



OFFICIAL REPORT  
AITHISG OIFIGEIL

DRAFT

# Finance and Public Administration Committee

Tuesday 1 October 2024

Session 6



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**FINANCE AND PUBLIC ADMINISTRATION COMMITTEE**  
**27<sup>th</sup> Meeting 2024, Session 6**

**CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

**DEPUTY CONVENER**

\*Michael Marra (North East Scotland) (Lab)

**COMMITTEE MEMBERS**

- \*Ross Greer (West Scotland) (Green)
- \*Jamie Halcro Johnston (Highlands and Islands) (Con)
- \*John Mason (Glasgow Shettleston) (Ind)
- \*Liz Smith (Mid Scotland and Fife) (Con)
- \*Michelle Thomson (Falkirk East) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

- Adam Boey (Stirling Council)
- Malcolm Burr (Comhairle nan Eilean Siar)
- Allan Faulds (Health and Social Care Alliance Scotland)
- Councillor Katie Hagmann (Convention of Scottish Local Authorities)
- Dr Shoba John (Obesity Action Scotland)
- Sarah Latto (Volunteer Scotland)
- Carmen Martinez (Scottish Women's Budget Group)
- David Robertson (Scottish Borders Council)
- Jamie Robertson (Chartered Institute of Public Finance and Accountancy)

**CLERK TO THE COMMITTEE**

Joanne McNaughton

**LOCATION**

The Robert Burns Room (CR1)



# Scottish Parliament

## Finance and Public Administration Committee

Tuesday 1 October 2024

*[The Convener opened the meeting at 09:00]*

### Pre-budget Scrutiny 2025-26

**The Convener (Kenneth Gibson):** Good morning, and welcome to the 27th meeting in 2024 of the Finance and Public Administration Committee.

Before we start, I put on record our thanks to the Estonian MPs, organisations and officials who met us during our short fact-finding visit to Tallinn last week. There is a lot for us to learn from Estonia's success story in digitalisation and public service reform, and we will draw on that learning as we continue our pre-budget scrutiny. I thank our clerking team for its first-class organisation and preparation for the visit, which ensured that we met the right people at the right time, that visits went smoothly and that we were all adequately fed and watered. We will publish a summary note about the visit in due course.

The first item on our agenda is to continue taking evidence on managing Scotland's public finances, a strategic approach. I welcome Councillor Katie Haggmann, resources spokesperson for the Convention of Scottish Local Authorities; Jamie Robertson, chair of the Chartered Institute of Public Finance and Accountancy directors of finance; Malcolm Burr, chief executive of Comhairle nan Eilean Siar; and David Robertson, chief executive of Scottish Borders Council. Thank you all for your written submissions. I have to say that COSLA's submission was exceptional—it was 41 pages and included 171 paragraphs, and it made for a very interesting Sunday.

We have about 90 minutes for the session. If witnesses would like to be brought into the discussion at any point, please indicate that to the clerks and I can then bring them in.

I will start with COSLA's submission. Katie Haggmann, in addition to providing a very detailed submission, you have added a wee summary. One of the things that you mention in the summary and, indeed, frequently throughout the submission is the need to provide "adequate, sustainable and flexible funding" for local government. Can you expand on that? It is a rather vague statement. Can you give us a wee bit of a steer on where you

feel that local government funding should sit in the forthcoming Scottish budget?

**Councillor Katie Haggmann (Convention of Scottish Local Authorities):** Thank you for giving me the opportunity to come and speak to you all. It is important that we have sustainable public sector services and funding. That was one of the key cornerstones of the Verity house agreement, which was a joint agreement between local government and the Scottish Government. We are all aware of the challenging financial situation that is faced by all our communities, our citizens and the services that we provide. It is therefore vital that we look to the future and ensure that providing sustainability is at the heart of what we do.

Local government is at the heart of our communities. Our citizens and residents are all looking for a cohesive package, with the very best opportunities provided for those who are suffering from poverty, attainment for our young people and sustainable services for our elderly population.

If we want to move forward cohesively together, we need to have some challenging conversations. We need to ensure that we provide in the best way that we can with our limited resources.

**The Convener:** Right, but you have not told me what those resources should be. What should the Scottish Government do about the local government settlement? Obviously, you are looking for funding to be increased and, from reading your submission, I know that you think that it needs to be increased quite significantly in a number of areas. We will discuss prevention and taxes later, but I want a wee bit more detail on what you mean.

I will come to David Robertson shortly, because Scottish Borders Council talked about the same issue in its submission. It said:

"addressing shared priorities, and unlocking both the potential and the best outcomes for communities requires adequate funding from central government."

**Councillor Haggmann:** Throughout our submission, we say that we would like there to be multiyear budgets, which is COSLA's long-standing position. That would give us some certainty and allow us to plan for the future for our workforces and our third sector partners, which are key in delivering some services. Therefore, multiyear settlements are certainly an ambition for local government.

There is also an opportunity to further empower local government. There is a commitment to look at council tax reform and other ways of revenue raising, and we would like that work to progress. Ensuring that that goes forward is vital for sustainability. There are opportunities for local revenue raising. The visitor levy is a good

example. We could also explore the proposed new infrastructure levy. Just last week, COSLA leaders were happy to support that exploration.

Those are a couple of examples of what could support local government and of ways of working with the Scottish Government to deliver for the future.

**The Convener:** Clearly, you are not prepared to say what you feel the settlement from the Scottish Government should be. The committee is trying to pin that down, because it is very difficult for us to make recommendations to Scottish ministers about the Scottish local government financial settlement if local government does not tell us what budget it requires for next year.

**Councillor Hagmann:** I am quite happy to share that the Accounts Commission has estimated that there is a £780 million gap for 2026-27. I think that that is in the report that we submitted. If you are looking for a figure, that independent figure from the Accounts Commission should help with your recommendations.

**The Convener:** That is very helpful. It would be fair to say that, over the next two years, you are looking for a £780 million uplift. That is great.

David Robertson, you also talked about the need for adequate funding, but you said that

“the level of taxation which is collected, set, and spent locally is lower in Scotland than in international comparator nations.”

You make the argument, which Katie Hagmann has just made, that there should be more levers, but I am not really sure what you mean by that. Do you mean that a higher proportion of local government spend should be raised directly by local government? I think that you are saying that. However, you also seem to say that the amount of revenue that is collected should also increase substantially. Therefore, you are basically saying that, as well as having more powers, you should be able to impose greater taxes on the public, which I am sure would not necessarily be very popular with people. For example, we hear a lot about council tax revaluation, and there is some sympathy with that in the committee, but not if it is seen as a way of just grabbing more money from local people rather than as a rebalancing process. Where do you stand on that?

**David Robertson (Scottish Borders Council):** In our evidence to the committee, we are arguing that we need adequate sustainable finances. At the moment, 80 per cent of the council's revenue comes directly from the Scottish Government, and 20 per cent of our net revenue is levied locally through council tax. We would like more money to be raised by the council and determined locally. A number of levers are coming into the system. There is the visitor levy and discussion of an

infrastructure levy, and other tools are being made available to local government.

We completely accept that taxes are not popular, but the reality is that we need an adequate sustainable level of funding to support the public services that people value. Over the past few years, there have not been real-terms increases in council tax funding, so we are having to make significant reductions year on year to balance the books. One way of balancing that equation would be to raise more revenue locally.

**The Convener:** Are you saying that local people in the Scottish Borders should pay more in taxes, or are you saying that the money should go to the council instead of to Holyrood or Westminster?

**David Robertson:** We are saying not that people in the Borders should pay more taxes but that the tax base and local councils' revenue funding should be appropriate to fund local services. That is the position that we adopt.

**The Convener:** I should really call you all by your first names, because we have two Robertsons on the panel, which makes things a little confusing.

**David Robertson:** No relation.

**The Convener:** Jamie Robertson, what is CIPFA's view on that? It seems that there is broad support for the visitor levy, but there are issues. It is great for Edinburgh and, I imagine, for Katie Hagmann's Dumfries and Galloway region, but I do not know that North Lanarkshire, Clackmannanshire and certain other local authorities would necessarily be able to generate additional funding in that way. Would it cause a funding imbalance across Scottish local authorities if, for example, Edinburgh were to get £30 million, £40 million or £50 million a year and North Lanarkshire were to get only a few hundred thousand pounds a year, or even less?

