Official Report
Aithisg Oifigeil

Social Justice, Housing and Local Government Committee

Comataidh a’ Cheartais Shòisealta, Taigheadas agus Riaghaltas Ionadail

Wednesday 9 September 2026

Session 7

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SOCIAL JUSTICE, HOUSING AND LOCAL GOVERNMENT COMMITTEE
2nd Meeting 2026, Session 7

CONVENER

*Craig Hoy (Dumfriesshire) (Con)

DEPUTY CONVENER

*Thomas Kerr (Glasgow) (Reform)

COMMITTEE MEMBERS

*Steven Bonnar (Uddingston and Bellshill) (SNP)
*Gary Bouse (Falkirk West) (SNP)
*Kate Campbell (Edinburgh Eastern, Musselburgh and Tranent) (SNP)
*Mark Griffin (Central Scot and Lothians West) (Lab)
*Morven-May MacCallum (Highlands and Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Fiona Campbell (Scottish Government)
Jenny Gilruth (Deputy First Minister and Cabinet Secretary for Finance and Local Government)
Hannah Mary Goodlad (Minister for Public Finance)
Andy Kinnaird (Scottish Government)
Catriona MacKean (Scottish Government)
Susan Robb (Scottish Government)
Ian Storrie (Scottish Government)

LOCATION

The Adam Smith Room (CR5)

Scottish Parliament

Social Justice, Housing and Local Government Committee

Wednesday 9 September 2026

[The Convener opened the meeting at 09:15]

Decision on Taking Business in Private

The Convener (Craig Hoy): Good morning, and welcome to the second meeting in session 7 of the Social Justice, Housing and Local Government Committee. Agenda item 1 is a decision on taking business in private. Do members agree to take item 5 and all future discussions of evidence heard on its remit -in private?

Members *indicated agreement*.

The Convener: We have started off with unanimity.

Scottish Government Priorities

09:15

The Convener: For agenda item 2, we welcome to the committee for the first time Jenny Gilruth, the Deputy First Minister and Cabinet Secretary for Finance and Local Government, and Hannah Mary Goodlad, the Minister for Public Finance. I congratulate both of you on your appointments to Government, particularly the Deputy First Minister. We look forward to having a close working relationship with you and your officials, because those are two very important portfolios. The committee also looks forward to discussing the programme for government and the upcoming budget with you.

Supporting the ministers from the Scottish Government are Andy Kinnaird, head of transforming planning; Catriona MacKean, deputy director for local government; and Ian Storrie, head of local government finance. I thank you collectively for joining us.

Cabinet secretary, this is the first time that you have been before us as Deputy First Minister and Cabinet Secretary for Finance and Local Government. I also welcome Hannah Mary Goodlad in her capacity. We have had the programme for government, and the budget is coming up, so I invite both of you to make opening remarks. Because this is the first time that you are before the committee, please elaborate as much as you wish in order to aid our scrutiny function.

The Deputy First Minister and Cabinet Secretary for Finance and Local Government (Jenny Gilruth): Good morning. I am grateful to the committee for the opportunity to set out the Scottish Government's priorities alongside the Minister for Public Finance. I am happy to provide opening comments from both of us.

Local government, planning and community empowerment are all areas that are fundamental to improving outcomes for the people of Scotland. They are also areas in which partnership working is essential. Local government is a vital partner in delivering public services, supporting economic growth, tackling poverty and helping our communities to thrive. Despite the challenging fiscal environment that we face, the Scottish Government has sought to provide stability and support with record funding of £15.7 billion being provided to local government in 2026-27.

Alongside that, we have provided greater flexibilities to local government than ever before, with more than £2.3 billion of funding that was previously ring fenced or transferred in year now having been consolidated into the general revenue grant.

Alongside that investment, we are committed to strengthening the relationship between national and local government. On 28 July 2026, I attended the first biannual meeting between the First Minister and the president of the Convention of Scottish Local Authorities since the Parliament's election. At that meeting, we committed to regular engagement with COSLA to monitor progress towards our shared priorities. I also met with the COSLA leadership and its political group leaders over the summer. We established an agreed need for reform of public services to meet the complex demographic, fiscal and demand-led challenges that face those services.

As announced by the First Minister, the programme for government is focused on community empowerment and our wider programme of public service reform. We are committed to working in partnership with COSLA to drive that reform agenda and ensure that services are sustainable and centred on the needs of our communities. To support that, we will engage in an intensive dialogue over the next three months with partners in local government and across the Parliament, and with stakeholders, including representatives from local communities, to reach a clear shared direction on the future of local government in Scotland.

Planning has a crucial role in the delivery of our ambitions, and we continue to invest in planning capacity, improve performance and work with stakeholders to identify practical reforms that will support development while maintaining confidence in the planning process. Our focus is on having a planning system that enables delivery, attracts investment and supports sustainable communities across Scotland.

Across each of those areas, our objective is clear: to work in partnership with local government, communities and stakeholders to deliver public service reform, strengthen local democracy and improve outcomes for the people of Scotland. Ms Goodlad and I look forward to discussing those issues with the committee and answering members' questions.

The Convener: Thank you, cabinet secretary, for being remarkably brief despite the breadth of issues that we have to cover.

As this is your first opportunity in this session of Parliament to appear before the committee, can you set out the Scottish Government's main priorities for local government? Also, can you identify three measurable outcomes that you expect to have improved by this time next year?

Jenny Gilruth: That is a very wide-ranging question. I am conscious that I have my minister, Ms Goodlad, beside me and that she will want to come in with her reflections, but public service reform is essential to local government. I know that we will come on to talk about this in more detail, but PSR applies to local government in a way that it might not apply to other parts of the public sector, so when it comes to engagement with local government, we have to start from a position of partnership working.

The first meeting that I undertook in my new role was with COSLA, in Parliament, a few days after having been appointed. It was clear to me then that we need to continue that approach to partnership working. As you know, I have come from three years in the education brief, and I could have delivered on none of my aspirations in education were it not for partnership working with local government, so we have to start from that premise.

Secondly, on local government sustainability—again, I am sure that we will come on to talk about this more—a number of recent reports have caused me concern about the sustainability of local government finance at local level. Obviously, that is monitored by the Accounts Commission for Scotland, and the committee will take a keen interest in local government sustainability, too. We also have in-house monitoring that considers some of the challenges more broadly. However, there are challenges with local government sustainability at the local level, so PSR is a financial necessity in relation to that.

Thirdly, I think that there is an opportunity through PSR to strengthen local democracy. I am sure that Ms Goodlad will want to say more on this point. For me, the third tenet is about how we strengthen local democracy in our communities. PSR is an opportunity for local government to be strengthened and to allow people to reflect on the services that they receive. I am sure that we will come on to talk about COSLA's views in that respect. Over the summer months, I spent a great deal of my time with COSLA, listening to its views as an organisation directly representing its members. However, we also need to be cognisant of the views of the public and our constituents. They all have strong views on public services.

Therefore, a key part of our work on PSR in terms of local government reform, and a priority for me, is how we engage the public in the process, particularly in the three-month focus period. Our constituents have strong views on their local services, and they tell us when things are not working. I am clear that some things in our local communities are not working in the way that they should. Local government reform is an opportunity to strengthen local democracy as much as it is an opportunity to deliver on the wider efficiencies in terms of our priorities.

I will bring in Ms Goodlad to give some of her reflections, as I think that she might feel quite strongly on the latter point.

The Minister for Public Finance (Hannah Mary Goodlad): I do. Coming from Shetland, I see that autonomy works and I see that local democracy works.

There are various solutions. I thank Ms Gilruth for her introduction, which was fair and right and set out our broad agenda. The convener's question about the three points is an excellent one. I am clear that, although Government is not a business, where possible, we should be able to set delivery targets.

The Convener: Precisely.

Hannah Mary Goodlad: I have always said that value is numbers but also narrative. There are parts of Government where we can place numbers on things, and there are other things that are harder to quantify, because this is not a business, as we all know.

I will mention three things that I would like to change. First, in May, I would like the turnout in local elections to increase—it was at 44 per cent in 2021, so there is room for improvement. If we get this right, as Ms Gilruth said, it is about democratising our country. People and constituents should feel empowered to get out to vote in local elections. I would like to see the reforms and the local democracy agenda that we take forward encouraging folk to get out and vote for the people who will represent their local area, because they will have more local decision making.

The second thing, which comes into public sector reform—Ms Gilruth touched on it—is planning. There are a variety of timescales across the planning system, whether we are talking about major housing development, other housing development or industry and business. I would like to see more standardisation and faster timeframes. The timeframes across the three buckets that I have just mentioned are different, so more standardisation across the system would be very welcome. That is a stretch target to see within a year's time, and there is work for us all to do together to achieve that.

The third item that I would like, which Ms Gilruth talked about, is local decision making, which is harder to quantify. What powers exist that we could see more of at local level so that people feel empowered on matters that affect their communities? That is now work in progress with local government for the next three months. What are the requirements across the country? We have different local authorities across the country. The islands are very different from the Highlands, and the Highlands are very different from the central belt. What powers would folk like in their local area, and how do we increase that local democracy?

The three things that I would like to see are increased turnout, more standardised wait times in planning and more decision making locally.

The Convener: Ms Gilruth, we are not talking only about reform; the First Minister has given a heavy hint that we are also talking about restructuring. What is wrong with the present structure of Scottish local government that necessitates your having to do something that has not happened for 20-plus years?

Jenny Gilruth: I will reflect on some of the First Minister's comments in the debate last Tuesday. He spoke about unnecessary structures existing that often prevent the delivery of local services. We have 32 local authorities, and I know from my time in education that they often do 32 different things. On the one hand, that is good for local democracy, because we have local decisions being taken to meet the needs of people but, on the other hand, that difference and variability—we may or may not come on to talk about the programme for international student assessment statistics—is not always a good thing.

It is important that we have an opportunity through reform to drive improvement in local services for folk. It is also worth while saying that we are not foisting an approach to local government reform on local government. We are saying to COSLA that we want to work in partnership, which is why I began my response to your first question by talking about an approach that is very much rooted in partnership working with COSLA.

We have set the three-month timeframe to allow focused dialogue to take us forward. What is already coming to fruition is that several local authorities are evidencing collaboration. The Ayrshires are a good example of that. We also have the single-authority model, which Ms Goodlad might want to talk about from an island perspective. It is interesting that there is already a willingness from several of our local authority partners to work together at a strategic level. They know that they have to work together in relation to sustainability, but they are already moving in that direction.

The necessity for change is partly driven by the financial outlook, which the committee will be well versed in. There are challenges in that regard for local government, but it is also driven by the fact that economies of scale lend themselves to local government partners working together across a range of areas.

I do not want to prejudge the outcome of the intensive dialogue that is taking place. I have engaged with COSLA and local elected councillors, and the political engagement that we had with COSLA in the summer was helpful, because there are strong views from our council group leaders at political level that things could be different, so there is an opportunity for local government in this, too.

The final point to touch on is the political context that we find ourselves in with our new Prime Minister, who is committed to a devolution agenda. We might differ on the constitution in relation to the end point for Scotland, but there is an opportunity for local government in relation to devolution and further powers coming back to Scotland and potentially flowing to local government.

