those who are shielding have access to food and support, that businesses can access grants to help them remain viable and that key workers and vulnerable families had access to critical childcare while the nation was in lockdown.

Local government has worked closely with the Scottish Government to deliver vital support to our communities. The past six months have proved to us that local responses to Covid-19 are invaluable. Councils are the closest sphere of government to all communities.

For those reasons, among many others, local government needs a sustainable and fair settlement that enables councils to invest in the things that our communities need most. We know that this is a volatile time for public finances, and we want to be pragmatic in our approach to the 2021-22 budget, but as you will appreciate, the status quo is no longer sustainable, and we need a fiscal relationship with the Scottish Government that recognises that.

We have welcomed the joint work with the Scottish Government to seek ways to help councils to manage some of the financial shock; nevertheless, we have made it clear in our written evidence that significant financial challenges remain, which will extend well beyond the current period, even into the next financial year.

Local government will continue to work in partnership with the Scottish Government to respond to the challenges of Covid-19 and deliver on our shared priorities, but to do that councils need financial stability above all else, and the ability to respond flexibly to local circumstances and priorities.

Thank you for this opportunity and for having us here today. Eileen Rowand, Martin Booth and I are very much looking forward to the discussion.

The Convener: Thank you. We will now have questions from members.

As before, I will begin with the first question, which is similar to the one that I asked the previous panel at the beginning of that session. What areas of service and operation are now under particular pressure? Are they the same areas that were under pressure before the Covid pandemic began?

Councillor Macgregor: That is a very good question. We all understand that councils and their budgets have been under pressure for a number of years, and the challenges in health and social care, in delivering care at home, in the delivery of education, in a number of key and important issues around poverty and in the delivery of services to vulnerable families have put pressure on councils over a number of years. Covid has simply amplified that, and the pressures on

families and on the delivery of services to support them are even more heightened. Where we had pressures before, they continue, but they have been exacerbated by Covid.

I am happy for Eileen Rowand or Martin Booth to add to that.

Martin Booth (Glasgow City Council and the Society of Local Authority Chief Executives): I fully endorse Councillor Macgregor's comments about the impact around poverty and the challenges that we face. One of the biggest areas that is now under very severe pressure but that was probably under no more than the normal pressures before Covid is culture and leisure services. The income of Glasgow Life, our culture and leisure trust, has basically fallen off a cliff. I am talking about £38 million a year, which is a third of its total income. Without support, it will not recover quickly—it may take a number of years to recover. That is probably the best example of something that was doing okay before but is now in a very difficult position.

The Convener: That would cover Glasgow Life's service operation and its finance, of course.

Martin Booth: Absolutely.

The Convener: I understand that Eileen Rowand is having difficulties hearing us, or it might be difficult for us to hear her. Do not worry, Eileen, we will take that into consideration when you speak.

Eileen Rowand (Fife Council and the Chartered Institute of Public Finance and Accountancy): Thank you—I have been having a problem with my microphone.

There has definitely been a shift. We have been under a lot of pressure for some months in responding, but that has changed. There has been a real issue with staff capacity in Fife Council to deal with what needs to be done and with normal business. The concern is that, as incidents are increasing again, we are having to stand up incident management teams to ensure that they are supporting communities. It is a matter of ensuring that teams have resilience.

There are also issues with education colleagues, given what is happening with schools and with isolation, and there are issues with environmental health. Things have certainly shifted, but there is still a lot of pressure on services.

The Convener: One way in which you have had to change how you work is through home working: there is lot more of that than was the case previously. How efficient has that been? How much support has been available for your staff during the current situation?

Councillor Macgregor: The workforce has been incredible at adapting to a difficult working environment. Many of them have had to continue working in their normal space in what are incredibly challenging times, but a large cohort of the workforce have had to completely adapt to working from home.

We have had good local arrangements with the joint trade unions right from the start of the crisis back in March. At national level, we set up daily calls with all the joint trade unions, which was helpful and enabled us to identify gaps in support for people working from home and where issues were coming through. Our response nationally, liaising with the national joint trade unions, was fantastic.