**Jamie Robertson (Chartered Institute of Public Finance and Accountancy):** The conversation on the overall level of funding is a difficult one. However, such levies seek to generate income to offset the additional costs incurred in dealing specifically with, for example, cruise ships or visitors, and to invest in infrastructure. The approach should be proportionate and based on the activities of each council. It is important that we align the key asks from the Verity house agreement to each council's financial sustainability. We should ensure that local government is empowered to raise local levies to invest in, say, climate change or early intervention measures. There will be differences in the visitor levy across Scotland. However, having overall flexibility in empowering local authorities could result in their taking various options that

would enable them to thrive and would support their joint ambitions with the Scottish Government.

**The Convener:** Malcolm Burr, the Western Isles—if I can use its English name—is not necessarily a prosperous area. How would people there feel about additional taxes being raised locally to pay for services?

**Malcolm Burr (Comhairle nan Eilean Siar):** That is an interesting question. Recently, we undertook a ward-based consultation. There was not, of course, a triumphant welcome for any new taxation. There was not disquiet either, but a deep understanding that revenue has to come from somewhere. If there is no prospect of its coming from the Scottish Government or through traditional sources, we must do something ourselves.

Like many councils in the Highlands and Islands, and probably the rest of rural Scotland, my council lacks other options. We cannot outsource services, because there is no market to outsource to. We cannot physically share services across 27 miles of sea. My main suggestion for what we could do—it is one that I have pursued for years—is serious public service reform. Perhaps we will come on to that later in our discussion.

In the meantime, there is an understanding that we have to look to our own resources, which might include above-inflation rises in council tax, using our existing freedoms. We will need more of those if, to build on what David Robertson said, we are to raise our own revenue. That will not be transformational, though, in an area with 27,000 people.

**The Convener:** Still on local taxation, we know about cruise ship levies, visitor levies and even workforce parking levies. I would not think that any of those would have a massive impact on local authority finances. Which other areas would you like local government to look at, Malcolm? You mentioned reform. If we were to reform local government finance, which other areas should local authorities have control over? Would they include a local sales tax, for example?

09:15

**Malcolm Burr:** The discussions on the fiscal framework should be as wide as they can be. We should look at models of funding local government elsewhere.

It is, however, also about structure—I hate to come back to structure. If our statutory position remains as it is and we are not able to undertake serious public service reform in a way that will free up resources, and revenue is not coming from elsewhere, we must look at raising revenue in ways that we have not raised it before, which has,

largely, been through council tax and charges. Individual things such as visitor levies will be welcome, I should add, but they will simply fill holes from reduced spending over the years.

I feel obliged to draw the committee's attention to the Scottish Parliament information centre's briefing on the state of local government, which shows that my council's reductions over the past 10 years have been in the order of, in real terms, 14 per cent. That leaves gaps to be filled.

**The Convener:** David Robertson, you heard at the beginning that we had a trip to Estonia last week to look at what it is doing in relation to digitisation of public services. Incidentally, Estonia is doing that because, after independence from the Soviet Union, it had a budget of only €130 million for the whole country. It couldnae afford to set up offices in rural towns and had to do everything somehow differently, and it ended up doing it digitally. Is Scottish Borders Council looking at that sort of service delivery?

**David Robertson:** That is something that we are investing in very heavily with the resources that we have. We have done significant pieces of work in relation to, for example, our care services. We provided mobile technology to all our care staff, which we estimate has improved the efficiency of the service—that is, the number of care visits that people could provide—by around 16 per cent.

Our 400 in-house care staff can all be scheduled and rostered online using mobile devices. That has also improved the quality of the service, because we were able to limit the number of people going in and out of the houses of those requiring care, which was also a benefit.

We are investing very heavily in our customer services technology, including for online payments, feedback, fault reporting and all those kind of things. We have transformed our council core systems in human resources, payroll, finance, and procurement. We have done all that. We have also tried to implement iPad mobile technology in our schools to deliver better education outcomes.

We see huge potential in that area. It requires huge investment: however, in terms of delivering savings, it is an area of prime focus for the organisation. We have done a huge amount of work on it over the past few years, with lots more to do.

**The Convener:** Katie Hagmann, Estonia has only 1.3 million people in 79 municipalities, whereas we have 5.4 million people in 32 municipalities, so municipalities there have about a tenth of the population of ours. It has one connected digital system, called X-Road. Is the Convention of Scottish Local Authorities working

with local authorities to ensure compatibility of systems in order to ensure that the savings that are made can be made at the national level and will therefore benefit local authorities directly?

**Councillor Hagmann:** The digital office has come under the umbrella of COSLA recently. A huge amount of work is being done across all local authorities through the work of the digital office. I sit jointly with the Minister for Public Finance, Ivan McKee, to look at digital strategy, so joint work is also happening between local government and the Scottish Government. I am aware that a critical report came out that called out both the Scottish Government and local authorities, saying that we were not doing enough on digital. Certainly, there has to be a refocusing on that space. I am absolutely committed to that, as are COSLA leaders. It is a subject that comes up.

One of the other opportunities that we are looking at is the advancement of artificial intelligence and how we can utilise it in the future. However, that obviously also brings concerns from some people. How do we ensure that we harness new technology in a safe way that can support our communities and bring them along with us?

Lots of savings could be made by moving everything online, but we have to be mindful that many of our communities might be excluded from the digital world. Also, many people in our communities value face-to-face customer services, so we want to ensure that nobody is left behind or left disempowered.

There is work that has to be done—indeed, work is being done, as David Robertson has outlined, especially across the care sector. It is vital that we move forward, but there is absolutely room for improvement, and we will continue to work towards that.

**The Convener:** I am heartened to hear that COSLA is engaging with all 32 local authorities to ensure that we have one system that can operate across the country. Would the national health service be linked to such a system? Using Estonia as an example again, I note that one of the advantages of its system is that it connects the entire public sector together. You have talked about care, but obviously there is a very strong interaction between health and care in this respect.

**Councillor Hagmann:** There is no one system that all local authorities are using, although I know that there is an ambition to take that approach. Certainly, there are opportunities that can be taken forward. Planning, for example, seems to be a good area to start with.

There is the joint strategy between the Scottish Government and local government, but perhaps I can take things back a stage to highlight the digital

partnership board that we have in local government and on which we are bringing together various partners including Scotland Excel, the Improvement Service and SEEMiS. We, as local authorities, are bringing in all those partners so that we can have one cohesive voice. Work is being done in that space, but, as I have said, more work definitely needs to be done, going forward.

**The Convener:** Another area that you have highlighted frequently throughout the submission is preventative spend and early intervention. You say that there needs to be

“a refocus on prevention and early intervention spend”

and that

“Now more than ever, there needs to be investment in ‘upstream’ services that help to prevent problems rather than focusing spend on responding to them.”

I think that we would agree with that. I have mentioned to other witnesses and panels that in the 2011 to 2016 parliamentary session John Swinney allocated £500 million to try to embed preventative spend, but the difficulty was that there was no corresponding disinvestment in programmes that were—shall we say?—providing less value for money. What is COSLA doing to try to ensure that we move down the road of disinvesting in areas that provide less value for money in order to focus on the areas that provide the most?

**Councillor Hagmann:** That is a really challenging area, because we are not at the stage of doing that sort of preventative spend. Until we reach that point, it is almost impossible to stop delivering the services that catch people after they have fallen, so to speak.

It is really challenging. Councils have a legal responsibility to set a balanced budget, which means that every single year, some really awful decisions have to be taken. That will be no different next year, when councils set their budgets and their council tax. I am aware of leaders up and down the country who are grappling with proposals that officers are bringing forward to try to balance next year’s budgets.

At this point, it is not really possible to say that we can identify areas that we are okay with disinvesting in, because we have been cutting for the past 10 years; indeed, we are at the point where any cuts are going to have huge detrimental impacts on our community.

Of course, that does not mean that we should not be investing in the upstream services that the submission talks about. Public Health Scotland has done a huge amount of work to demonstrate the value of preventative spend and how much it will save. However, we are at a difficult point:



when should we stop spending on the here and now, to invest for the future? As I said at the start of the session, we in local government and our services are right on the front line. Our communities are right there in front of us, and it becomes an impossible task just to look people in the eye and say, "Actually, we're going to stop doing these things that are really making a huge difference to you."