One interesting thing about Mr Burnham's approach is that he has said that he will work with the Scottish Parliament on what works for Scotland. He will not foist an approach to local government on us in relation to further devolution. That is certainly welcome and is definitely a shift from his predecessor. There is an opportunity for the Parliament and this committee to help shape what the further devolution agenda and further powers for local government might look like. There is a real appetite from our local government partners for further powers and opportunity to drive the improvements that they want in their communities.

The status quo is not working for our local communities, but there is an opportunity to improve services. There is an opportunity for our local government colleagues to have ambition and aspiration in using the additional powers and funding that we expect would flow from that offer from the Prime Minister to our local communities to improve services.

I do not know whether Ms Goodlad wants to reflect on any of those points.

09:30

Hannah Mary Goodlad: It is important to look at the situation as well as the context in which we find ourselves with regard to our Nordic neighbours and councils and structures across the European continent. Some of our councils are too small to be strategic and some are too large to be local.

The Convener: That has prompted my next question. There are three months of intensive engagement. Cynics might say that three months is too short for that engagement. However, the First Minister set out that

"some of our councils are too small to be strategic and some are too big to be local."—[*Official Report*, 1 September 2026; c 32.]

In his head, therefore—in the Government's head—there is, clearly, a new local government map of Scotland. In your view, which councils are too small to be strategic and which are too large to be local?

Jenny Gilruth: I assure you that the Scottish Government has no pre-prepared map. We are not foisting a system on our local government partners. We have a variety of local authorities in the country, and some are much smaller than others, which makes things much more challenging for them. For example, Clackmannanshire Council is an extremely small local authority. In recent times, it has faced a financial challenge in relation to Coalsnaughton. You will be aware that the Government had to step in to provide an extra £1 million of funding to provide reassurance to that local authority. That is a relatively small sum of money, but it made all the difference to Clackmannanshire, as it was looking for financial assurance. That tells me a story about its sustainability.

In recent times, we have had other examples of events in local authorities where the Government has had to step in to provide financial assurance. Again, that speaks to the wider sustainability agenda. For example, Highland Council covers a vast geographical area of Scotland and has to meet a number of challenges across the board. I know from my time in education how challenging it is for Highland Council to recruit teachers in the north of Scotland. Strategic issues exist in parts of the country that are not just about education—they exist in our social care services as well and across the delivery of public services. An approach to public service reform that recognises that will, I hope, allow local authorities to be more local in many ways but also to share the strategic risk in ways that they cannot currently do because of the way in which our local government structures are organised.

The Convener: Ivan McKee is looking at every aspect of the public sector and public service reform. Local government is a large percentage of the Scottish Government's budget, and the cost of staff is the largest percentage of that. As you go through the process, how many jobs do you think could be lost in Scottish local government?

Jenny Gilruth: As you will be aware, the First Minister was asked about that on Sunday. I do not think that we will attribute figures on that at this time. However, trade union partnership working is really important. Mr McKee and I had focused engagement with the Scottish Trades Union Congress a few weeks ago, in August. We also engaged with trade union partners back in June, through a PSR event in Glasgow. We have agreed

with the STUC that we will have a round table with all our trade union partners, to talk about the issues in the round, because we are clear that we cannot foist public service reform on local government, and nor would we wish to. There will be a reduction in head count across the public sector—the First Minister has been open about that—but we are not going to attribute a head count figure today. Some of the arguments were rehearsed in the chamber last week.

My final point is that the Government exists in a Parliament of minorities so, even if we wanted to foist this on local government, we could not. We need to work in partnership with all parties that are represented in the Parliament, and some that are not, and we will continue to have cross-party dialogue. My engagement has already involved some of those issues, and we have set out an approach to a cross-party round table to look at the current fiscal outlook and, ahead of the budget, to work across parties on all issues. We have to reflect that the Government does not hold all the cards, so cross-party working will be imperative.

As much as I am here to answer members' questions, I am also really interested to hear views from you about how we drive forward this agenda in a Parliament of minorities, because we have to work together on such things.

The Convener: When it comes to public sector unions, you had engagement with the Educational Institute of Scotland when you were education secretary. I heard a rather bellicose response from Unison after the programme for government was announced. If unions become the roadblock to reform, what is your strategy to manage that?

Jenny Gilruth: My experience of engaging with trade unions, in education and in transport, has always been positive. My experience of the Scottish Trades Union Congress is that the trade unions come to the table with ideas and proposals on how efficiencies might be delivered. I do not view the unions as a roadblock to our work on public service reform. They have clear views in relation to their memberships, and it is right that they protect their members' interests and do all that they can to advocate for them, as that is the job of trade unionists. However, they also have lots of great ideas.

Mr McKee and I had a really interesting meeting with Roz Foyer of the STUC in August, from which we have taken away a number of suggestions that we will bring back to the table in a few weeks' time when we engage with the trade unions more broadly.

I do not view the trade unions in that way. They are a partner, as much as local government is, and we have to work collectively.

The Convener: I will bring in Kate Campbell in a second after I ask a final question on local government finance.

When I questioned the Scottish Fiscal Commission earlier this year, it told me that it calculated that the like-for-like real-terms increase in local government funding for 2026-27 was 0.4 per cent, which is much less than the 2 per cent headline figure that ministers were using. The SFC also said that the spending review implied real-terms reductions of close to £500 million by 2028-29. The Accounts Commission now says that local councils face a £529 million gap this year, even after increasing council tax by 7.7 per cent. Do you accept, on the basis of that external independent analysis, that, on the current funding trajectory, councils might have to reduce or stop services or cut their workforce?

Jenny Gilruth: The Accounts Commission has been clear that, I think, local government finance has increased in real terms in every one of the previous four financial years and, of course, last year was a record settlement of £15.7 billion, so I do not accept all of the challenge there. However, undoubtedly, the fiscal outlook for Scotland is challenging, and perhaps we will come on to talk about that later. We will also have to reflect on the spending review and on how it is informed by decisions that the UK Government takes in terms of where Scotland can go in that regard.

We have always done our best to protect and enhance the local government settlement. We have done that in the previous four financial years, and I will continue to work with local government partners on how we can best protect their spending and look at opportunities for enhancements, where we are able to deliver those. I must reflect that we are in very challenging financial times and that all parts of government will be impacted by that. As we approach the budget, we will discuss those issues in more detail with the committee.

The Convener: The mood music that you are setting for local government for the next financial years is that finances will be tight.

Jenny Gilruth: It will be challenging.

Kate Campbell (Edinburgh Eastern, Musselburgh and Tranent) (SNP): Thank you for your evidence so far. I start by declaring an interest: until three months ago, I was a councillor at the City of Edinburgh Council.

I am interested in circling back slightly to the conversation on head count and the challenging fiscal position. I do not want to pre-empt the outcome of the discussions with local government, but is it the Scottish Government's ambition that the outcome of the restructure might be an

increase in front-line workers across local government and better service delivery?

Jenny Gilruth: If I could reflect on my time as cabinet secretary during the budget process, we were very keen, through the portfolio efficiency plans that all cabinet secretaries set out to Parliament in January, to protect front-line workers. That was a key aspiration and focus for all cabinet secretaries.

However, I have to reflect that, at the current time, as the First Minister has said, our view is that the size of the public sector in Scotland must reduce. That will bring with it a level of head count reduction.

Our focus, though, is very much on protecting front-line workers, I do not want to prejudge the outcome of where we get to with local government and trade unions in that regard, but I give an assurance that our focus is on protecting front-line workers.

It will not surprise the committee to hear that, in my previous ministerial role in education, I was very keen throughout the past few years to protect teacher numbers. That was a really important input, because having the right number of staff in our schools, when we talk about, for example, the PISA results, is hugely important.

Mindful of the impact of reducing front-line head count, we, as a Government, have been very focused on protecting that so far. That has been our approach as set out in the portfolio efficiency savings plans that were communicated to Parliament earlier this year.

Thomas Kerr (Glasgow) (Reform): Thank you, Deputy First Minister, for your evidence so far and thank you to the minister as well. I should declare an interest as a sitting councillor in Glasgow.

Deputy First Minister, you will no doubt be aware of last week's Accounts Commission report, which made pretty brutal reading for all local authorities. It paints a pretty bleak picture for local councils and for democracy and accountability across the board, but particularly in my home city of Glasgow. The report made clear the eye-watering challenge that the city faces, identifying a budget gap of £110 million between 2026-27 and 2027-28. The Accounts Commission said:

> "Glasgow City Council is at a critical point as it tries to tackle financial pressures, rising homelessness, growing demand for services, persistent high poverty levels and unresolved equal pay claims."

Have you had any conversations with Glasgow City Council since that report came out?

Jenny Gilruth: I engaged with Glasgow City Council over the course of summer recess, but have not done so since the report came out, although the Cabinet Secretary for Social Justice and Housing met with the council last Wednesday.

The situation is challenging for a number of reasons. The Accounts Commission report talked about a notional shortfall of £592 million—that is nationally—but the budget is delivering an extra £620 million and all parts of Scotland were able to balance their budgets for 2026-27. It is important to recount that sustainability.

Regarding Glasgow, the deputy convener is right to talk about the issues relating to equal pay. The local authority in Glasgow is having to respond to challenges not of its own making, which should be understood. I have written to the United Kingdom Government, as has the Cabinet Secretary for Social Justice and Housing, to request a meeting on some of the wider issues, particularly in relation to Glasgow's liability for equal pay, because the council is having to shoulder a deeply challenging burden.

We looked to provide additionality for Glasgow in last year's budget and, through the budget settlement for 2026-27, Glasgow is receiving £1.8 billion to fund local services, including a homelessness services, which means that the city has had an increase of more than 7 per cent since 2025-26. I understand that the committee will take evidence from the social justice secretary next week, when she may want to say more about that, but we have looked to provide additional support for Glasgow, recognising some of the challenges. Members may be aware of my correspondence with Glasgow City Council, which I have shared and which gives some assurance about what we might be able to do, through the budget settlement, to recognise some current challenges that are unique to Glasgow.

Thomas Kerr: That is a crucial point. I have been a Glasgow councillor for almost a decade and we face huge pressure on our finances every single year. All councils do, but the financial settlement for Glasgow has been particularly bad.

You will be aware that the current leader of Glasgow City Council is stepping down tomorrow and that a new leader, Ricky Bell, is coming in. You may be happy about that, although I have some scepticism. We will leave the politics there. I do not know if you heard Councillor Bell on BBC Radio Scotland last week.

Jenny Gilruth: I did hear him.

Thomas Kerr: I will quote him, so that you have the quote.

Jenny Gilruth: Please do.

Thomas Kerr: He spoke about Scottish Government policies, saying:

> "in Scotland if you present yourself as homeless you can

choose which part of the country you want to present yourself."

He added:

"The Government either needs to change the legislation or fund the outcomes of that".

At First Minister's questions last week, the First Minister made it clear that there will not be any policy changes. Can you put on record whether the Scottish Government will step in to fix that? You are right about the equal pay claims, but another part of the huge financial pressure that we face in Glasgow comes from the £75 million cost that is added because of the pressure of homelessness. Will the Scottish Government provide funding to help with that huge part of our budget?