Arrangements have been good at the local level, too, although that does not mean that there have not been problems. It is very challenging for people to work from home. It is isolating and lonely, and they do not necessarily have the right equipment—or they certainly did not have the equipment when we went into that fast-moving lockdown phase. It has been hugely challenging for councils to get their workforce mobilised to work from home.

When we first started working in that way in March, we did not anticipate how long people would be working from home. We all worked away, thinking that it would just be for a couple of months and it would be fine. We are now in October, and a huge number of staff are still working from home. My daughter has been told that she will be working from home until at least December. We therefore need to begin to implement longer-term measures to assist staff to work from home.

Certainly, in councils' plans, we are looking at a better digital approach. We are carrying out a national digital refresh, which is intended in part to support a different way of working. There are a lot of challenges, but councils have been proactive in trying to support their workforce and working constructively with the joint trade unions, which is pivotal.

The Convener: Do you see that continuing beyond the pandemic? It might not be to the level that it is at just now, because some of your services have to be delivered at the coalface, so to speak, but do you see there being more home working for certain members of staff as a permanent feature?

Councillor Macgregor: I think that it will be essential. There are very few positives to take from the crisis, but one is that it has shifted the digital agenda forward by about two years in about three months. We now realise that there are huge benefits. I am sitting here in almost-sunny

Dumfriesshire, doing a meeting which normally I would attend in Parliament. That has saved travel, so it is better for the environment, and my dog is probably happier.

However, we have to ensure that people have face to face contact, because working from home is isolating. Our human resources processes have to be supportive of what members of staff want. We cannot insist that anybody continues to work from home indefinitely but, if it works for them, we need to work with them to ensure that it is facilitated.

The Convener: From nothing-like-sunny Glasgow, thank you very much for that response.

Sarah Boyack: I thank the witnesses for their written evidence. It was good to see a joint written submission, which was impactful.

My question is in two parts. First, will Gail Macgregor or one of her colleagues give a breakdown of the issues about funding pressures and the difference between protected and non-protected spend, to get that on the record?

After that, I will want to follow up with a question about what comes next. We are halfway through the financial year, and all the witnesses have been saying that the current situation is going to last longer and that even bigger pressures are coming down the track. First, though, tell us about the impact of protected and non-protected spend pressures.

Councillor Macgregor: I will perhaps defer to Eileen Rowand or Martin Booth on that. However, as I have said, back in March, we did not really know what we were dealing with. Councils were very reactive. We put together our cost-collection exercises very quickly, to identify where the pressures were. We have continued to do that, and have gathered a lot of information about the cost of Covid over and above the delivery of normal service.

We are now moving into our autumn spending discussions, which we have collaboratively across the Parliament—that is very helpful, and I thank members for it. This year's delay in the autumn budget, which is similar to last year's, has made us take a bit of a pause and look at where the pressures will be in the immediate future, into next year and further down the line.

Councils are good at preparing three-year indicative budgets, but at the moment we need as much financial security as possible, and we will continue to engage with the Scottish Government and Opposition parties all the way through our budget discussions. I hope that those will be positive, because COSLA and councils have tried their hardest to mitigate impacts in our communities. The Government has recognised

that, and it will, I hope, enable us to have really positive discussions.

I defer to Eileen Rowand or Martin Booth on the issue of protected or non-protected spend.

Eileen Rowand: In Fife Council, as in others, around 70 per cent of the budget covers education, early years, and health and social care. When we talk about what is protected and non-protected, I suppose that we are looking at where we have true flexibility and can use our budget to meet local needs. We recognise that there are important national priorities, but we are looking at what areas we can prioritise.

A high level of our budget is protected spend. For example, there has to be a particular ratio of teachers to pupils, and in the early years funding that we have had in recent years, the level of protection has increased. That leaves a smaller part of the budget in which we have true flexibility. Given the settlements in recent years, we have had to make substantial savings from a smaller pot. I suppose that, when we ask for greater flexibility, we are asking for more discretion at a local level.

11:00

Sarah Boyack: Thank you—that point comes across well.