**The Convener:** Jamie Robertson, another issue that comes out quite forcefully in the submission is flexibility. For example, on page 19, there is a really interesting graph after paragraph 78 that shows that, since 2010-11, there has actually been a significant increase in education spend—21.2 per cent in real terms—while adult social care spending has gone up by 29.4 per cent, and spending on looked-after children by 17.5 per cent. However, that has been matched by huge reductions in other areas—35 per cent in street cleaning, 27 per cent in tourism, 20 per cent in culture and leisure and 26.6 per cent in planning. There are a couple of other figures in there, too.

The submission also says that

"Scotland has a significantly lower pupil/teacher ratio than the rest of UK",

with 13.2 children per teacher

"compared to 18 in England ... but does not have better educational outcomes."

I think that I know what you are going to say in answer to this question, but just for the record, how important is it for local authorities to have the flexibility to decide for themselves how many teachers they employ, for example, and whether money should be able to be deployed elsewhere, if required?

**Jamie Robertson:** That analysis is crucial to understanding the differential in what is, in effect, ring-fenced spend within local authorities. Spend on teachers is effectively ring fenced, because of the pupil to teacher ratios, and there is directed spend for health and social care partnerships, which comes out in the finance circular every year. That paragraph of the submission speaks to the disproportionate effects on other services of having those kinds of protected or directed spend areas.

As flexibility with regard to pupil to teacher ratios is an incredibly political issue, I will defer to Councillor Hagmann for a response to that. Equally, though, we have seen the efficacy of bringing children into schools and ensuring that they are present at school fit, fed, active and ready to learn. That is not necessarily part of the pupil to teacher ratio issue, but it is about having the ability to invest in additional support teachers and officers in order to get into the school environment children who have been fed.

That is where some positive benefits accrue, because it is about ensuring better and much-improved outcomes for children. Having an artificial ratio in that respect does not provide flexibility for councils, and it is a material sum in our overall budget that, when you are looking at financial gaps of £700 million, will need to be borne by other services. My service in East Dunbartonshire Council costs £3 million, and given that we are facing a £10 million budget cut, that will necessarily result in all that finance being removed from the system. It is all about priorities and balance, but there should also be flexibility to enable us to meet shared aspirations with the Scottish Government.

**The Convener:** There is a lot of pressure on MSPs about teacher numbers: the Educational Institute of Scotland has called for 3,500 more. I recall that we were all lobbied about that earlier this year. There are also frequent calls in the chamber for more teachers, despite the falling number of children in our schools.

Malcolm, what impact is the straitjacket of ring fencing having on your local authority? Those of us who were here in the days of the historic concordat in November 2007 might recall that the Scottish Government was seeking to eliminate that sort of thing, but it has gradually crept back in over the past 15 years or so.

**Malcolm Burr:** Yes—I, too, have been around for that long. I was actually a great fan of the concordat approach, and I think that it should be revived between Government and each council.

However, it is hard for us to be told—rightly—to be radical, transformative and collaborative while at the same time we are being told, "Here's one group of employees whose numbers absolutely have to be protected." It is a strange message, if it is not linked to evidence on outcomes.

We have always tried to protect our teacher numbers, which are inflated locally because we have small schools on small islands. The numbers are slightly higher than average, but last year we were on the line.

09:30

There are other ways of doing education—e-Sgoil is one of them. The Covid pandemic showed that there is a place for online education, to which the teaching profession can be resistant.

However, no area should be exempt from scrutiny and proper evaluation of alternatives. We cannot afford to do that, and it applies to other aspects of ring fencing as well.

**The Convener:** Flexibility is a really important issue. David Robertson, how is ring fencing impacting on the Borders?

**David Robertson:** The reality behind ring fencing is that the more the budget is directed to specific areas and the more it is targeted at things such as teacher numbers, the less flexibility we have to deliver other local services. The impact is on quality-of-life services and communities. People are noticing the potholes in the roads, the lack of grass cutting and area maintenance, and the decreases in the general quality of the built environment and in their ability to access library services. The more we ring fence, protect and direct specific areas of spend, the less flexibility we have in other areas of the budget.

With regard to flexibility, we are looking at about 20 per cent of our overall spend in order to make all the savings that we have to make through our central support costs and area-based services, because all the other aspects of the budget are being tied up, whether that is in repaying capital debt or employing teachers and other groups of staff. Our flexibility in what we do is being constrained year on year. We are increasingly forced into making reductions that, ideally, we would not wish to make. Unfortunately, to ensure that the authorities remain financially sustainable, those are the types of areas that we are going into. We are closing public toilets, we are reducing our grass maintenance and we are reducing the types of services that people notice.

**The Convener:** The political perspective is that the Scottish Government gets blamed if teacher numbers fall. If it gives local authorities flexibility to change teacher numbers and there are, therefore, fewer teachers, the Government gets the blame, rather than the local authority that takes the decision, despite local government having its own level of democratic accountability.

You are smiling, Mr Robertson, because you know that that is exactly the case.

**David Robertson:** As an organisation, we firmly believe in employing as many teachers as we can, but we want to make sure that those teachers are properly resourced and supported. We do not believe that the focus should be simply on the number of teachers that we employ. As you have indicated, convener, the number of pupils that we are educating is falling, and we have significant challenges with the number of buildings that we currently operate in Borders.

The reality behind that is that it is headteachers who run schools. They do so through devolved school management schemes, so they are empowered to deliver and manage their schools. Therefore, it is right that those headteachers should be allowed to employ the number of teachers that they require within the overall resource envelope. Those teachers have to teach in good-quality buildings with appropriate resources, supported by a range of professional

staff. We do not think that it is right to focus simply on the number of teachers that we have, which seems to be the polarised debate that is going on in education.

**The Convener:** Teachers can also be used peripatetically.

Colleagues are keen to come in, so I will move on to my final question, which is about capital spend. Katie Hagmann, you have talked about the challenges to housing supply and the delivery of homelessness services. Paragraph 63 of the joint submission states in bold:

“To mitigate against the development of poverty and improve health outcomes Local Government need sustainable investment in affordable housing.”

What does that mean in cash terms? How can the Scottish Government do that when it faces a 20 per cent reduction in capital over five years?

**Councillor Hagmann:** That is a valid point, and local government is mindful that the budget has been cut for Scottish Government. We are not immune to that information.

Up to 10 local authorities have declared housing emergencies. We have, rightly, welcomed a lot of refugees and people who are seeking asylum in the UK. We have issues across our local authorities, such as reinforced autoclaved aerated concrete, and local authorities are grappling with a host of problems in our capital budgets.

Clearly, we want to invest for the future. There was mention of the school estate. We want to deliver the best educational experience for our young people and we want to invest in our schooling. In local government, we have borrowing abilities, but we have to be mindful that anything that we borrow will have to be paid back. That affects our revenue in the future. I will turn to one of my colleagues to give specific numbers.

It is vital that we look to the future. We are in election cycles, so we have to make decisions year on year, but some of the investments that we make will have long-term ramifications. Sometimes, brave decisions need to be taken, especially if we are looking to support our local economies and provide the very best opportunities.

There also has to be a realistic understanding of the term “transformation” and how that affects our estate and where we have capital investment. We have a huge number of buildings, some of which we might not need and some of which might be useful in the community. Where there are community opportunities, local authorities are supporting community asset transfers for other projects that the council is perhaps not best placed to take forward. There are a whole load of areas that we can look at, but, ultimately, we need that

capital investment in order to provide for the future.

**The Convener:** Jamie Robertson, because of prudential borrowing, local authorities have greater flexibility in borrowing than the Scottish Government does. There has been a significant reduction in borrowing from £1.23 billion in 2019-20 to £690 million in 2021-22, with a slight up-kick to £820 million in 2022-23. The figures for last year are not in your submission, but it says:

“Councils have found themselves in a position of having to place greater reliance on borrowing as a source of capital funding to sustain and invest in their infrastructure to meet the needs and priorities of communities and boost local economies.”

Clearly, there is greater reliance on borrowing. Do you feel that that will continue to be the case and that borrowing will have to play a bigger role, or will there be a reduction in borrowing across local authorities, as there has been in the past three or four years?