Jenny Gilruth: I heard Councillor Bell expressing his views. I certainly wish Councillor Aitken well. She has led Glasgow City Council extremely well over a number of years. I welcome Councillor Bell to his post and will meet him officially after he is appointed.

You heard the views of the First Minister and of the Government regarding local connection during First Minister's questions last week. We do not take the view that that policy is a challenge, but we are of the view that UK Government asylum policy has created real challenges for local authorities. The root cause in Glasgow is a broken asylum policy and we have repeatedly asked the UK Government to look again at that policy, to treat people with dignity and respect and to reconsider its approach. We support Glasgow City Council's call for the UK Government to provide adequate funding for newly recognised refugees and communities and we have communicated our view to the UK Government.

In fairness, as I said in my opening comments, we have seen a shift in direction, so I am hopeful that the UK Government will listen to the asks from the Scottish Government and from Glasgow City Council. We do not share the view that you have expressed regarding the local connection rule. We want to treat people with dignity and respect. Our view on funding is that the issue relates to the UK Government's approach to asylum, which is why we will pursue the issue of that financial challenge with that Government.

09:45

Thomas Kerr: You have pre-empted my next question, which was about the UK Government. As a councillor in Glasgow, I have tried to work cross-party with all parties to find a solution. You are correct that the issue relates to the UK Government's asylum process, but it also comes from pressure from the Scottish Government's policy. That is what Ricky Bell, the incoming SNP leader of the council, has said—it is not just me or Reform saying that. I accept that the Government's policy will not change on the issue—that is absolutely fine.

You mentioned that you have had dialogue with the UK Government. Have Scottish Government officials met the UK Government? I know that the council has reached out, but the UK Government has not been interested in meeting the council to discuss the issue. Has the Scottish Government decided to step in to put more pressure on the UK Government to take its share of the burden in respect of how much money it should be giving to the council? As Councillor Bell alluded to, £75 million is a huge sum. If that were to disappear and the council did not need to pay it, Glasgow City Council's black hole would reduce from £110 million to £35 million, which would be a lot more manageable. The Scottish Government has its part to play, and I am hopeful that you will listen to Councillor Bell on that, but have you had any dialogue with the UK Government about how it will try to step in and fix the issue?

Jenny Gilruth: I have had my initial meeting with the chancellor and I have also corresponded with the UK Government about some of those issues, as has the Cabinet Secretary for Social Justice. We have not received a response to either of the letters, but we have specifically raised the issues. I am happy to share copies of the correspondence with the committee, if that is helpful, and to share a response from the UK Government, as and when we receive it.

Thomas Kerr: That is very useful.

In the same interview, Councillor Bell said that Glasgow is

"carrying the burden for the whole of Scotland".

Those are stark words from a councillor from your party. He has been open about challenging the Scottish Government and he has been clear that part of the issue lies with your department and your Government. How much will you give to Glasgow City Council to fix the £110 million black hole before we go into our budget process in a couple of months' time?

Jenny Gilruth: That is an interesting proposition, if I may observe, Mr Kerr. As you have accepted yourself, a level of the challenge does not come from policies that have been made by the Government, yet it is expected to step in and fill the challenge.

Thomas Kerr: Part of it does.

Jenny Gilruth: We can agree to disagree. In relation to equal pay and the broader issues, I give the committee the assurance that I have written to the UK Government about those matters, as has

Ms Somerville. We have not yet received a response.

As I recounted in my original answer, a significant uplift in funding was provided to Glasgow City Council in this year's funding settlement and I have given the council's leadership team the assurance that, once again, we will look favourably at Glasgow's position in the budget allocations. I remind the committee that I do not yet know what the UK Government's allocation will be for Scotland. We are somewhat prejudging the outcome of the UK Government's budget, which will not be announced until the end of October. As soon as we have that information, we will be able to engage with Glasgow City Council in more detail.

Throughout the summer months, there has been extensive engagement with the council by officials as well as at a political level between me, Ms Somerville and the council's leadership. That dialogue will continue as we approach the Scottish Government's budget which, in my view, will mirror the approach that was taken in the previous financial year.

Thomas Kerr: On a more general point, you touched on more devolution for local authorities, which I think that all local authorities and former councillors who are sitting at the table would agree with. We want more powers to come to our local authorities, particularly to help with the funding gap that we are facing. Sometimes, we are at the brunt of the decisions that have been made at UK and Scottish Government level, before we are asked to deliver services.

Do you have any ideas about the sort of policies that you, personally, would like to see being devolved? What sort of tax measures and funding mechanisms would you like local authorities to have so that they can try to raise more of their own income?

Jenny Gilruth: I have been a minister for a number of years now so it would be remiss of me to announce at committee different taxes that may be passed on to local government—I am not going to do that. There is a general point, which is that local government has an opportunity, through further devolution and through PSR, to gain more responsibilities, which may lead to financial opportunities. Although we may debate the Government's approach and suggest that the three-month period is perhaps too short, or not long enough, there is an opportunity for COSLA and local government to grasp the nettle and transform the way that we deliver public services. The committee will forgive me for not announcing any views on specific taxes, but it would be quite wrong for me to set that out.

We have to have partnership working, so I return to the points that I made to the convener at the start of the evidence session: we cannot and will not foist a system on local government; we will work in partnership with local government on this. As a serving councillor, you know that local authorities have very strong views about their powers and what additionality might be provided to them as a result of PSR and further devolution. We will continue to work with COSLA to develop a partnership approach on that; I hope that it will be a shared approach not just with COSLA but with cross-party support from the Parliament.

Hannah Mary Goodlad: I will add to that. You will be aware, deputy convener, that there is a vast array of diversity across our country in our geography, industries and businesses and in what local councils require. It looks different from the north to the west and to the south, which is why we are embarking on a three-month programme of intense dialogue and collaboration. Three months is a quarter of a year, which is ample time to come together to find a solution if all sides come to the table and really focus on what matters.

I refer you to a scholar, Simon Sinek. Some of the stuff that he does on leadership and culture is wonderful. He has a golden circle, with three words in the circle. You start off with the why, you move into how and then you decide what. We are starting with why this needs to change in terms of democracy and making people more accountable in their communities. As the three months go on, we will get into the how and the what, but it would be remiss of us to start from the opposite direction and work back, because people do not care what you do; they care why you do it.

The Convener: Before I bring in Morven-May MacCallum, Gary Bouse has a supplementary question.

Gary Bouse (Falkirk West) (SNP): I refer members to my entry in the register of members' interests. I am a sitting Falkirk councillor, a former resources portfolio holder and a housing portfolio holder.

We are talking about the three-month programme, and we have heard about the challenges, particularly in Glasgow. There are different challenges in different areas of every part of Scotland, but local councillors do a lot of good stuff. We have been hearing all the negatives, which I understand, but the minister and cabinet secretary—sorry, I should have welcomed them—are looking to bring out the positives.

I know the positives and negatives in the area that I represent, but there will be other areas that will be able to help us. We will be able to overcome challenges by learning from other councils—not always the next-door neighbour councils; lessons

could come from all over. Will that be a big part of the review?

Jenny Gilruth: Mr Bouse hits on a really important point. A lot of work that is undertaken at local level is really good. As MSPs, we all see that in our communities. They might not be things that get shared in the chamber, but fantastic work is happening in our local communities that, often, is driven at council level and not at Scottish Government level. We should recognise that and not lose it in the mire of public service reform.

I had not appreciated how many councillors we have around this committee—there are a number of you.

There are opportunities to share best practice through strategic approaches. Looking at how we share services definitely has to be one of the ways in which we deliver public service efficiency and save money, which we know needs to happen as a result of this process; another way is by sharing good practice. The Ayrshires were given as an example of that earlier.

Still in the PSR space, I will lean on work not in local government but that the NHS is leading on. Last Wednesday morning, I was in Kirkcaldy to see their hospital-at-home approach and chatted to some of the clinicians there about their challenges in sharing medical information between clinicians across health boards. We know that that impacts on patient care; as a result, things are slowed down, and patients do not necessarily receive the type of care that they could have if we had a more efficient approach. That situation exists in local government, all over the place. In education, we have lots of systems across our local authorities—why do we duplicate things? There are real opportunities for savings and for a more efficient approach that will ultimately be better for our communities.

The test of public service reform will be the public's view of their local services. To my mind, this is not just about engagement with trade unions and COSLA; it also has to be about engagement with the public. Prior to the evidence session, we discussed with officials how to build that into the three-month period. The committee might have strong views on that or might be able to assist in hearing views from the public.

As I say, ultimately, the test of public service reform is if things get better for folk in their local communities, and everyone knows when things are working well. There are opportunities to share services and deliver that strategic approach across the country. Through PSR, there are also opportunities to listen to the folk who we all represent. That should not just be a one-off event that happens during an election. It should be a key part of the way in which we, as elected members, reflect on how we are carrying out our duties. The real test of public service reform will relate to public engagement.

The Convener: That segues neatly into Morven-May MacCallum's questions.

Morven-May MacCallum (Highlands and Islands) (LD): Thank you for your contributions so far. I declare an interest, as I am also a councillor at Highland Council.

I would like to talk a bit more about overcoming barriers for people to stand in local elections. One in three female councillors stepped down in the 2022 elections, which implies that such councillors have not been given enough support. Some of the reasons that they cited for stepping down were harassment and abuse due to their gender. What measures are being put in place to address that issue before the elections in May 2027?

Jenny Gilruth: COSLA has been engaged in a number of those areas, for a number of years, to help to improve representation.

Parties also have a level of responsibility to support their elected members. They take different approaches to promoting positive discrimination. My own party has implemented a range of measures on that for a number of years. As a result, we have much better female representation, particularly in the Parliament, than we did previously.

I am sure that, as a woman in politics, Ms MacCallum will already have experienced the abuse that such women face. It is regrettable that that has become normalised, and it is to the detriment of representative democracy. We need more women standing for election in our local communities. The test of that will be in the local government elections next year.

There is also a suggestion that, because councillors are in their local communities, they are more accessible than local MSPs and that councillors experience a different level of abuse there than MSPs and MPs do as a result.

I have some sympathy with that, because local councillors often deal with the hardest issues, and they are not paid as well as MSPs and MPs. That challenge might put them off standing for elected office in the first place, and we do not want that.

We have a number of local councillors at the table, and they will know more about that subject than I do, but, from my own experience, I know how corrosive social media has been. Even during the past 10 years when I have been an MSP, that shift has pushed women and minorities out of elected office, because they are voting with their feet and going elsewhere. It is not good for our democracy, so there is more that we can do.

COSLA has undertaken a programme of work on supporting women in elected office, which I know a little about from my experience. I go back to the point that parties have a responsibility to support their elected members and to take action to encourage minorities and women to stand for office in the first place.

Morven-May MacCallum: That leads quite nicely on to my next question, which is in the same ring. Some 56 per cent of councillors are aged over 55. Based on my experience, younger councillors are concerned about re-entering employment after their term in office. Although the increased remuneration goes some way to addressing that, I am curious to know whether the Scottish Government would support creating a recognised qualification for councillors that would not only aid them in their role but evidence their skills and also help them to apply for jobs after their term is finished.