With regard to what you are now having to do to plan ahead, in your written submission, you make the striking comment that the climate emergency could have an even bigger impact, and pose a bigger threat, than Covid-19. You also talk about issues on digital and Brexit and significant new legislation. How can you plan ahead when, as you say, the pot that you currently have is not big enough?

Councillor Macgregor: I hate to use the term “perfect storm”, but a number of things are happening at once. The climate emergency is focusing minds, but measures to address it cannot be delivered without significant revenue and capital investment across councils. There is the continuing need to deliver services in health and wellbeing and social care, which cuts right into community facilities and what communities can deliver.

Brexit is coming over the hill as well. We have had a little bit of extra funding for extra environmental health officers but, over many years, as a result of previous budget cuts, councils have had to take out staff in environmental health and trading standards. We now need those staff to assist with Covid—for example, to assist premises, community groups and such like in starting up again. In addition, as I said, Brexit is coming down the line, and the lack of staff in those

departments could have a detrimental effect in that regard. A number of things have to be woven together.

Last year, we had a clear campaign around four priorities. Those priorities have not shifted—they are all very much the same as last year—and they continue to be a pressure. The reality is that councils will require sufficient funding to be able to plan to cope with Brexit; to enhance our response to, and mitigate, the effects of climate change; and to deliver all the key services that we provide.

We need collaboration and joint working with Government to ensure that we have the right policies in place. That is a crucial driver—local government should be involved early doors in discussions on what we can do to assist national Government in the delivery of those policies, rather than being dictated to a wee bit further down the line. Collaboration and co-production in that work would be useful.

Martin Booth: To add to the comments from Councillor Macgregor, I will try to give the committee an understanding of the costs of dealing with the environmental challenge; I do not think that anyone could now argue that there is not a challenge there.

For example, we are upgrading our fleet to make it more environmentally friendly. The cost of one of our refuse collection vehicles, in round numbers, is around £250,000, but an alternative-fuel refuse collection vehicle apparently costs about three times that. We are working closely with Transport Scotland and the Scottish Government on funding packages in order to move our fleet down that road, but it is difficult for us to make that decision on investment for the future. We currently rely on grant support from both the Scottish and UK Governments to do that.

That should give you a feel for how much more expensive it is to move in that direction. Over time, the costs will come down as more and more people do so, but right now it is a difficult decision to approve that investment.

Eileen Rowand: I will pick up on what councils can do about that. We try to use long-term financial planning, so we look at what the pressures will be over the next five to 10 years. Obviously, we all have other pressures, such as demand and growth in certain demographics. That is one side of the coin. Linked to that, we look at how we pay for that and how we change our services so that they are sustainable. Therefore, there are increasing pressures, and climate change is really important, but it is just one of many pressures. That means that we must ensure that we have a sustainable funding position but, at the same time, think about how we can change our service delivery so that it is affordable.

Annie Wells: We have heard about the digital transformation that has taken place. Is significant investment in digital transformation still required? Has the advancement of digital transformation programmes created additional pressures for councils?

Councillor Macgregor: Yes, absolutely. As I mentioned briefly earlier, there is now a Scottish Government consultation on a digital refresh for Scotland—“Renewing Scotland’s Full Potential in a Digital World: Updating the Digital Strategy”—which we are doing collaboratively and jointly with the Scottish Government. It has been quite an exciting and upbeat piece of work for me and Ben Macpherson, the Minister for Public Finance and Migration, to do together. Covid has brought about opportunities around an acceptance that we require better digital technology—it has become pivotal. We are able to attend today’s meeting from home, but only because we all have decent bandwidth and the right equipment, and because it has all been set up for us. The digital agenda is incredibly exciting, and I urge everybody to look at the consultation and respond to it.

In a council context, looking again at the entire digital agenda will require significant investment, through both the UK Government programme and the Scottish Government programme, with a contribution from councils as well, obviously. It has to be done jointly to ensure that our shared vision for digital services is achieved. However, as with everything else, that will require capital and revenue investment. In the Borders, there has been a really good scheme to give iPads to every child from, I think, primary 5 upwards. That made blended learning during lockdown incredibly successful and ensured that Scottish Borders Council had something like a 94 per cent attendance rate for secondary school pupils. That roll-out and that level of innovation have been brilliant, and that needs to be replicated, because we need to ensure that families and children in more deprived areas have the same access to digital services as kids in the Borders or in Dumfries and Galloway.