**Jamie Robertson:** As Councillor Hagmann set out, the consequential impact of borrowing is that it increases overall expenditure because debt has to be repaid, and there is both a principal and an interest element of that debt.

Audit Scotland has identified in its budget setting report that, when councils set their capital budgets, there is increased recourse to borrowing. That is in order to have good-quality assets that deliver shared outcomes and council priorities. However, with increasing interest rates and build costs, that has the potential to be unsustainable. As directors of finance, we are set by the burdens of the prudential code, so we need to ensure that all borrowing is affordable, sustainable and prudent.

The local government benchmarking framework has indicated that debt, as a proportion of revenue, has decreased in recent years, which is a result of specific interventions, such as fiscal flexibilities. However, overall debt is increasing and will continue to increase in order to deliver council priorities, but there will come a point where that becomes unsustainable, and each council might set a cap on its overall affordability.

I indicated that I wanted to come in because I want to give you a live example. East Dunbartonshire Council is looking to invest in affordable housing. We have done some work on 15-unit accommodation for affordable housing purposes. The cost within that affordable housing programme is £420,000 for each unit, which could be borrowed through the housing revenue account and ultimately repaid by tenants. That includes the funding towards net carbon heating, Silva building regulation standards, automatic fire-suppression systems, digitally enabled households and electric

vehicle charging points. The cost of developing affordable housing is significant—

**The Convener:** I think that you want to get another quote for that.

**Jamie Robertson:** In order to meet all the obligations, affordable housing is a significant investment for councils.

For councils, I think that the overall debt repayments have been suppressed in previous years as a result of the actions that section 95 officers have recommended as prudent and affordable within the loans fund repayments and the service concession arrangements. However, there is a significant risk should councils continue to invest without recourse to the savings that are required to generate reductions elsewhere. A £10 million financial gap and £2 million, £3 million, £4 million or £5 million-worth of additional debt to create capital borrowing is financially unsustainable in the short, medium and long term.

**The Convener:** Thank you. I will open up the session. The first colleague to ask questions is Michael Marra.

**Michael Marra (North East Scotland) (Lab):** Councillor Hagmann, it is nine weeks until the budget announcement in Holyrood. How are the discussions going?

**Councillor Hagmann:** With regard to the early engagement, there has been a commitment from Scottish Government, which has been repeated in many forums. I have dates in my diary to meet the Cabinet Secretary for Finance and Local Government.

On the fiscal framework, I know that there has been a lot of discussion, but there has been express disappointment that we do not have a fiscal framework right now. That is not to say that there has not been a huge amount of work and a huge amount of learning on both sides—by Scottish Government, from looking at local government, and by local government, from its understanding of Scottish Government budgets. A huge amount of background work has been going on and leaders are being kept up to date with that, and there will be a substantive update at the next COSLA leaders meeting. There is very much an open dialogue.

I have been in post for only two and a half years, so I cannot compare the situation with what happened prior to my taking up this position. However, from my experience, there has been an open dialogue. Throughout the pay negotiations, for example, I had regular updates from and contact with the finance secretary.

**Michael Marra:** You have been in post for two and a half years, so this will be your third time in

this process. Is that right? Or the second time, perhaps? Let us say the third time.

**Councillor Hagmann:** I will say yes.

**Michael Marra:** Is it the same as in previous years? Do you have a better understanding of the strategic approach that is being taken this year?

**Councillor Hagmann:** My reflection is that there has been a lot more dialogue. The proof will be in what actually happens as we move forward. We can talk endlessly, but we need to know what will happen with the budget. As you say, we are coming up to those crucial dates.

**Michael Marra:** We are nine weeks out. I understand that the budget that is set at UK Government level will substantially inform what happens afterwards, but the reality is that that will involve percentage points of difference. The Institute for Fiscal Studies has said in recent weeks that the Government should be using this budget strategically to have conversations with local government and other service providers in order to take long-term decisions. I feel that, nine weeks out, if there were strategic decisions to be taken on some of the things that you call for in your document and on what the Government should be clear about—what should be stopped as policy and what the focus should be—that should be the substance of the conversations. Is that the case? Do you think that it will be a strategic budget?

09:45

**Councillor Hagmann:** I hope that it is a strategic budget. With regard to the dates, we have been made aware that the local government circular will not be published until 12 December, which is quite late. Some of those dates are outwith the control of both the Scottish Government and local government, because it comes down to the data points that we need to work with.

The discussion of multiyear budgets has been raised. The cabinet secretary has been open and said that they will be looking at the settlement from Westminster and that, where there are opportunities, she will take those, where that is possible.

**Michael Marra:** The cabinet secretary has been quite clear to us that the medium-term financial strategy will come alongside the spending review, which will happen in the spring, so I think that multiyear budgets are probably for that point. However, with regard to decisions to be taken this year, have you told the cabinet secretary the things that you think you should stop doing?

**Councillor Hagmann:** Yes, absolutely. For example, comments were made earlier about

teacher numbers. That is a well-trailed argument that we have been making. The pay bill for teachers is our single biggest spend—it is around £4 billion a year. Therefore, when we have falling pupil numbers and we are fully committed to reducing the poverty-related attainment gap, we should not focus purely on teacher numbers when local government provides a whole host of other services. Those types of conversations are happening, and we hope that they are reflected in the decisions that are made in the future.

**Michael Marra:** With regard to the submission that you provided to the committee—as the convener said, it is very useful—it seems to me that there is a real frustration with some of the short-term decisions that are being taken. Your submission states:

“Scottish Government policy and spending decisions that run counter to the VHA”—

that is the Verity house agreement—

“such as the council tax freeze and maintaining ... teacher numbers, will prevent councils from achieving better outcomes for their communities.”

That is really about ad hoc, on-the-hoof policy decisions that are taken outwith the cycle of negotiation. Do you have confidence that, this year, we will not see that kind of approach to budgeting from the Government? Is it saying to you that there is a long-term approach?

**Councillor Hagmann:** We are making the case as best we can. Ultimately, those will be decisions for the Scottish Government and for ministers to grapple with in relation to the budget. With regard to the example of the council tax freeze, yes, it was funded at 5 per cent, but some local authorities were budgeting for a rise of more than 5 per cent. Therefore, in effect, it was not fully funded. That policy has been spoken about to a great extent, and the argument that there should be no council tax freeze in the future is being made at every opportunity by every leader and, I would imagine, by every COSLA spokesperson.

**Michael Marra:** One of the recurring themes that the committee has heard about over recent months, particularly from the cabinet secretary, has been the challenge of meeting the public sector pay bill. Compared to the rest of the country, a significantly higher proportion of the working public in Scotland works in public services and we have a higher wage level already. Therefore, one of the key issues that the cabinet secretary is grappling with is that a 5 per cent increase on our pay bill is significantly higher than a 5 per cent increase on the pay bill of the rest of the country. I will put this question to all the witnesses: where do you see the trade-offs between pay rises and head count? Teacher numbers has been used as an example. Is that a

choice that councils are having to make or that you anticipate that you will have to make?

**David Robertson:** With regard to balancing the budget, yes, that is a trade-off. Pay is our largest cost, and we are having to manage our workforce appropriately, in line with the services that we have to deliver and the resources that we have in order to deliver them. Therefore, increasingly, we are holding vacancies in other areas. We are not filling posts and we are reorganising our services and bringing things together in order to sustain areas of the workforce such as the number of teachers that we are told that we need to employ.

Therefore, we are making changes in terms of our strategic workforce planning in areas where we can deliver those changes, including bringing in new technology in order not to recruit as many people as we had before. However, the reality behind many council services is that they require people—they require carers, refuse collection drivers and operatives in the street, for example—and we are increasingly creaking with regard to our workforce planning. If we restrict large areas of the staffing budget and determine that we need to employ a particular number of teachers, for example, that ultimately has an impact on the number of social workers, care staff and all the rest of it that we can employ.

**Malcolm Burr:** That is an exercise that can go on for only so long—I must be very clear about that. My council has gone from around 1,900 employees in 2010 to just under 1,600 now—a loss of 262 full-time-equivalent posts in an island community. That is around 400 people's jobs, if you consider that some are full time and some are part time. As David Robertson said, it is not possible to keep doing that without reducing statutory services to a level that everyone around this table would find unacceptable. That is the place that we are now having to go in our thinking. It is not an exercise that can go on and on. To a certain extent, the budget is sustained by vacancies, which is not healthy either.