Jenny Gilruth: I thank Ms MacCallum for her question. That has never been put to me before. I am more than happy to take advice from officials and write to the committee on that.

The wider challenge of re-entering the jobs market and having served in elected office, particularly if someone has been a local councillor, must be very challenging. I will take that away as a suggestion from today's committee, if Ms MacCallum would be content, and I will be happy to correspond with the committee on the art of the possible on that topic. She raised a very important and interesting point.

Hannah Mary Goodlad: I support the Deputy First Minister writing to the committee, because we want to create space for ideas here, and we rely on members to work with us to come up with good ideas.

Having lived and worked in Norway for almost half a decade, I know it does that quite frequently across its private and public sectors. Norway tries to increase the crossover in a very systemic and structured way, so that it is able to create a society that understands the dilemmas and challenges from either side of the low fence. It has systems and processes that allow it to be able to recognise the issues on both sides. Ms MacCallum's is a very interesting idea, and we should explore it.

Morven-May MacCallum: That is a very positive response, which is always wonderful. If it is okay, I have one final question. The Scottish Government's household survey highlighted that only 19 per cent of people feel that they can influence decisions in their area, which is down from 24 per cent in 2015. What is the Government doing to address that and rectify it?

10:00

Jenny Gilruth: Some of the figures speak to a shift—to a growing apathy between the public and elected members. That does not have any connection to party politics. Folk are getting fed up with the process, and they do not feel as connected to it as they did previously. My constituency had the second-lowest turnout in the country in the most recent election, and that troubles me greatly, with people opting to stay at home.

At a time when our democratic institutions are arguably under attack, engagement in the democratic process has never been more important than it is now, so we have to encourage that. You are getting a modern studies teacher's lesson here this morning—sorry about that. Education has a key role to play here but, from a Government perspective, we need to evidence how local democracy delivers in communities. My argument and view would be that public service reform presents an opportunity to deliver on that. In many ways, it is about showing people how their local services and taxes deliver for them in their local communities. The disenchantment that people feel with local services is often contributed to when they are not able to get appointments or to access services locally. PSR must address that in the round, and I think that it provides a real opportunity to strengthen local democracy in that regard.

Hannah Mary Goodlad: To add to that point, I would say that PSR is the vehicle to strengthen local democracy. I look at Scotland today and I see a country that, through elements of the rise of the far right, racial tension and violence against women, is not entirely at peace with itself. My fear is that, as people pull back and disengage from democracy, that will only grow. As politicians, we all have a duty and a care to treat those points of tension with calm. As people withdraw, they fill the vacuum within the misinformation space online.

If we get things right in democratising our country, at the end of the five years we can have a country that is more at peace with itself and that is starting to tackle some of the large underlying forces that give me concern and keep me awake at night: violence against women, the rise of the far right and the rise of racial split within Scotland.

It all comes back to care about the communities that we live in, care for our neighbours and care for the welcoming community that we want to create and that we know Scotland is. That starts with democratising our country, and it starts right at the beginning—right at the base. That will not be done from an ivory tower here at Holyrood, so it is incredibly important that we get PSR right. My plea is for that to be cross-party work. Through PSR, every one of us sitting around this table has an

opportunity to get this right and to ensure that Scotland is more at peace with itself.

The Convener: Cabinet secretary, I am sure that you would not want to be run by your officials, and I am sure that you would want to have the capacity to challenge them. One criticism that I frequently hear from councillors of all political persuasions is that, after they are elected, they hit a brick wall, which is often to do with the distinction between being an elected representative and the authority held by officers within councils, some of whom use their powers to go through the standards process to challenge criticism that is legitimately made against them by councillors. Councillors can be taken through the standards process for criticising policy or criticising officers.

I will give you an example of a recent standards case. I have knocked on a hell of a lot of doors across the south of Scotland, and it will not be a mystery or a surprise to anybody to hear that local government is held in pretty low esteem. The lowest esteem in which any local authority is held that I have come across is in Dumfries and Galloway, where I have knocked on tens of thousands of doors.

Jenny Gilruth: Come to Fife.

The Convener: The low esteem in which officers and councillors are held is alarming for local democracy. When I speak to councillors, they say that they are very constrained in what they can do, because the officers hold all the cards. Is it potentially time to reopen discussion around the code of conduct and the balance between councillors' elected authority and the delegated authority held by officers?

Jenny Gilruth: That is an interesting point. I am conscious that there was a case in Glasgow recently, and I do not want to stray into providing public commentary on that, for obvious reasons.

The relationship that councillors have with their officers is very different, I think, from the relationship that ministers have with officials who provide us with advice—with which we can agree or which we can ask to change. I regularly speak to my officials and, although we will have different approaches to the advice, we will always have a conversation and a discursive space around it.

Although my experience probably does not match what you have set out, I hear the challenge. However, it is difficult for me to provide public commentary on the matter. When I was education secretary, I was often quite surprised to read in the press commentary from officials in Glasgow City Council, for example, and in other parts of the country. I would say to my Scottish Government officials that it was interesting because you would never read public commentary from a civil servant in the same space. The way in which official advice is given to councillors differs from the way in which it is given to ministers, so I would reflect on that difference.

However, you alight on a challenge. Although it is difficult for me to provide commentary on it, I think that there might be an opportunity to consider some of those issues in the round through PSR. I would wish COSLA, rather than the Scottish Government, to lead on the issue, given that it has the expertise. I would be keen to hear what COSLA's holistic view on the matter might be; the Government could then respond to that accordingly through the three-month period of engagement.

I should say that COSLA has not highlighted the matter with me thus far in the engagement process, but I am keen to hear all views in relation to public service reform, including how our councillors are supported to carry out their democratic duties. That is actually the nub of your question, convener—how our councillors can deliver in the communities that they are elected to represent.

The Convener: Before I bring in Steven Bonner and go on to social care, which is a very live issue, Thomas Kerr has a brief supplementary.

Thomas Kerr: You took my thunder, convener—I was going to come in with the question. We are speaking about barriers that elected members face. One of the biggest barriers for councillors in particular is opposition—local representatives are scunnered about the fact that they do not get to challenge properly. I will not ask you to comment on the case to which you referred, Deputy First Minister, which is that of Councillor Fiona Higgins, who has evidence of councillors not only from her party but from all political parties facing barriers when trying to challenge officers on issues or policy, then being up against it when officers are referred to the Standards Commission.

Indeed, you were education secretary when the whole fiasco around the education cuts happened, so you will know very well the issue that was kicking off. I refer to what the convener said. I would really push the Government to consider the matter, because if we want to try to break down those barriers that we as councillors face to do our jobs, we need to be able to scrutinise decision makers—not only elected officials but the people who come up with the policy decisions. In relation to the code of conduct, there is a big barrier to getting real local democracy to work properly. If you want good, scrutinising councillors to be there, they need to be able to do their jobs properly.

Jenny Gilruth: I hear the point that the deputy convener has made. I am very aware of the case and, of course, of the issues around education cuts

in Glasgow. I was education secretary at the time, so I am au fait with the detail, but I will not provide public commentary on the matter, for good reason.

In the round, I would want to directly engage with COSLA on the matter—that would be quite right and proper. Although I am sure that there will be views on some of the issues that you have raised, thus far COSLA far not raised them with me. However, I am more than happy to take that away and to hear from COSLA if it wants to pursue those issues.

The Convener: I turn to social care. Before I bring in Mr Bonner, I will say that the previous parliamentary session was characterised by inertia and nothing much happening in relation to social care, because the aim to create a national care service hit the buffers in two chapters of the process.

In this parliamentary session, it appears that we will see some movement on social care, away from local government and towards reformed health boards. What consultation have you had with local government in relation to that quite significant shift? We are potentially losing that local democratic accountability through health and social care partnerships, integration joint boards and local authorities, so is that not effectively national care service mark 3?

Jenny Gilruth: You are right to recount some of the challenges that we faced in that space in the previous parliamentary session, convener. Again, I reflect that the Government exists in the Parliament as a minority Government. That is not going away, so we will need to attract support for that policy, and the First Minister has been very open about that. That is why we have not predetermined a destination in relation to local government reform. In relation to the health boards, we have set out an approach, but we also need to engage with the Opposition on where we get to on the agreed proposal.

I would push back and say that we have not taken final decisions on social care at the current time. We have set out a trajectory in relation to health reform and an approach that, for example, would see health boards lead on social care. However, local government must be engaged in those conversations, and that engagement has already started. The three-month period that we have set out is part of the answer but also, as I said at the start of the meeting, we had sessions with local government back in May and throughout the summer months on social care.

It is an issue that local government regularly and routinely raises with the Scottish Government. It was raised with me at the political meeting that I had with group leaders in August and it has been raised with me consistently by local government and COSLA throughout that time. It was raised with the First Minister when we met the presidential team at Bute house a number of weeks ago. On Friday, there will be a special meeting of COSLA group leaders with the First Minister, Ivan McKee and me. I may write to the convener on the back of that meeting, if that would be helpful, to share more detail of any of the outcomes that have arisen from it, because I appreciate that we will be moving at relative pace in the next few months when it comes to the next steps.

We have not arrived at a final destination on social care. We have to work with local government. That space was challenging in the previous parliamentary session, for all the reasons that you are aware of, convener. I go back to the point about partnership working. There is an opportunity in that.

The health board perspective is that IJBs and integration are not working; budgets are not aligned; and it can be deeply challenging when it comes to the way in which they deliver services. An example is delayed discharge and some of the issues that exist in our local communities on that. The approach to budgeting on that is not helpful to people in our communities in the services that they experience.

I go back to the points on partnership working but also the point that I made to Gary Bouse: the issue is how we improve our services for the people that we all represent. We are not foisting a social care system on local government but are working with it. It is hoped that the three-month period will allow us to come to a consensus on the next steps on social care.

You are right to highlight the challenge in the previous parliamentary session. We are very keen to avoid that. We can deliver on arriving at consensus only through partnership working, so we will continue that approach, and I will be more than happy to write to the committee on the back of Friday's meeting, to share any further detail that arises from that engagement with COSLA.

Steven Bonnar (Uddingston and Bellshill) (SNP): I welcome you both and thank you for your evidence so far this morning.

Undoubtedly, one theme of this parliamentary session will be the challenges that we face, which has also been a theme of this meeting. One of the biggest challenges will be the sustainability and funding of our social care sector. The Accounts Commission has said that integration joint boards

"have reached a critical point"

and face

"a significant risk"

of becoming financially unsustainable within 12 to 24 months. What is your assessment of that?

Jenny Gilruth: The overall assessment from the Accounts Commission is deeply challenging and we in the Scottish Government would agree that that situation needs to be resolved.

The sustainability of where we are just now is, in itself, an argument for public service reform because it tells us that the status quo is not working. There are a number of councillors and former councillors in the room who will all recognise, in the detail that they see as elected members, that where we are just now in budgeting for services is not sustainable. The Accounts Commission is telling us a story about the situation in our communities that we know exists in terms of how we provide for budgets at the current time; however, it is also telling us that things have to change.