The digital agenda is exciting, but it will require significant investment and a strategy to take it forward.

Eileen Rowand: To date, there has been a lot of investment in some of the enablers for digital transformation, but there is still a long way to go. For councils, that often requires up-front funding. We have flexibility with our reserves, so we can use that funding to invest, and then we get the benefit going forward. In the current climate, it is really important that councils have reserves, which are needed to deal with such initiatives and with emergencies such as Covid.

Martin Booth: To add to the comments by Eileen Rowand and Councillor Macgregor, I say that Glasgow is committed to rolling out tablet devices to all our children and young people through schools, but giving them a tablet is only half the solution; we have also to ensure that they have broadband connectivity in order to use the tablet. The additional funding that has been provided by the Scottish Government recently has been a real bonus in that. I cannot explain how it works, technically, but we can now provide children who do not have home broadband with some sort of dongle that gives them broadband connectivity. That is really important, because the poorest children are the least likely to have a broadband connection. In the earlier evidence session, one of my colleagues from a more rural area talked about the issues with broadband. Those exist in cities as well. It is only in the past year that my street has had fibre laid, and lots of places still do not have it. Therefore, in many areas, the quality of people’s broadband is not good enough for them to work remotely.

Annie Wells: That leads me to my next question. We have heard that Glasgow City Council is being very creative, but are there other examples of individual councils’ attempts or wider co-ordinated attempts to mitigate digital exclusion?

Councillor Macgregor: I will let Eileen Rowand and Martin Booth give local examples, but every council has some form of scheme in place to do exactly that. Scottish Borders Council has an exemplar model, which other councils would do well to replicate. In Dumfries and Galloway, we signed off on a very similar programme only a couple of weeks ago.

Martin Booth: I have already—[Inaudible.]

Eileen Rowand: We are probably in similar territory to Martin Booth in that we have been looking at how we can improve digital inclusion. In Fife, we have distributed 2,000 Chromebooks to children so that they can have an improved learning experience. We are working with our partners across Fife on how we improve digital inclusion.

Annie Wells: I am happy with that, convener.

Gail Ross: It is good to have another Gail in the committee, even though it might be a bit confusing sometimes when people are being called to speak. In the previous evidence session, we spoke about the differences between rural and urban councils, if I can classify them as such. Do you have opinions on how they have been financially affected in different ways? We just spoke about the broadband issue, and Martin Booth rightly pointed out that it affects urban and rural areas. Can you point to anything else that affected urban and rural councils differently in a financial sense?

Councillor Macgregor: It is inevitable that 32 different councils will have 32 unique problems in certain areas and that there will be differences between rural and urban councils.

As I said, the cost collection exercise, which we started back in April or May, began to show the areas where there was particular pressure. Urban settlements where there are higher levels of deprivation, poverty and more vulnerable families will see different pressures to those that exist in more rural areas. The likes of Edinburgh city will have a massive loss of income from things such as parking charges and tourism-associated income. City areas such as Edinburgh will also probably see greater budget pressures—that applies to Dundee, Aberdeen and Glasgow.

Rural areas have probably managed it slightly better, but, in many ways, they will have other problems because, for example, when we were setting up hubs in the first instance and ensuring that meals were getting to families that required them, the travel element of that loan put a pressure on rural authorities that city authorities did not have.

We have all had unique pressures. As we have gathered the data, nothing in particular has jumped out, because things have been unique to each local authority. They have done a tremendous job in managing those unique issues. I do not think that we expected that councils would continue to be doing that six or seven months later, but they are, and they are brilliant.

Eileen Rowand: [*Inaudible.*—from more of a financial perspective. As directors of finance, we have been looking at the impact across councils. Loss of income is a big variable, which can be seen in some of the submissions to the committee. For some councils, it accounts for less than 50 per cent of the total impact, but, for others, it is more like 90 per cent, depending on factors such as tourism, the level of car parking and so on.