**Jamie Robertson:** I concur with my colleagues' points, and it is worth noting—I think that this is also in our submission—that councils will make assumptions on pay, which will generate their medium-term financial strategy. They will make assumptions on pay over a number of years, and part of the challenge, which is recognised in the joint submission, is the impact of pay expectations exceeding those assumptions for councils that had previously been budgeted for.

For my council, that has precipitated the issuing by the chief executive of a non-essential spend and business-critical spend memo to curtail in-year spend. We have a vacancy freeze and our recruitment processes are slowed—we are filling essential posts only—which is having a significant

impact on the delivery of statutory services in my function with regard to financial statements, accounts and all the things that are required to support front-line services and the delivery of council services.

**Michael Marra:** It sounds to me as though we are reaching the end of the road with regard to head count reduction before it affects legal requirements. Is that correct?

**Malcolm Burr:** That is my view. Head count reduction affects legal requirements and councils' capacity to provide community leadership as well as services.

**Michael Marra:** The convener touched on some of the other issues regarding council tax reform, including revaluation, extra bands, changes to the reduction schemes and so on, which you cover in your submission. That work is on-going, and you have said that you want to see that accelerated in the coming months. We are nine weeks out from the budget, so will any of that be done in time?

**Councillor Hagmann:** I can confirm that we have meetings in the diary for the continuation of the working group, but it is just that—a working group—and we are not at the point of making any announcements. That work has slowed down due to a change of ministerial positions, and that is the reality that we are working with. However, COSLA and council leaders are committed to that reform taking place across council tax.

**Michael Marra:** Given that we are nine weeks out from the budget and these are long-term discussions that have gone on for a decade and more, it does not seem realistic that we will see proposals coming forward in time for the Government to change anything this side of the ledger.

**Councillor Hagmann:** I do not have any proposals at this point—

**Michael Marra:** Okay, so there are no proposals—

**Councillor Hagmann:** —but, as I said, there is still the commitment to work together.

**Michael Marra:** You mentioned the fiscal framework, which was meant to be agreed by June 2023. Do you think that we will have a fiscal framework in place in nine weeks' time?

**Councillor Hagmann:** I think that the wording of the Verity house agreement was to aspire to have a fiscal framework. It was never set in stone.

**Michael Marra:** It is fair to say that we have not met that aspiration, have we?

**Councillor Hagmann:** We have not, but we are still working towards it. In the same way, we have not met the aspiration of pay of £15 per hour for

our local government workforce. That was a request by our trade union partners, and we agreed that we would work with Scottish Government on that. However, again, the Scottish Government was very clear that the funding would have to flow from Westminster in order for that aspiration to be met.

**Michael Marra:** There are no proposals on the table, so you do not aspire to get this done in nine weeks, do you? That would be—

**Councillor Hagmann:** We always aspire to reach our targets. I am an optimist.

**Michael Marra:** You are an optimist, but could we be a little more pragmatic about it? We are trying to understand the restrictions on the budget and how that will work. Realistically, I do not think that anyone on the panel would say that they think that we will have a fiscal framework in nine weeks' time. Could we have hands up for that?

**Councillor Hagmann:** The fiscal framework may not be complete, but a significant amount of work has been done. As I said earlier, Scottish Government officials have a far greater understanding of the challenges that local government is facing. Equally, local government members have learned more so that they can understand the levers that the Scottish Government is working with. As such, it is unfair to say that we are not going to make it and that we have failed, because significant progress has been made. Just because we have not crossed the finish line, that does not mean that we have not made significant progress along the road.

**Michael Marra:** I tend to disagree, I have to say. We are going to see cuts to services, and we have just had a third year of chaotic in-year budget cuts that are affecting the ability of all services to deliver outcomes for people across the country. By the sounds of things, there will be large increases in council tax. There are consequences to the fiscal framework not being complete. The reality is about whether it gets done, not whether there are meetings going into the diary to discuss it. The situation has gone on for years. The ask is for Government to take a strategic approach to the budget. All the evidence that you have given us indicates that, so far—although I am sure that the diary secretaries are working very hard to get time in diaries—there are not any proposals on the table about anything strategic. Is that not the case?

**Councillor Hagmann:** We have been working in exceptional times. The cost of living crisis and inflation rates have all had an impact. Certainly, it is easy to forget that we have lived through a pandemic, and its ramifications are also being felt. All those things will affect the budgets.

**Michael Marra:** If I can interrupt, your submission says that it was the Government's choice to increase spending outwith the block grant allocation by £1 billion in other areas of the budget. That is a choice that the Government has made. You are very critical of the Government in your helpful submission, but now, in evidence, we are hearing that the circumstances are different. You are telling us that there are choices to be made, and that the Government is not making the strategic choices. It has not put any proposals on the table, and we are nine weeks out. Is that not the case?

**Councillor Hagmann:** There are always political choices to be made and, certainly, the Scottish Government will make them. I am here to present the evidence from local government. We are fully committed to working jointly and we have been clear about some of the nuances of what we want with, for example, teacher numbers; no council tax freeze; and the continuation of joint collaborative working for sustainable public service investment. We have not mentioned our aspirations for net zero, but we are committed to it, which feeds into the earlier discussion about our capital spend. In order to meet our net zero targets, we need to accelerate that spend.

It would be wonderful if there was a simple resolution to the budgets. Unfortunately, there is not, but I would hope that the evidence that we have provided in our submissions and what we have covered in this meeting will give you some areas for exploration.

**Ross Greer (West Scotland) (Green):** Good morning. In the first instance, I want to check something with you, Councillor Hagmann, about the joint working group on sources of local government funding and council tax reform, which you mentioned. How many times has that met since the change in the Administration?

**Councillor Hagmann:** It has not met. Meetings are being arranged in the diary.

**Ross Greer:** From all your written submissions and the evidence that we have heard, it feels as though there are not a lot of new ideas for fiscal empowerment for councils. The infrastructure levy was agreed to in the Planning (Scotland) Act 2019; the cruise ship levy was announced last year; and the Visitor Levy (Scotland) Act 2024 has been passed by the Parliament. What new proposals will local government put on the table to add to the agenda? What new powers do you want on which you will be seeking agreement from the Scottish Government?

**Councillor Hagmann:** The infrastructure levy has only just been tabled in the last local government leaders meeting. Although it may have been on the Scottish Government's agenda,

as yet, we have not had joint dialogue about it. Certainly, local government is looking to explore that. It is not one that we have—

**Ross Greer:** I am sorry to cut across you, but I want to clarify that. The infrastructure levy is a power in the 2019 act. We now need to pass the regulations to enable it to take effect before 2026, because the power has a sunset clause. My point is that Parliament agreed to the concept of an infrastructure levy when it put it in that act in 2019.

I am looking for proposals for new powers. Local government talks a lot about needing to be far more empowered to raise its own money—I agree with you absolutely—but I am interested in hearing what new proposals you are putting on the table. What new powers do you want local government to have?

10:00

**Councillor Hagmann:** I do not have a set of proposals before you today that say, “This is what we want to do.” I can say that we are working across local authorities, with our leaders and with the likes of the Improvement Service. Issues certainly exist around recruitment, retention and the workforce of the future and we are looking to develop opportunities in all those areas.

As for examples of what we would like to do, we need to take forward that discussion in the working group. People get hung up on the fact that the working group’s title refers to “council tax reform”, but it also mentions other sources of local revenue raising. We need to explore that area further and we need more momentum around it.

**Ross Greer:** Do other colleagues have any proposals, or has anything been discussed in your local authorities that could be introduced as brand-new powers?

**David Robertson:** From my authority’s perspective, no. Nationally, we are currently spending more than £13 billion on local authority services. To be honest, I do not think that we need any more powers beyond those that are being discussed. The key for us is flexibility and the ability to direct the overall resource that we currently control to meet local priorities at local level while we take forward reform to areas such as council tax and consider the implications of new powers such as the infrastructure levy.

We are not saying that we have a lot of proposals for new powers that we need. At the moment, we have a huge array of legislative power to act on behalf of our communities, but the key issues for us are about flexibility, reducing direction and ring fencing and allowing local priorities to be funded.