To my mind, that is the rationale for public service reform: we cannot stand still. Our services are really struggling across a range of fronts. I can talk to the record funding that is going to local government, which is good, but our current systems and structures are probably not meeting our constituents' needs in the way that they should. Public service reform offers us an opportunity to ensure that that funding, which the Government has ring fenced for local government in order to protect it, gets to those who need it most.

The Accounts Commission critique is one that we would recognise, which is exactly why we are driving forward PSR.

Steven Bonnar: It sounds as though you accept the commission's position on there being a significant risk. Can you give us any specifics of what the Government will do this financial year to prevent that? In addition, while we are reforming, how do we maintain the services that we need to provide daily for end users?

Jenny Gilruth: For this financial year, we had the fiscal framework agreement between the Scottish Government and local government last October. That was a new feature of our engagement with local government. Your predecessor committee welcomed that approach at the time, which has helped to give clarity.

We also consolidated more than £2 billion of funding into the core local government budget. That was an ask from local government, which we reflected.

We increased for the fourth time the overall funding to provide for real-terms increases. More broadly, we baselined a number of commitments on, for example, teacher pay deals, and there were other commitments on education—on childcare, I think. Ian Storrie will correct me if I am wrong on that.

Ian Storrie (Scottish Government): It was free school meals.

10:15

Jenny Gilruth: That is correct—it was free school meals. There were additional asks about baselining funding, and the real living wage commitment was also met.

Significant additionality was provided through the budget last year to recognise the challenges, particularly in relation to social care, which were set out by the Accounts Commission. The Government also provided additionality to meet other commitments, not least in relation to the real living wage.

This year, our approach to budget engagement will follow a similar pattern. It will be informed by the settlement that we receive from the UK Government. However, I would like us to continue in the space that we got to last year, because our engagement throughout the budget process was broadly welcomed by COSLA and by your predecessor committee. Our approach will also reflect the challenges that members have raised in relation to social care.

Steven Bonnar: There is a clear direction of travel in relation to that. The First Minister has said that social care requires

"a single line of decision making, accountability and funding—with the NHS taking the lead"—[*Official Report*, 1 September 2026; c 33.]

in that area. In practical terms, what does the NHS taking the lead mean for the end user?

Jenny Gilruth: We are at the start of a process of public service reform. I will not prejudge the outcome of the engagement that we will have with local government.

More broadly, Mr Bonnar's question is about how we can provide budgets that are less confusing than the current ones, which can detract from the delivery of local services. That has been a key challenge.

Last Tuesday, the First Minister answered a question from David Green about the delivery of health services in his community. The First Minister's response was to recount the challenges that exist in relation to the current health board structures, which prevent us from making the improvements that we would like to make.

Ultimately, PSR is an opportunity for us to look again at the existing structures. I accept that we have been pretty radical in our proposals on health—that is because the challenge is radical, so

we need a radical response. We also need local government to be partners in that response; it is not only the NHS that will have a role to play. Although the Government has been clear on that lead responsibility role, we will need to engage significantly with COSLA on the next steps for social care. We cannot do it without COSLA.

We are at the start of a process. I will not prejudge the outcome of that in relation to the roles of the NHS and of COSLA, but I am more than happy to engage with the committee over the next three months as we get to the detail. I hope that there will be a shared position between the Scottish Government and local government on what comes next for social care.

The Convener: I will briefly bring in Mark Griffin, who joins us remotely. He has some follow-up questions on the role of IJBs.

Mark Griffin (Central Scotland and Lothians West) (Lab): In general, what are the Government's plans for IJBs and health and social care partnerships? The Government has been clear on the direction of travel for the NHS and there has been talk about consultation on council reorganisation. What does the Government envisage happening with IJBs and health and social care partnerships?

Jenny Gilruth: Last Tuesday, in the programme for government, the Government set out an approach that confirms our intention to move from having 14 territorial health boards down to having two strategic territorial health boards, which will cover the east and west of the country. Beyond that, those two new boards will be responsible for the planning and delivery of NHS services across the whole of Scotland, with a focus on ensuring that we get the best representation in our local communities of the services that are available, particularly for rural and island communities.

In the three-month focus period with local government, there is an opportunity to look again at the role of IJBs. We are going into that work with an open mind—the First Minister was clear about that last week—and we do not have a destination in mind for the end of that three-month period, because we have to come to that through a collaborative approach with local government.

On the current IJB structure, I gave the example of my own visit last week. In the past three months of my time in post, I have heard from health boards across the country about the challenges that they face with budgets. I have heard about things that are not working or not as integrated as they might be. We have not yet set an approach to IJBs, but the focused engagement with COSLA will help to inform where we go next with social care and—to answer the member's overall question—with budgets. It will be important to have that clarity on next steps.

We exist in a Parliament of minorities, so I am happy to engage with the member and the committee on how to deliver that to best improve the services in our local communities. We recognise—as Steven Bonnar said—the current financial challenges in relation to the delivery of social care.

Mark Griffin: Mr Bonnar also reflected on the First Minister's view that reform of social care should be health led. Will that cover all aspects of what IJBs do? In particular, I am thinking about child protection services. Another view is that a health-led model is not quite as appropriate because it does not have the expertise that lies firmly in the local government sphere. I wonder whether a bit more work needs to be done to identify specific streams that are more suitable to be health led, given that others are absolutely not.

Jenny Gilruth: It is absolutely the case that more work needs to be undertaken in relation to public service reform. We have been really up front about that. The overall approach is that health will lead on those matters, but Mark Griffin hits on an interesting point in relation to child protection, where we have a level of integration.

The member will know from my time in the education role that we spent a lot of the last three months of the previous session of Parliament focusing on child protection issues, which are not only about education but about health, social work and integrated services. There are opportunities to look at some of those matters in the round, particularly where local government has a level of responsibility.

The member is quite right to point to child protection in relation to the responsibilities that sit at local level. We have been up front that we expect health to lead on those matters more generally, but there will undoubtedly continue to be conversations with COSLA around the margins, because this is ultimately part of a negotiation. Again, it leads back to that three-month focused dialogue with COSLA, which has pretty strong views on those matters, as the member will understand.

I am sure that the First Minister, Mr McKee and I will hear more from COSLA on all those matters on Friday when we meet.

The Convener: For clarity, on the term "lead", there is local accountability through local authorities and health and social care partnerships, and through IJBs. If two health boards are leading, where does accountability fit into the equation?

Jenny Gilruth: We have talked in the round about public service reform today, but I am not going to give you a definitive answer on those issues, because they are part of a negotiation. The Government has set out our approach to healthcare as having that east and west focus. We have not done that in a local government space, and that is quite deliberate, because we want to come to a consensus with COSLA on those matters. We also have to arrive at a consensus with Parliament. I am not going to give you a specific answer on those points today, because they are part of a wider negotiation that we have to undertake, not just with COSLA but with our trade union partners and with Parliament.

If the committee has strong views on those matters, please feel free to share them with me and, of course, Mr McKee, who will be leading on our PSR work more broadly across Government.

The Convener: You could not reach consensus with COSLA last time around on the national care service. If history repeats itself and you cannot reach consensus on social care reforms, what will happen? Will the Government proceed on the basis of transferring lead operational control to health boards rather than local authorities?

Jenny Gilruth: I am an optimist, convener. I am absolutely certain that we will be able to arrive at a consensus with COSLA, because that is in the best interests of the people who we all represent.

The Convener: We will leave that to your powers of persuasion. Kate Campbell has a very brief supplementary question.

Kate Campbell: I have been told to be very brief—that is noted.

I refer members to my entry in the register of members' interests as a former councillor. My experience of the IJB in nine years as a councillor—I was never on the IJB—was quite disheartening. We would regularly see cuts made at the IJB level to preventative and early intervention services, which have an important long-term impact on financial sustainability. However, IJBs were under a lot of pressure to provide statutory and critical services, and those decisions were taken.

How does the Government envisage being able to—I do not want to say "ring fence", because that is not the phrase I am looking for—make sure that the priority around early intervention and prevention, which is about long-term financial sustainability, is a key part of any discussions going forward?

Jenny Gilruth: Ms Campbell hits on an important point in relation to budgets and transparency. The tension that exists between our local authorities and NHS providers in our communities is often to the detriment of our constituents. We have created structures that are not necessarily delivering in the ways that they were originally intended, which is why PSR is really necessary.

Prevention is a key theme that runs through the programme for government. Public service reform is not just about saving money, which, of course, we must deliver in relation to the public purse, but about building a preventative approach into our services. By changing our approach to budgets and improving alignment between health and local government, we will have a much more consistent and strategic approach to the issues that the member has raised today. Those aspects are often quite challenging for councillors at local level to defend or explain to their constituents because of the tensions that exist between different budget lines.

PSR is an opportunity to look at how we can reform that process to ensure that we are driving a prevention agenda, which is often pulled in different directions. It will allow us to build prevention into our budgeting processes at a much earlier stage, to the benefit of our constituents.

Hannah Mary Goodlad: I will just supplement that. Tension can bring real benefits if it is approached in the right way and with the right mindset. What we, as a society and as citizens, experience is that we do not live our lives in silos of education, health, transport or social care. Our lives are more complex than that.

More information will come out over the next three months as we make progress, but we, as a Government, in looking at our budgeting process and the PSR agenda, are trying to move away from a very vertical, siloed approach towards a more bundled perspective with greater horizontal integration.

This is about looking at things in the round, considering what can be controlled at national, regional and local levels, having those discussions and then asking where decision making sits locally and how delivery can be executed regionally. It is also about trying to move away from the very siloed perspective that has developed over many years. We have created a lot of process and structure that has become habitual and is now acting as sand in the wheels. Ms Campbell makes a very good point.

The Convener: We will move on to planning in a second, but I have a specific question on non-domestic rates while we are on the topic of local government.

In June, the Government announced that it would establish a rapid review group on non-

domestic rates. What is the remit of the group and when can Parliament expect it to report?

Jenny Gilruth: I have been very candid with the committee this morning. I will receive advice from my officials, one of whom is sitting to my right, later today, I think. I will engage with officials on the issue in the coming days. Once I have had that advice and taken a decision in relation to appointments and the wider review, I will be more than happy to share the detail of that with the committee.

The Convener: This year, the rates revaluation took place. If the review group finds that there have been systemic and anomalous valuations, would it be the Government's intention to look at those retrospectively, with a view to remediating them in-year rather than in future years?

Jenny Gilruth: I am not clear that we will be able to remediate them in-year. However, you will be aware that we have said, and I was very clear in my statement in June, that we will look at anomalies in the round. That is already under consideration.

Mr Storrie is gesticulating at me, so he may want to comment on that point.

Ian Storrie: The key role of the panel will be to identify the alleged anomalies that come forward. The rapid review does not replace the statutory appeals framework that is already in place. We envisage that the findings of the rapid review would help to prioritise the appeals process.

During the statutory appeals process, if a valuation is proved to be wrong for whatever reason, that is backdated to 1 April 2026 anyway, so the statutory process will ensure that it is delivered for the full revaluation period.