11:15

The other area of difference that I will highlight is the resilience of councils to deal financially with the pandemic. Councils vary in their level of reserves—they do not all have the same capacity. That probably picks up on part of the earlier questioning about the fiscal flexibilities. Some councils will not need to use the fiscal flexibilities because of their underlying position and a lesser impact of the loss of income, but other councils will definitely need to use them.

The Convener: Martin Booth, would you like to come in on that?

Martin Booth: Again, I think that my two colleagues have answered very fully. For a city,

the lost income is more significant, from both parking and culture and leisure charges. That would be the biggest difference from my point of view.

Gail Ross: Thank you.

What about extra costs for things such as PPE or having to put up screens to enable people to go back to work? Has that impacted at all—or how has it been financed?

Councillor Macgregor: From the written submission, you will see what local authorities have had in additional funding to help to cover some of those costs. Almost every week or every month, depending on various announcements, some funding continues to come through.

The key thing is that councils have reacted in good faith, before that money is in the bank. They have started to put those measures in place on the proviso that the funding will come through, because the delivery of service and continuing to be able to keep staff, clients and customers safe are pivotal. Right across the piece, if things needed to be done and if we knew the funding was coming, we just got on and did them. Obviously, there will be a shortfall in some areas, but, again, we are gathering information on that and we will keep recalibrating every now and then to see where we are on it.

Martin Booth: Again, it is a complicated picture because we are looking at it in toto. There has been additional cost for things such as PPE and there has been additional funding. A lot of staff time was taken up with, for example, setting up hubs or dealing with shielding; however, that mostly involved redeployed staff, so it was not an additional cost.

Glasgow City Council's big thing has been lost income. The funding that we have already received and the savings that we have been able to make approximately cover the additional costs; the bit that is left over is the lost income. Our additional costs were about £135 million and we have had about £45 million of funding. The gap is £90 million and our lost income is £95 million, so more than 100 per cent of our net position is lost income.

Eileen Rowand: As you know, Fife Council has also had substantial costs, and we have also looked at how we can deal with those costs.

PPE in schools alone is costing us an additional £5 million. Energy costs in our schools are now increasing significantly because of the need for ventilation. There are also cleaning costs and school transport costs. A number of costs have increased significantly.

I will give another example of the impact of Covid. Fife Council expects that impact to be £78

million in this financial year, and £46 million of that is lost income. You can see the substantial costs that we are trying to deal with and fund. The funding that we have had from the Scottish Government has certainly been welcome, but a gap remains.

Gail Ross: Thank you.

Andy Wightman: I echo Sarah Boyack's comments on the witnesses' written submission, which is extremely useful. Thank you for taking the time to provide us with that.

First, I have a point of clarification for Gail Macgregor. COSLA has been asking for four fiscal flexibilities. I understand that those have all been agreed. For the record, is that correct?

Councillor Macgregor: They have not been formally agreed yet. We have had positive and constructive discussions with the Scottish Government, and some due diligence had to be done. I understand that we are nearly there now, and I await confirmation that the flexibilities have been agreed. It will not be all four, as one of the flexibilities was an ask of the UK Treasury and we are still waiting to hear whether that will have a positive outcome, although I suspect that it will not. Three of the flexibilities are within the gift of the Scottish Government, and we have had positive and constructive discussions on those. I hope that they will be agreed soon.

Andy Wightman: I understand that Kate Forbes told the Finance and Constitution Committee this morning that there will be an announcement in the next few days about local government fiscal flexibility and the replacement of lost revenue.

Councillor Macgregor: I will welcome that when it comes.

Andy Wightman: You can read about it in the *Official Report*.

I would like to ask about longer-term flexibility. I welcome the blueprint document that COSLA published last month. Discussions began before the pandemic on topics such as the fiscal framework for local government, additional tax flexibilities and powers and the repatriation of non-domestic rates. Have those discussions continued through the pandemic or have they been interrupted? Are you confident that there will be a resolution, and in what sort of timescale?

Councillor Macgregor: The blueprint has been a good piece of work, and it ties in well with the European charter for local self-government. The blueprint gives us a platform to launch from.