**Malcolm Burr:** Your question links very much to public service reform. One can look to other jurisdictions—not least Estonia and some of the Scandinavian countries—for different models of delivering local services and being accountable for them, in which much more harmony exists between local and national taxation. That consideration brings in options such as local income tax, which has been looked at in the past. The discussion must not just look at the fiscal framework but at how we will sustain and deliver local services in a way that also allows for local democracy and community empowerment. It is part of that debate.

**Ross Greer:** I think that it was you, Malcolm—although it might have been David Robertson—who mentioned more flexibility on fees and charges. I cannot remember whose submission it was, but there was certainly something in COSLA’s submission on building warrant fees and planning fees, which have been discussed for some time.

Would it be beneficial for local authorities to have more flexibility around fees and charges in other areas? One example that has been brought up previously is parking fines, which are set nationally but around which some councillors have argued that they would rather set the rates themselves. Are there any examples of a nationally set fee, charge or fine that you must administer but around which you would rather have greater flexibility?

**Malcolm Burr:** There are no particular examples, but the principle must be that there should be local determination of local charges and accountability for them.

**Jamie Robertson:** As David Robertson and Malcolm Burr have said, it is about the effective application of the fiscal levers that councils can use. It is about the council tax, local discretion, fees and charges and teacher numbers. It is about removing those fiscal blockers to enable councils to determine and to deliver on their priorities locally.

**Ross Greer:** My next question is perhaps for Councillor Hagmann in the first instance, but others might have views on it. When the budget was published last year, the finance secretary confirmed that she would engage in discussions with local government to explore the potential for a power of general competence. Have those discussions moved on at all in the period since? Have you been engaged specifically on that?

**Councillor Hagmann:** I have not been engaged specifically on that, but I know that the presidential team and the vice-president of COSLA have been taking forward some of those discussions, so I would not be able to comment.

**Ross Greer:** I accept that that is not your remit in COSLA, councillor, but what are the witnesses' views on what that power could look like? The idea of a power of general competence—certainly, as it was announced—found pretty broad consensus but, when you start discussing it, you find that everybody has a different idea of what it actually means. For example, local authorities in England have very limited power to create new revenue-raising levers, so they could not necessarily create their own visitor levy, but they have significant power when it comes to their ability to invest, which has resulted in a couple of local authorities in England making catastrophic investments and going essentially bankrupt—Thanet being the worst example.

What would an effective power of general competence look like? Is it about being able to create your own revenue-raising powers—you would not need to wait for Parliament to create a visitor levy, for example—or is it about having a greater ability to invest at some level, with safeguards?

**Councillor Hagmann:** I have not taken forward that area, so some of my colleagues might be able to advise a bit more. However, it comes down to this principle, which some of the discussions that have been had show: some levers that we would like to have are not necessarily in the gift of the Scottish Government, because it has not been given them from Westminster. We are effectively working without being able to get all the opportunities that are potentially available. I know that discussions have been happening, but I do not have the detail, unfortunately.

**Ross Greer:** Jamie, were you looking to come in on that point?

**Jamie Robertson:** The CIPFA directors of finance are discussing the matter with colleagues at the Scottish Government and civil servants, to understand the power of general competence, what it can effectively mean and what benefits can accrue from councils being able to do what they can reasonably do. There is general recourse to legislation in areas of taxation, but perhaps not levies.

There are other burdens on section 95 officers in relation to the prudential code, which we have spoken about previously. We have to act with prudence and sustainability to ensure that any investments that are undertaken do not have disproportionate risk—some conversations about risky investments have been had with civil servants already—but I do not think that the directors of finance would be looking to do that, and we certainly could not do so easily, or at all, within the prudential code.

**Ross Greer:** Thanks very much.

**The Convener:** A power of general competence was agreed in the first session of Parliament when Wendy Alexander was the minister. Although it might not have been implemented, it was certainly agreed by the Parliament, as anyone who checks the *Official Report* will be able to confirm.

**John Mason (Glasgow Shettleston) (Ind):** As an aside before I get into my main questions, I was interested in a figure that Jamie Robertson quoted as an example. I think that you said that building a house in East Dunbartonshire costs £420,000. You could have my flat for £100,000, although admittedly it is not in East Dunbartonshire and would therefore not do you a lot of good. However, that raises the question of whether local councils are a bit too keen on doing everything in a gold-plated way and absolutely perfectly. Would it not be better to use that money to buy four flats off the shelf? They would not be perfect, but we have a housing emergency and you would get four families off the streets.

**Jamie Robertson:** We do that. We have a range of options in our housing programme to bring houses into effective use for affordable housing, for example, through open-market purchases, which happen frequently and for which we have a specific budget. However, the costs of retrofitting those off-the-shelf, off-market purchases for net zero or the updated silver building standards are obviously significant.

We have a blended approach to the development of our housing estate. It sits within overall affordability in the housing capital programme, which is significantly tested with regard to how we meet those aspirations and the costs that would have to fall on the rent payers.

That site in East Dunbartonshire is a challenging one to develop, because it sits between a canal and the Antonine wall. There are therefore specific reasons for that cost, but it was given as an example of the pressures that we face, given the reduced recourse to packages of land to develop houses. Those are the challenges that councils—and, ergo, our rent payers—face.

**John Mason:** Thanks. That is helpful.

My next question, which is about priorities, is for Councillor Hagmann, but other witnesses might want to come in, too. Clearly, we all have a fixed amount of money; the question is how we spend it. When I sat on the Social Justice and Social Security Committee, submissions to us said that, in this year's budget, there was an increase of something like £900 million for social security, which includes the Scottish child payment and, I think, a slightly more generous adult disability payment. Has that been a good priority for the use of money? Is it a good one going forward, or could we use the money in a better way?



**Councillor Haggmann:** I am here to represent local government, so I will always say that investment in that area is a good use of funds. Others have been keen to say that the increased child payment is having a direct effect on families and individuals, so it is not for me to make that case. However, my local authority is now considering whole-family support and different ways of supporting communities. There are uncomfortable and difficult choices to make, and discussions to be had, on universality of funds and whether we should try to do everything for everybody. No one wants to be the one to tell someone that we will have to take away what they have had in the past. However, the current fiscal situation means that we will have to face those really challenging discussions.

I hate to labour this point, but we value our teachers, who do an incredible job. Personally, I would not want to stand up in front of a class and deliver the education curriculum, so I have huge admiration for our teachers. However, if we are to support all our young people and learners and close the poverty-related attainment gap, which we have all agreed should be our focus, we need learning assistants, breakfast clubs, after-school clubs and libraries to offer safe havens for them. That is a really challenging aspect.

**John Mason:** Since you have brought up the Scottish child payment again, I ask our other witnesses to respond to that point from a technical point of view. Is that payment, or any other benefit, taking any pressure off local authority finances, because families are a little bit better off and so do not have to come to you with their needs? Is it too early to say that, Mr Robertson?

**Jamie Robertson:** I will answer that with reference to the Scottish welfare fund. During the Covid pandemic, and then the cost of living crisis, we have seen a significant increase in demand. That is borne out by the local government benchmarking framework, which shows an increase in applications for community care grants and crisis payments. Local authorities are overspending their allocations and topping them up to ensure that there are sufficient funds for people who are at the sharp end of the cost of living crisis.

We see an increase in demand, and in particular a sustained increase in demand for hardship funds. Many councils are moving to awarding in only the most severe cases—those that meet the “high most compelling” priority criteria. One of the ways in which local authorities can manage their budgets is by targeting funding to the most critical areas of need, and we are seeing that. Therefore, actually, we are seeing sustained significant demand.

**John Mason:** In relation to capital spending, I think that housing, which we have already mentioned, should be a priority. Is the Government spending too much on roads—in particular, on the A9?

**Councillor Haggmann:** The evidence that we submitted to the committee shows that we are not spending as much on our roads and on infrastructure as we would like to. The A9 project does not come under local authorities’ responsibility, so I will not comment on that, although I take this opportunity to remind everybody that the A75, which is a Euro route, runs right through my area of Dumfries and Galloway, but that is not what we are here to talk about.

10:15

The issue is how we approach our budgets. Are we being person centred and thinking about the whole person? The reality is that we need to invest in our roads and our infrastructure, but should that be prioritised over our young people? There are really difficult choices to be made.