We would hope that the review helps with the prioritisation of those appeals processes. Some appeals can take quite a long time, and that would allow us to prioritise those appeals.

The Convener: For those businesses that are struggling to pay what they consider to be egregious levels of rates based on what they were paying prior to this year, could they expect something to happen quite soon?

Ian Storrie: We would hope so, if the evidence comes that there are anomalous valuations. As I said, the statutory appeals process is not being replaced. It would just be a prioritisation exercise for that statutory appeals process.

The Convener: I look forward to hearing more about the role and remit of the group and the timescales that are involved.

I will bring in Gary Bouse, who I think has questions relating to issues that have been raised previously, after which he will turn to planning.

Gary Bouse: On non-domestic rates, I have an issue to put to Mr Storrie, which I know that the minister is aware of and which is something that concerns me greatly.

There is a worry that the review might undermine our tax increment financing schemes in Scotland. I will refer particularly to the one in Falkirk, which has been very successful and has generated jobs and investment in the area. Will the review consider the effects that the revaluation will have on tax increment financing schemes? They are important.

Ian Storrie: That is not currently in the rapid review's remit, but we have worked closely with Falkirk Council on a number of issues, particularly non-domestic rates. If other issues come forward, I anticipate giving the DFM and Ms Goodlad advice, but the rapid review will not consider such matters.

10:30

Gary Bouse: In that case, perhaps it is something to pick up separately. It is a big concern. You know the programmes that we have and, if you do not, I will happily bring you out to Falkirk and let you see them. The issue is very concerning for the people there.

Jenny Gilruth: I am happy to take that away and more than happy to come and visit Falkirk at any point in the future, Mr Bouse.

Gary Bouse: That is not a problem. You have to take the opportunity.

We move on to questions about planning. Again, I declare an interest in that I have been on the planning committee in Falkirk Council for nine years. I know that there are challenges in planning, including time limits being a frustration for councillors on planning committees. When will the changes come through to move planning forward? What will they look like? One of the biggest issues in planning is the public's perception of their representation in the system, which faces a big change.

Most importantly—I am sure that you are not surprised at this next question—is the Scottish Government working on new planning policies, guidance, definitions or procedures for proposed data centres? If so, will you outline those proposed changes? If not, will you explain why we are not considering that?

Hannah Mary Goodlad: Over the summer, I held a number of engagements on planning with various communities, companies and businesses.

The clear feedback is that folk think that the system has sand—it has some things that we need to sort and get right—but also that the aspects of national planning framework 4 that came in in 2019 are working and that communities and businesses are getting into the groove with that system. Therefore, there has been resolute feedback that we should not create a new planning system. I have heard that from across the board.

On what I want to see in planning, I was clear in my answer to the convener's question on the top three things that I want to see in the next year. I want the planning timeframes to be more standardised and brought more into line across housing, major developments, business and industry, because there is a vast degree of difference across those timeframes.

We have already taken some steps on a second major reform of planning within the portfolio of Fiona Simpson, the chief planner, by merging the procedures under sections 36 and 37 of the Electricity Act 1989, so that we consider the energy system as a whole. We will explore that further. There is growing consensus and frustration across communities and developers that we are treating parts of the planning system as individual parts. Whether it is generation, transmission or storage, each development is considered individually in our planning system when, actually, it is part of an energy system. Therefore, we have already taken some steps to align that under the chief planner and take it into one team. We will consider the regulations surrounding that as we go forward.

Gary Bouse: I appreciate that some planning committees are looking at that. I am talking about planning committees all over Scotland, not just an individual one. I can see the potential for challenges in planning offices and planning committees. I hope that there will be some sort of training or education that will move that forward. Are there any plans to do that? If the chief planner—rather than the minister—can work with committees and with planners, that would probably assist, as it would clarify a lot of things. Decisions must be made, but they must be the right decisions. That is always the concern.

Hannah Mary Goodlad: There are several things within my portfolio, and planning is one of them. Over the summer I have been able to engage with many people on the planning side, on both sides of fence. I can clearly see how, if we manage to get it right, we will be able to create spaces that really benefit our communities.

I had engagement with Aberdeenshire Council over the summer, and I got to meet the planning team there. It is doing excellent, innovative work that puts planning at the heart of every decision that the council is taking regarding the spaces that it is creating for communities. It is excellent work—so much so that the Highland Council and the Western Isles have requested that Aberdeenshire Council shares its experience across. Aberdeenshire has a digital system that allows a lot of the paperwork and more of the bureaucracy to be taken out. That enables staff, other people and planners to plan and to get a creative element into planning, which is exactly what we need to see at the heart of communities.

There is a lot of exciting progress that we could make within the planning reform. The First Minister has been very clear that planning is one of the six main agenda items at the round tables within the 100 days. Planning has huge potential to create the kind of Scotland that we want, certainly in experience sharing, ensuring that planners are able to plan and using digital solutions. There is an opportunity to take NPF4 and the national hub perspective to the next level in sharing best practice across.

Gary Bouse: Are we looking to produce additional guidance on artificial intelligence data centres, or are we relying on NPF4?

Hannah Mary Goodlad: I can sympathise with the concern across the country about data centres at this point in time. The speed of data centres coming down the track is significant; the pace of it is quite unlike anything that we have seen before. That is the nature of the tech; it is the nature of the beast in itself. That requires full awareness and a steady, calm hand from Government in considering what is coming down the track.

In any business development and at any origination phase of a new industry, we get a vast array of applications and development staging. Moving forward into the capital, the capex, the operation and the execution, that de-risks, and we see the number decline. Is important to provide reassurance on there being 24 data centres in the pipeline: I very much doubt that 24 will get built. That is important to state. That is the same in any industry as people work their way through.

To make a second point, how often do we get the chance to step back and see a new industry come to Scotland—to be there at the start of it; to get it right for the communities that are hosting it, in the regulation that is required and in the planning procedure that is put around it to safeguard and protect those communities; and to capture the opportunity? There are very few opportunities where we get to shape things from the start. That is an important point to make. Scotland needs to be able to capture the upside and the benefit from data centres, although we need to ensure that the right data centres are in

place in the right location, with the right energy source and with the right regulations behind them.

We have been very clear in trying to wrap our arms around this opportunity as the pace has been increasing over the summer. We have issued new guidance, requesting ministers to be notified if a proposal is over 50MW, as well as calling a couple in and requiring environmental impact assessments on a couple, too. We hear the concern about requiring EIAs, and that is something to which we are giving consideration.

I hear the concern about the definition of green data centres—considering EIAs, the energy provision, tie-in to the grid and district heating. Is there a possibility to ring fence and to create regulation? That is at the front of my mind and the top of the agenda, but I must ensure that I get it right because, as I said, we have a major opportunity to shape this from the start, so I am going to measure twice and cut once.

Gary Bouse: I am sure everyone on the committee supports that and wants to help if there is anything that we can do.

The Convener: I will bring Mark Griffin in again. He is joining us remotely.

Mark Griffin: My question is about the progress of local development plan adoption. Can Ms Goodlad set out when the Government expects to see all 34 planning authorities adopting their new local development plans?

Hannah Mary Goodlad: Local development plans are an important way of democratising our planning. They do exactly what I was suggesting to Gary Bouse, by enabling planners to create spaces and to put development at the heart of communities.

At a conference two months ago, I met many local development plan leads. We will make progress in the next couple of months. It would be remiss of me to give a date for when we will see all the plans in place, but local development officers and leads play an important role in local democracy, in what local government will look like and in the execution of public sector reform. That is a ready-made solution at the heart of our local authorities, with links to Government level. It is important to consider local development plans as we move ahead with PSR.

Mark Griffin: The Government produced documents earlier this year that set out which local authorities expected to adopt local development plans by May 2028 and which authorities were not planning to hit that target by May 2028, and gave the age of existing plans. Has the expectation changed? Does the Government now have no idea of when it expects local development plans to be adopted?

Hannah Mary Goodlad: It is for every local authority to take that forward. I will hand over to Andy Kinnarid, who will be able to give you a concise and detailed answer.

Andy Kinnaird (Scottish Government): I shall do that. I agree that the Government previously set a target of having all the local development plans in place by May 2028, which would be five years after the new LDP system came into play. We also asked authorities to give us an update every six months on how they were getting on with that. The next update is due at the end of this month, so our data is not bang up to date at the moment.

We knew that a number of LDPs were slipping beyond that 2028 date and, on that basis, we have engaged with the LDP leads at planning authorities and have engaged the support of the national planning improvement champion, working on specific aspects of the LDP process, to see what we can do to move things along. A perfect example of that relates to the first phase of the process, in which authorities had to produce evidence reports and go through a gate check. Around this time last year, we found that a number of those reports were not getting through the gate check, so we convened a summit and produced further guidance. I am pleased to say that every evidence report that has gone to the gate check since then has passed and that we are seeing good progress. I hope that is helpful.

Mark Griffin: What is the average age of the currently adopted local development plans? Does the Government have a record of that?

Andy Kinnaird: I am not sure that I could nail an average age, but it fluctuates from 10 years down to the most recent plans being just a year or two old.

Mark Griffin: Some plans are more than 10 years old and the expected adoption date for the new plans is not until May 2028 or beyond. The change from NPF3 to NPF4 also removed a policy that released the pressure. If all buildable allocated land had been used, there was a pressure release system to allow for speculative applications to build more houses. Given the expected adoption date and the range of ages of current local development plans, is that now becoming an issue that is affecting effective housing land supply?

10:45

Andy Kinnaird: I will make a couple of points on that. First, it is important to have a plan-led planning system. That can help with investment choices right across the board, so we must

maintain that. The planning system also has an in-built flexibility that will allow the decision makers—the local authorities, in the vast majority of cases—to consider the development plan and anything else that might be changing in the area to help shape the decisions that they might make.

On the specific issue of housing allocations, we issued a notification direction last year to get a handle on applications that are coming forward for housing on sites that are not allocated in the current local development plans, so we could see what is happening with them and keep an eye on what decision making is happening, to determine whether that flexibility is coming into play. I cannot give you an exact figure at the moment, but the evidence showed that around three quarters of those applications for housing on non-allocated sites were being approved by the planning authorities. That is a sign that there is a recognition that, where there are issues with the existing allocated supply, planning permission can still be granted.

Mark Griffin: The reason why I am going down this line of questioning is that, a year ago, the Scottish Government announced its housing emergency action plan, which included a target to increase all-tenure housing supply by 10 per cent year on year for the next three years. I want to know what crossover work has been done by the planning directorate and the housing directorate to ensure that, in the context of a housing emergency, that increase takes place.

Hannah Mary Goodlad: I will meet the Cabinet Secretary for Social Justice and Housing on that issue next week or the week after, and I will be happy to write to you to share with you what I can from that meeting. It is important that we do that cross-portfolio work. You will understand that, having been appointed to this brief only three months ago, I have not managed to have that meeting yet, but that will happen towards the end of September.

The Convener: I have a tangential question. The planning legislation requires the Scottish Government to conduct a review of local place plans and lay a report on it before Parliament as soon as is practicable after 25 July. When can we expect to see that review?

