

Local Government, Housing and Planning Committee

3rd Meeting, 2023 (Session 6)

Tuesday 31 January 2023

Local Governance Review: New Deal for Local Government: Fiscal Arrangements

Introduction

1. The purpose of this paper is to provide information to inform evidence taking as part of the Committee's scrutiny of the Scottish Government's ongoing review of local governance. The primary purpose of these sessions is to consider potential fiscal arrangements underpinning the New Deal for Local Government.
2. At this meeting, the Committee will take evidence from two panels of witnesses as follows—

Panel One

- Bill Moyes, Chair of the Accounts Commission;
- Andrew Burns, Accounts Commission member;
- Carol Calder, Audit Director (Audit Scotland); and
- Blyth Deans, Senior Manager (Audit Scotland).

Panel Two

- Martin Booth, Executive Director of Finance, Glasgow City Council and Chair of CIPFA Scotland Branch;
- Kirsty Flanagan, Executive Director, Argyll and Bute Council and Chair of Local Government Directors of Finance Section; and
- Robert Emmott, Executive Director of Corporate Services, Dundee City Council.

3. This meeting will also provide the opportunity to explore issues relating to the Accounts Commission's [Local Government in Scotland: Financial bulletin 2021/22](#) which was published on 12 January 2023 and—

“provides a high-level independent analysis of the financial performance of councils during 2021/22 and their financial position at the end of that year. It also sets out some of the longer-term financial challenges facing councils in the context of the Scottish Government's Resource Spending Review and the cost of living crisis.”

Background

4. The Committee has been exploring issues around the funding of local government throughout the session, most recently in its meeting on 13 December in which it heard from local authority leaders, COSLA and SOLACE and in its meeting on 10 January with the Cabinet Secretary for Social Justice, Housing and Local Government which focussed on the Budget 2023-24. The meeting papers and official reports for both meetings can be accessed via the links below—

- [Local Government, Housing and Planning Committee 32nd Meeting, 2022](#)
- [Local Government, Housing and Planning Committee 2nd Meeting, 2023](#)

5. In December 2017, the Scottish Government and COSLA jointly launched the [Local Governance Review](#) with the aim of strengthening local decision-making and considering how powers and resources should be shared between national and local government, and with Scotland's communities.

6. The Scottish Government and COSLA [updated council leaders](#) on progress in November 2019. However, work on the Review was suspended in early 2020 as a result of the Covid-19 pandemic.

7. The Scottish Government published its [Resource Spending Review](#) in May 2022 which stated that “the Scottish Government will work closely with COSLA and SOLACE over the coming months to agree a new deal for Local Government in Scotland in advance of the next financial year which will—

- Build on the Review of Local Democracy and develop a deeper dialogue and debate on how Scottish and Local Government will work together to achieve better outcomes for people and communities.
- Seek to balance greater flexibility over financial arrangements for local government with increased accountability for the delivery of national priorities so that both partners can have certainty over inputs and outcomes alongside scope to innovate and improve the delivery of services to local communities.
- Explore greater scope for discretionary revenue-raising, such as the Visitor Levy and the newly created Workplace Parking Levy.
- Explore further with COSLA, Digital Office and Revenue Scotland how best to transform the digital administration of the Non-Domestic Rates system.
- Confirm that further flexibilities requested by COSLA will be made available to councils for existing service concession arrangements such as PFI or NPD funded projects; and
- Ensure these decisions are supported by a phased approach towards alignment with the CIPFA Code of Practice for Local Authority Accounting through a comprehensive Capital Accounting Review in partnership with COSLA, Audit Scotland and CIPFA.”

8. In its [Programme for Government 2022-23](#) (published in September 2022), the Scottish Government again committed to agreeing a “New Deal” between the Scottish Government and local government, including a fiscal framework, which would support—

- Working together to achieve better outcomes for people and communities especially on national priorities including addressing poverty, inequality, and supporting the economy.
- Balancing greater flexibility over financial arrangements with improved accountability. Providing certainty over inputs, outcomes and assurance, alongside scope to innovate and improve services.
- Recognising the critical role played by local authorities in tackling the climate emergency, for example through delivering our heat and buildings, waste, active travel and nature restoration goals.

9. The Scottish Government maintained its commitment to the New Deal, writing to the Committee in November providing an [update on progress](#) on the various strands of work on the New Deal. The letter confirmed that “the Scottish Government will work closely with COSLA over the coming months to agree a new deal for Local Government in advance of the next financial year.” The letter further confirmed that the New Deal would include—

- A Partnership Agreement which provides the framework for policy specific agreements, based on a shared value-based overarching agreement on outcomes and accountability.
- A Fiscal Framework for local government, which is intended to establish agreed ways of working in the fiscal relationship, supporting greater transparency and accountability.
- It also encompasses the Local Governance Review and a commitment to establish a working group to explore effective deliberative engagement on sources of Local Government funding, including Council Tax.

10. However, in evidence to the Committee on 10 January, the Cabinet Secretary confirmed that the New Deal was unlikely to be in place by the end of March 2023, stating that—

“COSLA and the Society of Local Authority Chief Executives and Senior Managers have been clear that they want to get it right and that they would rather not rush. They want to take the time to get it right and, on balance, that is probably the right judgment. If a deal is going to stand the test of time, even if it takes a few more months to get it right, that is probably the right call, to be honest.”

11. The Cabinet Secretary further explained that—

“in the past six months, there has been a big focus on things such as the cost of living crisis, the pay deals and the budget. We now want to turbocharge the focus on the new deal...A number of discussions are taking place. A number took place towards the end of the year, and

there are a number at the ministerial level this month to try to move things forward.”

Conclusion

12. Whilst it now appears unlikely that the New Deal will be in place by the end of the current financial year, the Committee is invited to consider the information above in evidence with witnesses in order to help inform its scrutiny of the fiscal parts of the New Deal when agreed between the Scottish Government and COSLA.

**Clerks,
Local Government, Housing and Planning Committee**