Such questions come up in the Parliament, and it is very easy to point the finger and say that local government should be doing this or that. However, we all have a collective joint responsibility to our citizens and communities with regard to what the expectations should be.

**John Mason:** Mr Burr, you can come in on any of the questions that have been asked, but, on a completely different note, I want to ask you about the idea of a single island authority. Would that save money, or would it just make things a bit more efficient?

**Malcolm Burr:** Having a single island authority is not about saving money, although I think that it would. With any merger of service delivery and administration, there is always a small saving, usually of between 3 and 5 per cent, and that money would certainly need to be ploughed back into front-line services—there is no question about that.

However, that is not primarily what a single island authority is about. It is about taking an outcome-focused approach, with the focus on improving lives and maintaining or improving good outcomes. It is also about community empowerment.

If you look at a map of Scotland, you can see that my area covers the same distance as Glasgow to Aberdeen. It is a long way from Barra to Stornoway. We tested this again recently and found that all our communities wish there to be a single authority. People say, “Why don’t you just get on with it? Why don’t you just merge the

council, the health board and the housing partnership?" We know that that is not easy, but the pace of the work has increased in recent months, which is very welcome.

**John Mason:** I will take information technology as an example. You would still have to link to national IT services in the NHS and COSLA, so you would not really save in that area, would you?

**Malcolm Burr:** There would probably be savings on management costs at the higher level. I will pick on directors of finance, as that is what we are talking about. We have finance officers in NHS Western Isles, in Comhairle nan Eilean Siar, in Hebridean Housing Partnership and in other areas, so I think that, in time, there would be some efficiency savings. That is not the primary motivation, but it has become an increasingly strong motivation, because, as I have said, other options such as outsourcing are not really available to islands councils. The community provides a huge amount of support and services in the Western Isles—we have one of the highest rates of volunteering anywhere—but we cannot ask communities to take on more and more, particularly if it has a statutory flavour to it.

A single island authority is our answer to that. It is not about saving costs, but I have no doubt that it would free up some funding.

**John Mason:** Mr Robertson, you might want to comment on anything that has been said, but I have a question about something that I picked up in the Scottish Borders Council's submission. Can you explain what the problem is with bid funding? Instead of having to bid for funds, what would be a better approach?

**David Robertson:** We would prefer resources to go through settlement, distribution and allocation processes, with funding being provided in line with agreed protocols and following engagement with the Scottish Government and COSLA's settlement and distribution group.

The fundamental problem with bidding is the time and resources that bids take without there being any certainty of outcome. We feel that bidding potentially pits one area against another and that, ultimately, given the pressure on resources, it is a bit of a waste of time when we could just agree the outcome that we were trying to achieve and then, through an established settlement and distribution process, allocate resources where they were needed.

**Jamie Robertson:** John Mason asked about sufficiency of capital. It is worth highlighting that, as the submission points out, Scottish local authorities have about £55 billion-worth of assets. We estimate the deterioration in those assets by proxy, through how our assets depreciate. This is a very extreme example, but if we depreciate them

over 50 years, we see a deterioration in our capital assets of about £1.1 million a year. We receive £800 million in capital funding each year, and that does not take into account all the additional capital spending that we need to invest in our school estate or whatever.

**John Mason:** Is the depreciation not £1.1 billion?

**Jamie Robertson:** Yes, the write-down of the assets every year is about £1.1 billion, if, as a very extreme and specific example, we look at depreciation over 50 years.

In other words, the capital grant is less than the depreciation of the asset base, which, in effect, means that there is deterioration in the overall asset base. We are really cognisant of that. However, that does not even cover the roads, which are not included on our balance sheet. By the time that you add all that into the mix, you can see that the deterioration in councils' capital assets is exceptionally challenging, unless there is recourse to funding, which has a revenue implication.

**Liz Smith (Mid Scotland and Fife) (Con):** Councillor Hagmann, how easy is it for your officers to identify the areas in local government in which you have had the greatest success in making efficiency savings while improving services, despite having to make some tough choices? Is it easy in local government to identify the areas in which you have had the greatest success in delivering better services?

**Councillor Hagmann:** COSLA has its thematic boards on which representatives from each of the 32 local authorities sit, and we are able to have dialogue across authorities and bring forward ideas in that space. We are hugely reliant on our professional advisers, who certainly bring recommendations to us.

We provide a huge amount of services—indeed, I think that someone touched earlier on our local authority head count. Scotland's local authorities provide a huge amount of direct services that are not necessarily replicated in other parts of the UK, and we have to be cognisant of the range of services that we provide.

We absolutely need to work out what works best and whether we can replicate the things that are working well across the board. There are opportunities that we can take forward through the work of the thematic boards and that sort of joint working.

**Liz Smith:** How far down the road do you think that work is? If I were a member of the Scottish Government, I would be asking local authorities to identify areas in which they were making efficiency savings while delivering better public services.

**Councillor Hagmann:** We have a working group that is looking at innovation across local government, and our professional advisers are looking at councils of the future and how we take that work forward. That work sits with the Society of Local Authority Chief Executives and Senior Managers and is being progressed. COSLA has a mechanism to ensure that that sort of thing can come through COSLA systems.

**Liz Smith:** What are you doing just now to identify areas in which the outcomes of the decisions that you make in local government are better than they have been in the past? Is that work not on-going? I would have thought that, with public sector reform, it would be very important to know exactly where there had been successes. Is that not an important discussion for local government and central Government to have?

**Councillor Hagmann:** Local government benchmarking captures a lot of the data on what is working and where we are, and that is done nationally, bringing in all 32 local authorities. That provides clear data that allows us to say, "This is working particularly well", and all local councils have access to it. It is a key indicator that we need to look at.

**Liz Smith:** Are those discussions part of the work that you are doing right now with central Government on identifying where we might be able to make savings without causing any detrimental damage to services? I would have thought that that would be a critical question to answer.

**Councillor Hagmann:** Absolutely. I am the spokesperson for resources, but we have spokespeople looking at the economy and the environment, and I know that Councillor Macgregor has regular contact with ministers to take forward discussions on exactly the subject of those comments. Councillor Tony Buchanan is doing the same in education, Councillor Maureen Chalmers is doing that across our communities and Councillor Paul Kelly is doing that in health. The spokespeople are working in their portfolios, highlighting the opportunities, where we want to expand and what is working well. That is the power of having various spokespeople with different remits, because we are all able to go into our area of specialist knowledge to take things forward.

**Liz Smith:** I understand that, and it is a fair point to make, but is there good collaboration between the 32 local authorities, whereby the work of those who are successful with particular services is fed back to the spokespeople so that you can flag up areas in which there has been a bit more success?

**Councillor Hagmann:** Absolutely. We have professionals who advise us all the time, and each of them works in their area. It sounds very much as though we are working in silos, and, yes, each professional group is, but we have the opportunity to come together. My colleagues can probably provide some examples of exactly how that happens, particularly across the directors of finance.

**Jamie Robertson:** Councillor Hagmann referred to local government benchmarking, which is a key piece of work that is undertaken by all 32 councils. I have the pleasure of supporting the board as part of that work. Satisfaction indicators have generally been quite high. I think that this year was the first time that satisfaction has tailed off slightly. The local government benchmarking framework has a number of indicators, and we work with all councils to ensure betterment through those indicators. In the Local Government (Scotland) Act 1973, there is a duty of best value, which specifies continual improvement in local government. That is audited by Audit Scotland, and the reports go to the Accounts Commission on an individual council basis.

I will give a specific example. The LGBF board is looking at pilot studies of areas that are potential outliers in performance, and there is a peer-led collaborative process that assists each local authority to look at learning from other areas to see whether tangible improvements can be made. The most recent study looked at the time taken to process claims. To ensure that people get their Scottish welfare fund payments, the time taken for the application forms to go through the system is key. A collaborative piece of work was done in Falkirk Council to understand what happened within its structures that meant that the times were longer than those in other councils. That work has had a real positive impact. That is the sort of work that is happening as part of a peer-led collaborative process. That is coming through the LGBF board and being reported by the Accounts Commission as part of the best value regime. That is the sort of thing that feeds through to COSLA. I hope that that provides you with a bit of an example.

**Liz Smith:** That is helpful, but I am interested in whether there are areas in local government in which we are making good progress. It is important to know what they are, because that will provide a lead as to where else we might make some changes that could benefit revenue but also improve outcomes at the end of the day. That is a critical part of scrutinising the budget, because we want to know whether money is being spent well and whether it is giving us the right returns.