Jenny Gilruth: I will defer to Andy on that.

Andy Kinnaird: The period for that work started in July, and people in my team are working on that at the moment. I do not have an exact timetable for when we will see the review, but we are working up our engagement plan at the moment to get that under way.

The Convener: What is that review specifically looking at?

Andy Kinnaird: It is looking at the uptake of local place plans and what influence they might be having within the planning system. There is a specific role built into the legislation for local place plans to ensure that they can have an influence on the local development plans that are being produced. It is important that we can get a handle on not just how many there are, but what they are actually doing in practice.

The Convener: Some community councils have been very engaged in local place plans. However, to give you a practical example, Moffat community council put a huge amount of effort into its local place plan but it feels like that work has just disappeared into the ether. The programme for government says that the Government wants to strengthen community-level governance and engagement, and that is an example of where the process is not working as it should. What does that commitment to local engagement, for example with community councils, mean in relation to the planning system and everything else in the programme for government?

Jenny Gilruth: We have been clear that we want to strengthen community engagement, particularly in relation to planning, as you have heard from the minister who leads on planning. Today's evidence session gives us an opportunity to reflect on the matter and, if we may, we will come back to the committee on some of those issues more substantively through our PSR engagement. Ultimately, we want to reflect on how we can strengthen the opportunity for local communities to be better engaged in the process. We will all have examples from our constituencies of where that has not been the case.

The Convener: That example from Moffat is telling, because, despite all the effort, nothing has been got back in return in terms of the way in which the local development plan appears to be operating. It would be good if those lessons could be learned.

Steven Bonnar: I want to go back to planning reform. I would like to find out whether the issue is a lack of planning capacity—a lack of qualified staff—and resource in our local authorities. It is a long time—more than 10 years—since I was a councillor. Back then, capacity and resource were an issue for local authorities in relation to implementation of the Community Empowerment (Scotland) Act 2015 and planning more widely. Is the problem the rules as they stand or the resources that we have available to operate the rules?

Hannah Mary Goodlad: It is both, as you would expect. Over the summer, I had several meetings with various planning authorities. There is definitely a lack of planners coming through the

system, which is affecting the capacity that we have available to us. There are challenges as a result of the fact that the private sector is taking good planners who have been developed, coached and nurtured at a local level and offering them different conditions. In other words, planners are being poached by the private sector.

In addition, there is the sand in the wheels that I mentioned—the amount of bureaucracy and paperwork that exists in the planning system. As I said to Mr Bouse, we want to look at the capability function so that we can enable planners to go back to being planners. In the AI space, there are some AI and digital tools the use of which I would like to explore to enable planners to do the creative town centre planning and place planning that would allow us to get the best out of the community build-up process. I would like us to be able to use digitisation to address the workload and free up planners to be planners.

Jenny Gilruth: We have also undertaken a lot of work internally to grow the number of planners that we have. Andy Kinnaird might want to say a little more about that.

Andy Kinnaird: I might sound biased, but it would be great to see more planners coming into the planning system in Scotland. In recent times, the Scottish Government has recruited a cohort of future planners. Those are graduates who are working with the Scottish Government while doing their postgraduate course in planning so that they are ready to go out into the world. In addition, over the past few years, we have trebled the number of bursaries, from 10 to 30, for people who study planning to boost the cohort across the country. In Scotland, planning is quite a small world. It would certainly be good to get more people in.

To help in the short term, we have started the national planning hub, which provides an extra resource. That hub, which is funded through the Scottish Government, helps planning authorities with skills development, including by providing support to authorities in relation to the applications for data centres that they are dealing with at the moment. We are also targeting specific funding for additional staff to come in on short-term contracts in areas where help is most needed in planning authorities.

The Convener: Thomas Kerr has some questions on the back of other planning issues that we have discussed.

Thomas Kerr: Before the election, the Government consulted on measures to reduce the time and cost of the planning system for small and medium-sized enterprise home builders. The Deputy First Minister and the planning minister will know that SMEs rely on local supply chains, invest in local people and are critical to delivering homes in their constituencies in rural areas and on brownfield sites.

SMEs are on their knees, and planning delays are costing them time and leaving their equity tied up. When can SMEs expect to hear proposals to reform and speed up the planning system for Scotland's local home builders?

Hannah Mary Goodlad: As with the timeframe on AI data centres, it would be remiss of me to stand here and make a rod for my own back by giving a date. However, I met some of those people over the summer. It is important to note that 99 per cent of applications that go through the system get approved at the local level. As I said to the convener, I really want the discrepancy to be reduced, with a more standardised time for small house builders and large house builders in the industry, because time is money. You are right: if people are sitting on projects that are being delayed for taking months if not quarters, builders will see the impact of that on their bottom line.

I want to see change, and I am making sure that my team and my officials are engaging with the sector to understand the solutions that it wants to see so that we can bring in the changes and reforms that are needed—not to overturn the whole system, but to make improvements so that there is proportionality in all cases. However, you will understand that I am not going to make a rod for my own back by giving dates today.

Thomas Kerr: For many developers across the country, it will come as a good degree of comfort to hear that there will be no more changes to the legislation, because they were concerned that such changes would be announced in the programme for government. The fact that that is on the record will reassure many developers, who just want to get on with building more homes.

Deputy First Minister, you launched a further consultation on the building safety levy over the summer, and the planned rates have been published. Home builders who have been in contact with me since then have said that they are

"seriously concerned that the levy will leave many projects unviable and too costly to build."

They say:

"This will send the tax base of private homes spiralling. And it will threaten the affordable homes that are funded by private development and worsen the housing emergency."

Are you prepared to accept a tax that will see fewer homes delivered and your tax base narrowed further? Will you commit to a viability relief, which would represent a more sensible approach, and a transitional arrangement that would delay the tax until the tax base for all tenures of housing has grown?

Jenny Gilruth: The overall point is that we need more homes to be built and we do not want to put barriers in the way to progress on that. The Government invested significant additional funding in the previous financial year to further grow our base in that regard.

The consultation was launched on the back of agreement that was reached in the previous session of Parliament. We are in the consultation period, so it would be remiss of me to provide commentary on that now, but I will be more than happy to engage with the committee once we have the results of the consultation on the next steps and how we can support the sector to build more homes.

The Convener: There is a commitment to look again at the heat in building standards during the current session of Parliament. Having spoken to developers and housing associations, I note that one of their concerns is the cost of construction. Alongside the building safety levy, what more can you do, sitting at the centre of Government as Deputy First Minister, given that there are cuts across Government, to ensure that public and private sector developers are not impeded in building more homes—and therefore hitting your housing targets—due to the costs that the Government is putting on them?

Jenny Gilruth: We need to look at it in the round. I do not want to prejudge the outcome of the budget agreement, which will be contingent on the settlement from the UK Government, but we need to be cognisant of the additional costs that are bearing down on house builders at present, not least due to inflation, which is driving up building costs across the market. We will consider all those things in the round, and I will do that through engagement with other cabinet secretaries—not least the Cabinet Secretary for Social Justice and Housing, who will, I think, be in front of the committee next week ahead of the budget.

The Convener: Super. Kate Campbell has a number of questions—probably on most of the issues that we have touched on today.

Kate Campbell: I do not know that I have that many questions, convener.

One of the challenges is the cost of building, which has increased, largely since Brexit, but also due to other factors. We need more homes, but another big challenge that we face is energy security. One way to deal with energy is to bring down the cost of heating, and we do that by having more energy-efficient buildings. It is therefore a really big challenge and there is no easy answer. I just put that on the record. I do not know whether you want to respond to that, Deputy Prime Minister.

Jenny Gilruth: I agree that that is a challenge. At a time when our energy security is being stretched, we have to look at alternative approaches. During the summer recess, I visited a number of homes in my constituency that received funding from the Scottish Government to help to transform them and make them energy efficient. That funding has had an amazing impact through the installation of triple glazing, insulation and heat pumps in bringing families' bills right down. The work at that small housing development, which is owned by a housing association in Glenrothes, is a small example of the ways in which central Government investment can help to bring down the costs of heating people's homes.

That is an example from housing but there are lots of different examples across Government and ways in which we can support households to save money on their bills. We know that the winter period will be really challenging, with bills set to increase again in the coming months, so we will continue to look at those alternatives. As I said to the convener, I will be very mindful of and sympathetic to those points in budget negotiations with my cabinet colleagues in the coming weeks.

11:00

Kate Campbell: I want to circle back to data centres. You mentioned, minister, that you thought that they needed to be in the right place at the right time, but you were not specific on whether you thought that there needed to be a national strategy or guidance that would consider location, size and energy source. Are you considering that?

Hannah Mary Goodlad: Given that this is nationally important infrastructure and that planning is devolved to Scotland, the matter spans several different Government portfolios. The matter will not be solved within my portfolio or the energy, economy or technology portfolios but we will get everyone together to ensure that we have the right energy use, placement, type of AI data centre and offtake, site, location, connectivity and proximity to the grid and that we give consideration to whether we will link it into district heating. We need to consider all those things.

The AI data strategy has been in place for a couple of years, and as I said, things are moving rapidly, not only in Scotland but right across Europe, the United States and China. We have the AI strategy at a Scottish Government level, which is a very good foundation to build on, but the pace of change even in the past 12 to 18 months is astronomical. Last week, I took the initiative to bring my colleagues together on the issue. As I said, we need to consider the energy side, the technology side, what type of companies we use and how we create those centres in the right way from the beginning.

I am very sympathetic to the calls for a moratorium and to the fact that people want an immediate solution on the matter. However, immediate solutions do not get it right in the long term because that is just kicking the can down the road—we need to be measuring twice and cutting once, as my grandad used to tell me. We are tackling it with urgency, but we also need to ensure that we get it right for the long term. AI is not going anywhere, so we need to ensure that Scotland is open to it as well as ensuring it is the right type of tech for our communities, our place and our energy use.

Kate Campbell: Are you considering a national strategy or guidance?

Hannah Mary Goodlad: I go back to Simon Sinek's golden circle: I want to start with the why—why we need to get this right—then we will look at the what and the how. I want to get my colleagues around the table, along with our officials, and we will get experts in, too. That process is under way. I will not sit here and talk about the national end point, but it is absolutely top of the agenda.

You can see the strength of feeling around the country on the issue as well. I go back to the role of Government, which is to see that strength of feeling and to be able to act pragmatically and calmly to take the best approach for our communities and our people.

Kate Campbell: That is helpful. As the matter sits across so many different areas in Government, it is reassuring to know that you are bringing people together.

Jenny Gilruth: To build on that, I assure the committee that a substantive cabinet discussion on those issues took place during the summer recess, which informed some of the changes that the minister announced then. As the minister spoke to, further engagement will take place on a cross-portfolio basis to inform next steps.

Kate Campbell: In Ireland last year, 22 per cent of electricity was used on data centres, which is estimated to have put up household bills by about €360. The concern is that taking energy off the grid for data centres means that you then have to burn fossil fuels to replace it, which increases the cost. Obviously, there are environmental challenges there as well.