Covid has paused the discussions about a fiscal framework and the work that we were doing on local taxation. You and I sat on the cross-party working group that discussed that, and there is an

appetite to reinstate that work. The Scottish Government is keen to resume it, so we will have discussions as we go into autumn and winter about how to do that. I am mindful that we will probably have an election next May—depending on the situation—so I do not know how far we will get, but there is definitely an appetite for flexibility, and I think that it is almost essential.

If there are any positives to take from this, the key thing is that working collaboratively with the Scottish Government and across the Parliament on subjects such as the short-term fiscal flexibilities that I hope we will achieve in the coming days has opened up opportunities for trust and for enabling other flexibilities in other areas. That has been positive. We are still looking for flexibility on non-domestic rates and a transient visitor tax—there is still a lot on the agenda—but there is an appetite to get on with those discussions now that we have a wee bit of breathing space.

The Convener: Before anybody else speaks, I ask you to leave the microphones for broadcasting staff to deal with. You do not need to turn them on or off.

Andy Wightman: I will address the next question to Martin Booth. We had an evidence session with the Accounts Commission in August, looking at one of its annual reports. One thing that struck me was the range of inequalities across Scotland's councils. Covid has introduced new challenges in the short term but we can be confident that there will also be other challenges in the medium and long terms. Those relate more to factors such as geography and demographics.

Are any discussions under way about the local government settlement or the distribution formula? I know that that is a sensitive topic, but there will be a need to revisit that objectively and rationally to ensure that we emerge from the pandemic in a way that tries to close inequalities rather than seeing them exacerbated.

I am coming to you, Martin, because I think that Glasgow has made some noises on that subject.

Martin Booth: The local government settlement is a very complex and difficult beast to make changes to. It is constantly evolving. There is a settlement and distribution group, which Eileen Rowand and I sit on, that agrees with the Scottish Government how to allocate individual lines, and we are constantly evolving how we allocate those.

There are three key things that drive cost for local authorities: the size and demographic of the population, which involves issues around the number of old people and children; the supersparsity argument, which involves the fact that it costs more to deliver services in very remote areas; and, finally, deprivation. I would say

this, coming from Glasgow, but I know that deprivation is a very significant driver of cost and the need to provide services.

Making substantial changes is difficult, particularly in times of limited budgets. It is much easier to introduce change at a time of growth. I am old enough to remember the time when “growth options” were part of the annual budget cycle. They were a significant part of the budget process to determine what we would spend more money on. That has not been the case for a number of years, during which the process has been more about having to make savings.

Making a change to our distribution formula when there is less money is even more difficult than in normal times, and the floor mechanism that stops some councils from falling away becomes more and more of an issue.

The issue that you raise is very challenging, but we need to have growth in local government before we can address it properly.

Andy Wightman: Does anyone want to add to that? It was a comprehensive answer.

Councillor Macgregor: No, I am quite happy with that.

The Convener: Eileen, do you want to add something?

Eileen Rowand: During recent discussions, we have been keen to focus on the fiscal framework and consider the quantum of funding. Distribution is obviously an important matter, but—as Martin Booth said—there are limitations if there is no growth. Revisiting distribution is very much on the agenda, but our way into that is through the fiscal framework and sustainable funding.

The Convener: I always like to bring Eileen in, because I cannot make up my mind if the noise that goes on in the background periodically is coming from a cow in a bad mood or if it is from some sort of machine that is working outside her house.

Keith Brown: I assume that Eileen is in Knockhill, which is along the road from me, and that the noise in the background is coming from cars.

My own experience is that local government has done a fantastic job during the pandemic. I am sure that the situation will be different in different areas. However, my local branch has been tremendous. I thank the councils and their employees for that.

I will follow on from Andy Wightman's point. Most of the submissions, both those made today and the ones that we have received in writing, have mentioned the need for more money.