We are somewhat in the hands of the UK Government because we are waiting for the National Energy System Operator to present its strategic energy plans, and the grid is incredibly important. However, can we get assurances that energy planning will be very much at the heart of this discussion if national guidance were to be brought forward?

Hannah Mary Goodlad: As you said, the grid is reserved, and it is important that we work with our UK Government colleagues to ensure that the right planning is in place across Scotland. Indeed, electricity is not consumed where it is generated, and over the past decade we have seen the resulting constraints on our own renewable energy system across hydro, solar and onshore wind in Scotland. That reflects the UK Government's back-to-front approach of building generation capacity before investing in the transmission infrastructure that is needed to support it.

Given that we have already seen a back-to-front approach on renewables, we need to ensure that anything new that is coming down the track does not incur the same issues. I have looked at Ireland with some interest, especially over the past six to 12 months, because clearly there are issues. You raised the 22 per cent figure, which gives me concern, but it gives me greater impetus to ensure that we, alongside the UK Government, start to discuss those matters.

I am very clear that AI data centres will not and should not push up costs for communities across Scotland. We have already seen that happen with our renewables system, and unfortunate choices by the UK Government, such as not yet decoupling gas from electricity prices and not introducing regional pricing, have left us with a system in which communities in the Highlands and Islands, including my own, experience some of the highest levels of fuel poverty despite hosting Viking Energy, which is one of the largest onshore wind farms in Europe.

Let us not make the same mistakes when it comes to data centres. A couple of technological solutions could be considered as part of the wider picture. There could be private connections, and there could also be an effort to use data centres as a form of demand response for the grid during times of curtailment. Some interesting guidelines are being developed by the Office of Gas and Electricity Markets at the moment. It is consulting on a proposal to introduce a fee for direct connection to the grid system, specifically for data centres, of between £250,000 and £700,000 per megawatt. It will be quite interesting to follow that proposal as it progresses.

Clearly, we need data centres in order to digitise many parts of our society, from health to universities to tech to innovation to invention and also, potentially, public sector reform. However, we need to get it right for Scotland, and I would certainly prefer to create a home-grown solution rather than taking one from elsewhere, because we have a very unique set of circumstances in Scotland, and we should not forget that that is why the data centres have come knocking in the first place.

Kate Campbell: Thank you, minister. That was a very helpful and reassuring response, which I appreciate.

Just to skip back to the Scottish Local Authorities Remuneration Committee review, is the Government planning to evaluate whether there has been an impact from the improvements in pay for councillors, whether we have seen that open up opportunities for people with caring responsibilities and those from socioeconomically disadvantaged backgrounds, whether we are seeing an increase in diversity and whether our communities are being better reflected in local government as a result, or whether there are plans to undertake any research to better understand that?

Jenny Gilruth: We have not yet undertaken evaluation because we have not yet had another round of local government elections, so I suppose that the optimal point for us to consider that in conjunction with COSLA will be after the local government elections in May. We will continue to progress that work by monitoring diversity and encouraging people from different communities to stand for local elections in the first place, and we hope that our support for those recommendations on councillor pay will help to increase the diversity that we see in local government.

Kate Campbell: Thank you.

The Convener: Deputy First Minister, as it is you who considers the budget, before we close, I want to go back to the finances of local government and IJBs. The Accounts Commission has said that councils face a £529 million gap this year, and the committee papers identify a £475 million gap in IJB finances.

Ordinarily, at this stage in the financial year, if the Government had, for want of a better expression, some loose change hanging around, beneficiaries would often be councils or, through health boards, IJBs, which would be helpful to them if they were in a state of distress towards the end of the financial year. Next year, you are facing a £700 million negative tax reconciliation. It would be prudent, perhaps, if there were unspent funds, to roll that forward to the Scotland reserve for next year, which what could be a challenging one, as you have identified.

A lot comes down to tax planning and tax policy. There are two parts. On local authorities raising revenues, the programme for government identifies the capacity for revaluation and new rates at the upper end. It also talks of flexibility for local authorities to raise more funds. They may be forced to do that out of necessity but, at the same time, given that the Accounts Commission and the Scottish Fiscal Commission are challenging the 2 per cent real-terms increase figure, are we to expect that council tax payers and, potentially, businesses will have to pay more to make up for what are now clear real-terms reductions in council budgets this year and in future years of the parliamentary session?

Jenny Gilruth: I certainly do not want that to be the case. Council tax payments in Scotland remain significantly lower than in other parts of the United Kingdom.

I go back to comments that I made at the start of the session: this year, despite a very challenging financial settlement from the UK Government, we were, again, for the fourth year in a row, able to uplift the funding to local government in real terms—to £15.7 billion, which is significant. Within that, we provided for the level of flexibility that I documented earlier.

You talked about some of the flexibilities, particularly on opportunities to raise revenue. We will engage with local government, as we normally would, ahead of the budget. There are strong views from local government about its settlement, which I welcome. It is important that we listen to that challenge. Ultimately, though, we need to reflect on the level of the services that are currently being provided. That is why public service reform is inherently tied to budget. Those two things link directly. I need Ivan McKee to deliver on our public service aspirations if we are to deliver on balancing the budget. We need those two things to be working in tandem.

The targeted three-month period for engagement with local government on all those matters is hugely important, because it dovetails to the budget and, hopefully, helps to focus minds in that regard. There are opportunities for local government to gain from the further devolution of powers. We have talked about some of that today. I am not going to specify where we will get to at the end of that three-month discussion, but I very much look forward to further engagement with the committee and COSLA in that regard, so that, at the end of that three-month focused period, we can reach a shared consensus on what should come next for local government.

I agree with your overall view, convener, which is that we need to protect local budgets and the services that our constituents rely on. I absolutely commit to working with COSLA to ensure that that is exactly what we deliver on.

The Convener: Finally, in relation to the £700 million negative tax reconciliation, over the summer—I am focusing on the finance aspect of your role—there have been significant developments in relation to tax policy when it comes to returns and projections. That £700 million will hit the bottom line next year. What does it say to taxpayers and to the Parliament that, since

you came to your role, you have chosen to scrap the Government's tax advisory group, which would surely have helped you to stop making the kind of mistakes that are leading to that negative reconciliation?

Jenny Gilruth: The decision to end the tax advisory group was taken by my predecessor some months before the Parliament was dissolved. However, we have committed to a further tax conference, which I will be speaking at next week—in Glasgow, I think—so there will be further engagement throughout the process.

I know, convener, that we will not agree on the Government's approach to taxation, but I put on record that that approach, which is progressive, has allowed us to raise an extra £1.8 billion in funding, which we have put into our public services and into more generous pay deals. It has allowed us significant additionality to run the country. I am sure that we will continue to engage on those matters ahead of the budget.

The Government is of the view that folk who earn more should pay a little bit more, so that the rest of society can benefit. I am very proud to stand by that principle.

The Convener: Thank you, Deputy First Minister. The Finance and Public Administration Committee will probably take up further discussion on that.

Jenny Gilruth: I suspect that it may well do.

The Convener: I thank you and Ms Goodlad for your time. We look forward to seeing you regularly at the committee.

We will suspend briefly, to allow a change at the top table.

11:14

Meeting suspended.

11:20

On resuming—

Subordinate Legislation

Visitor Levy (Miscellaneous Amendment) (Scotland) Regulations 2026 [Draft]

The Convener: After that brief interlude, we turn to item 3, which is consideration of an affirmative Scottish statutory instrument. I welcome back the Minister for Public Finance, as well as her officials from the Scottish Government: Fiona Campbell, visitor levy and cruise ship levy team leader, and Susan Robb, solicitor. Thank you all for joining us today.

Following the evidence session, the committee will be invited under the next item to consider a motion to approve this affirmative instrument. I remind everyone that the Scottish Government officials can speak under this item but not during any debate that follows the motion.

I invite Ms Goodlad to make some opening remarks on the SSI that is before us.

Hannah Mary Goodlad: I will make only a few opening remarks, given that we have already had quite a long session and I want to ensure that there is appropriate time for questions.

The new regulations are technical and make amendments to the Visitor Levy (Local Authority Assessment) (Scotland) Regulations 2026, providing clarity without changing the underlying policy.

The amendments do not impose any new administrative burdens on accommodation providers. They provide clarity on how penalties and interest may apply and where a local authority has made an assessment on the amount of levy due. They also make some drafting amendments that were highlighted by the Delegated Powers and Law Reform Committee when it considered the draft Visitor Levy (Local Authority Assessment) (Scotland) Regulations 2026.

The regulations also amend the First-tier Tribunal for Scotland Local Taxation Chamber (Rules of Procedure) Regulations 2022 to provide drafting clarity with regard to references to the "the 2024 Act" making it clear where the Visitor Levy (Scotland) Act 2024 is referred to in the instrument.

I am happy to take any questions from members and to speak to some of the technicalities. I also have my officials with me to provide support.

The Convener: Before I bring in other members, I have one question to put. In light of the fact that the levy is now up and running, are there any significant signs of non-payment that this SSI would help to remedy?

Hannah Mary Goodlad: The visitor levy was introduced in Edinburgh in June or July. It is very new. Other authorities across Scotland are considering introducing a levy in 2027.

This is a precautionary measure. We are only a couple of months into its implementation, so we are still very much monitoring the position.

I ask my officials to come in.

Fiona Campbell (Scottish Government): The Visitor Levy (Scotland) Act 2024 specifies that returns should be made and, generally, local authorities have applied a quarterly approach, tying in with the financial year quarters. The levy went live in Edinburgh on 24 July. The first returns, which will cover July, August and September, will be made in October. It is only when those are submitted that we will see whether there is any non-payment. We are not expecting that to be the case; we assume that most accommodation providers will comply with the legislative requirements.

The Convener: Edinburgh is pursuing a percentage-based fee. The legislation was amended in the closing days of the previous session of Parliament to allow for a flat fee. Is there any anecdotal evidence to suggest that, where there could be non-compliance, that could be down to people taking some time to learn the ropes of the system?

Hannah Mary Goodlad: That is a fair point. That very much could be the case. The levy has been in place for about five to six weeks. That will have to be considered in the round, convener, to understand whether there is deliberate malice in avoiding payment or whether it is simply an oversight arising from the new regulation, given the complexities that are involved. The levy applies solely to room rates. Transport, meals and everything else cannot be considered as part of that. Let us give the measure time to bed in.

Other authorities are considering introducing the levy, but as a flat fee. Highland Council is considering introducing a £5 fee per room per night, as well as a £2 fee for other places where people might stay. Argyll and Bute Council is considering a £5 fee per night. Let us see where this goes.

The Convener: As no member has any questions or comments, we will move on to item 4, which is the formal consideration of motion S7M-00407.

Motion moved,

That the Social Justice, Housing and Local Government Committee recommends that the Visitor Levy (Miscellaneous Amendment) (Scotland) Regulations 2026 [draft] be approved.—[*Hannah Mary Goodlad*]

Motion agreed to.

The Convener: Thank you, minister, for your second appearance before us. We will let you get on with the rest of your day.

Are members content to delegate responsibility to me to approve a short factual report to the Parliament on the affirmative instrument?

Members *indicated agreement*.

11:26

Meeting continued in private until 12:46.

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