These questions are for Councillor Macgregor. Is it the case that that money should come from a redistribution of the formula? We have heard arguments for that in the past from Glasgow, notwithstanding the answer that we have just had from Aberdeen. Should the money come from elsewhere in the Scottish Government's budget, or should it come from a bigger allocation from Westminster? I say that because, in the past 13 years, while I have been in Parliament, I cannot remember a single amendment being proposed that shifted the balance to or from local government. Therefore, that has not been supported in Parliament. I agree about there being financial pressures but, if there is a call for more money to be found for local government, it is important to know from where COSLA and others believe it should come.

Councillor Macgregor: Thanks for the thanks that you gave to councils; they have done a tremendous job. We consider local government budgets every year and have seen a real-terms decrease in the grant for budgets every single year for the last 10, 11 or 12 years. Things do not get any easier.

One of the difficulties is that, as we have said before—I look to the convener when I say that—a lot of what we do is ring fenced; some of it is ring fenced for good reason, but the ring fencing of other parts means that we do not have the flexibility to utilise that funding.

11:30

Covid has shown that, if we are able to have those flexibilities, councils are good at using funding where it needs to be used. I do not want to start taking money from other parts of the public sector; that would be unfair, because the whole of the public sector does a tremendous job and we work together to deliver for our communities. The few fiscal flexibilities that we have looked at for this year and next year are very short term; they will not be taken lightly by directors of finance and will be utilised only as a last resort, but having flexibility around what we can do in those areas will assist us in balancing the books.

There will need to be a cocktail of things. We do not like to talk about distribution, because we hate to pit 32 council leaders against each other, and that is what ends up happening. However, down the line, we will need to look at the way that funding is distributed. An example of that has been the funding that has come from the Deputy First Minister for education recovery. We received £20 million, which was distributed through the normal model and went out to councils to assist with travel and cleaning and so on. We also have a pot of £30 million additional funding for those costs, but they will need to be submitted on an actual basis

by councils. That imposes a restriction and, if that £30 million is not enough, what model do we use to ensure that councils get their fair share of that funding?

Covid has given us opportunities around flexibility, trust and working with Government about how that funding is distributed, but none of that is a replacement for cash. Bluntly, whether I am looking to the Scottish Government or UK Government, local government needs additional cash, and I will look to both Governments for that. We will work creatively and efficiently to make the money stretch and do the job that it needs to do, but if there is not sufficient funding in the pot, something has to give.

The Convener: Thank you, Gail. We will not have our usual knockabout on the subject of ring fencing today. *[Laughter.]*

Keith Brown has a question.

Keith Brown: My next question is on ring fencing. *[Laughter.]*

The question is for the other two witnesses. Councillor Macgregor's response seems to be about more money from the Scottish Government, which will mean money coming from elsewhere in the Scottish budget, as well as more money from Westminster.

However, with regard to ring fencing, the figure that COSLA gave to the committee last week—of 61 per cent of all funding being ring fenced—now seems to have been discounted, and we are now talking about protected funding. I want to get to the bottom of that.

One of the complaints from local governments has been that the Scottish Government creates initiatives, but the money does not follow and is not provided to help councils put them in place. If the money is provided—for example, for capital works for early years learning expansion—is it the other two witnesses' view that it is not right for the Scottish Government, having been asked for money for a specific purpose, to tie it to that purpose? I am talking about specific funds, not the general funds that are passed on. Is it their view that councils should be able to use that money in any way that they would like—possibly to achieve the same aims—or is it legitimate for the Government to say that, if the money was requested for that purpose, it wants to know that the councils are spending it on that purpose?

Martin Booth: To give an example, we are very supportive of the Scottish Government initiative to provide 1,140 hours of free childcare; we think that it is important to provide more services. The Scottish Government provided resources to increase the provision to 1,140 hours but, at the same time, there were cuts to our core budget,

which provided the funding for the previous provision of 600 hours. Therefore, the Government is cutting core provision but adding funding on the top. It needs to make sure that, if it wants an initiative, it fully funds it, so that we do not need to make cuts in other service areas in order to deliver on that initiative.

Keith Brown: Would that be a no? Should the Government not say that?

Eileen Rowand: The concern is the level of protected funding. Previously, the level was about 40 per cent but, in recent years, it has been up at 60 per cent. We want the flexibility to be able to deliver our local services. We recognise that there will always be an element of protection, but the issue is the scale of it. We are keen to work in partnership to consider how we can deliver outcomes. As Martin Booth has touched on, if the level of protection in the budget is narrow and of a high degree, that gives us less flexibility to be able to deliver important services such as those relating to sport and leisure, roads and communities. We want to be given enough flexibility in order that we can ensure that we deliver services to our communities.

Alexander Stewart: I have a question for Councillor Macgregor. One of the big issues of late in relation to the pandemic has been what councils have in the way of reserves. Some councils have had to use their reserves to move things forward. It would be good to hear what the situation is. Some councils do not have much left at all to use. Where should they go if they no longer have any reserves left in the pot?

Councillor Macgregor: That is a very good question. A question that I have had as a councillor for 13-plus years is about when councils use their reserves. People say that they are for a rainy day. It is probably pouring at the moment, so there is a general acceptance that councils will need to utilise reserves, if they have them.

There is a varying picture across the 32 councils in relation to their level of reserves and whether their reserves are committed or uncommitted—in other words, their ability to use their reserves as well as what is actually there. Very early doors, a number of councils started to use their reserves to get business grants out the door in order to assist businesses in the early days of lockdown, when the business grant scheme was getting up and running. That was done on the proviso that the funding would come back to councils.

To answer Alexander Stewart's question specifically, we have tried to be incredibly helpful. We appreciate that we are in a global pandemic and that there is pressure on local government, the Scottish Government and the UK Government. We know that there will be financial pressures

down the line that none of us can do an awful lot about; it is just inevitable that there will be those pressures.

That is why it was crucial that we put together the package—or cocktail, as I call it—of flexibilities, particularly fiscal flexibilities. The additional consequential, our normal budget, the reprofiling of budgets and services, and the fiscal flexibilities that, I hope, will be agreed in the not too distant future, as well as reserves, should be enough to ensure that no council ends up in serious financial detriment come March next year. It was incredibly prudent of us to do that work collaboratively with the Scottish Government.

Alexander Stewart: My next questions are for Martin Booth and Eileen Rowand. The issue of flexibility has been touched on quite a lot. Are there any flexibilities relating to income streams that councils can consider? Are there any new approaches that could generate income? Are your councils looking at whether any such opportunities are coming down the road?

Eileen Rowand: Looking at opportunities for income streams is not new. In the past few years, Fife Council has had a commercialisation programme and has been considering how we can maximise income generation. We have been looking at advertising and other commercial aspects.

The difficulty at the moment is the impact on income overall, as we have discussed. Another big factor is our capacity within the organisation to advance work on transformation, which includes looking at income generation. We are all very mindful of the issue, and we are not starting from a standing start. In the past couple of years, we have done a lot of work with directors of finance to share best practice and advance opportunities in order that we can all generate further income.

Fees and charges in Fife are about 6 per cent of our budget, so there has to be a level of realism about the quantum that additional income would bring in. The current situation is pushing us beyond that to think about how we can be more bold.

Martin Booth: Eileen Rowand has covered a lot of the issues. A lot of our fees and charges fall on the poorest parts of our society, so we have to be very wary of that. We have grown our income over the years. Prior to being in this post, I was the finance director for Glasgow Life, which is our culture and leisure trust. Since its inception, its sports income has tripled. There is obviously a challenge this year, because that income has fallen off a cliff.

When we are looking at growing commercial income, we have to be wary that a number of authorities down south have got into significant

difficulties. In order to support their revenue budgets, they make investments to return a yield. There are examples of authorities down south buying shopping centres in other parts of the country, so that the rental income from those can support their revenue budgets. That is not prudent and very risky. It is not done in Scotland, and I would not want us ever to be in a position in which such a move was required. We need to be very careful that our scope to raise commercial income is around the margins of our core service delivery.

The Convener: That completes our questions and concludes the evidence session. I thank all the witnesses for taking part in the meeting and helping to identify key issues for the rest of the inquiry.

That concludes the public part of the meeting.

11:42

Meeting continued in private until 12:03.

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