**Jamie Halcro Johnston (Highlands and Islands) (Con):** Good morning. My first question is

for you, Jamie Robertson, because you talked about empowering councils. I think that everybody touched on that, but you mentioned it at the beginning of the meeting.

I recently met organisations and individuals in the tourism and hospitality sector in Fort William. You will appreciate that a large part of my casework over the past few months and years has related to the visitor levy. One of the many concerns that those organisations and individuals raised was how the levy would impact not only them and their businesses but other businesses, such as restaurants and cabs. It has a wider impact than just those who visit an area.

10:30

In empowering communities, are we really only shifting the tax burden to those communities, people and businesses? Is that a pattern? What kind of impact is that likely to have on those economies? You could see a situation in which the levy benefits the national Government, because it can refocus money on its priorities, whatever those happen to be, and local authorities will be able to fill large gaps in income, but local communities and economies will suffer.

**Jamie Robertson:** I read through previous submissions on the levy, and I noted a significant amount of concern. There must be due cognisance of the unintended consequences of increasing levies, which is something that councils would and should consider in the application of local levies to ensure that income from the levy is reinvested and grows the overall economy. The directors of finance were lucky to have a presentation on the forthcoming tax strategy, which I think will be published at the same time as the budget. It is a case of consulting the directors of finance and getting a sense of what those unintended consequences might be, whether it is council tax or a local levy. Therefore, that is under active consideration.

We do not have the potential for a visitor tax or a cruise ship levy in East Dunbartonshire, but I anticipate that, as part of any implementation and equality impact assessments that happen as part of the process, the impact on local communities and businesses would be given due consideration, to ensure that any funds that are raised locally can be invested locally—because that must be the key aim.

**Jamie Halcro Johnston:** Another concern, which you raise, is about confidence in where that money will be invested. The Highland region is obviously a huge region that has one area where a large part of the population is focused, Inverness, and lots of peripheral communities. A large amount of the tax is likely to be raised in some of

those peripheral communities and, from speaking to people in that region, I know that they do not have confidence that that money will go back into those areas or even into the tourism infrastructure. The concern is that the money will just go into local authority revenue. How can those concerns be addressed?

**Councillor Hagmann:** I can speak on that, as I led a great deal of the work on the visitor levy on behalf of local government. It is fair to say that there has been a huge amount of scrutiny of the levy, and concerns have been raised. Some of the amendments to the bill addressed those concerns. It is fair to say that, in every meeting that I had with the minister, I said that local government wanted these powers and wanted to be able to implement them straight away. The consistent message that we got back was that, in order to bring businesses on board and allay some of the concerns, we needed to slow it down so that there is a long lead-in time for the introduction and implementation of any visitor levy.

We had an expert group that fed into that. That group included COSLA officials, but representatives from the tourism industry, including VisitScotland and accommodation providers, such as Airbnb, were able to feed into it. As part of any implementation, there must be—it is mandated—a local forum, which will allow businesses to feed into the process directly. Therefore, a lot of safeguards have been put in place, should any local authority wish to take the levy forward. The City of Edinburgh Council is leading on that at this point. Much of this is about sharing information, because there are concerns. However, if you start to break those concerns down, some of the processes that have been brought in as result of parliamentary scrutiny should allay some of those fears.

**Jamie Halcro Johnston:** The visitor levy is one part of this, but the wider issue is the principle of moving the tax burden away from Scottish Government provision, funded through general taxation, and on to communities, because it is local people and businesses that will be affected. Does that concern you?

**Councillor Hagmann:** That is why we have to have good communication and a local forum. It is fair to say that local government provides a huge amount of support to our businesses, and we want to grow our economies. That is absolutely a priority for local government, because we want to attract investment. Certainly, when new powers are brought in, we are always mindful of the unintended consequences. We have a real strength in that, because we can look across the work of other local authorities, at best practice and at the local government benchmarking framework to see what is working. There is huge power in

being able to share information, but we also need to recognise that each local authority is very different.

**Jamie Halcro Johnston:** I am happy to move on to my next point, unless David Robertson or Malcolm Burr wants to come in.

**Malcolm Burr:** Not particularly.

**Jamie Halcro Johnston:** Malcolm Burr will not get off, because my next question is for him. It is quite brief. You talked about the budget being sustained by vacancies. Much of my casework is about people in my region, the Highlands and Islands, not being able to access the full care provision that they have been allocated.

I do not know whether you are able to evaluate the situation—not so much the vacancies for which the council can slow down recruitment or keep open, but things such as care costs that have a direct impact. Can you estimate how much worse the situation would be, or what your budget constraints would be, if you were delivering the services that you should be delivering?

**Malcolm Burr:** All those posts are budgeted for, so those savings that help us out every year are unplanned. I would not want to imply that they are part of the budget strategy. However, because there is a certain level of vacancies in social care across the Highlands and Islands, that has come to be the reality. In theory, it must put additional pressure on residential care if we cannot provide home care, or if we cannot provide home care to the desired degree.

I am thankful that, in the Western Isles, we generally have our own employees and we do not rely on agency employees to a huge extent. It is still an attractive career, but not enough people are coming into it. In time, the vacancies will affect the models of care that we provide. I think that there will be more supported accommodation where people can live in their own accommodation but in a supported environment, rather than being provided with home care. It is hard to see home care being sustained at its current level in the next 10 to 20 years. I think that that is true across all of rural Scotland.

**Jamie Halcro Johnston:** David, do you have anything to add?

**David Robertson:** The challenges with delivering care services are acute across the country and rural areas in particular struggle with it. Unlike Malcolm Burr in the Western Isles, we sometimes have to rely quite heavily on agency staff in order to sustain care. There are an increasing number of older people in our population relative to the rest of the population, which means that we have a lower working-age population and fewer people to provide care

services. We are finding it increasingly difficult to recruit to those types of jobs in order to sustain levels of care. That is a major problem for us locally.

**Jamie Halcro Johnston:** Would you say that the service that you are able to deliver at the moment will be sustainable over the next five, 10 or 15 years?

**David Robertson:** I have significant concerns about whether the care services that we are currently delivering in our local area are sustainable, given our population demographic, the cost of care and the ever-increasing demand for it. We will have to look at innovative ways of delivering care through technology at home and those types of things in order to sustain the quality and breadth of what we are currently providing.

**The Convener:** Ross Greer has a brief supplementary.

**Ross Greer:** My question is for Jamie Robertson. As an East Dunbartonshire resident, I totally get why, typically, the visitor levy would not necessarily be on the council's radar. Given the news about Glasgow hosting the Commonwealth games, has any discussion taken place in East Dunbartonshire about the potential merits of a temporary levy, because I imagine that all of our local hotels, bed and breakfasts and other properties will be full for that period?

**The Convener:** Or if Taylor Swift decided to come back to Scotland.

**Ross Greer:** She would be very welcome.

**Jamie Robertson:** That is an interesting question. To the best of my knowledge, that has not happened, but I understand that those developments are moving quickly.

**Ross Greer:** The news about Glasgow hosting the Commonwealth Games came out only two weeks ago.

**The Convener:** Thank you. That concludes questions from members. We are over our time and we have not been able to touch on reserves or climate change or much about economic productivity and economic growth.

I will raise one issue that was alluded to by Michael Marra and John Mason, which is the trade-off between expenditure on welfare as opposed to local authorities. In paragraph 49 of your submission, Katie, you talked about how the benefit budget has increased by £984 million in this financial year and said:

"The opportunity cost of these decisions needs to be considered."

The funding could have gone to

“economic development and employability services which help to create jobs and support people facing barriers to the labour market to progress toward, into and sustain work in fairly paid jobs, thus reducing dependence on the welfare system and also improving health outcomes. This funding could have been used to create more affordable housing supporting people out of poverty, reducing homelessness and improving health and education outcomes.”

Has COSLA done a cost benefit analysis of how that £984 million could have been spent in local services? That is a key point of your submission.

**Councillor Hagmann:** The word “could” is used in that. It is about those difficult decisions and the options going forward.

On the specifics, I can give you a couple of statistics. We said, for example, that if the investment had been put into housing, we could have had other benefits. A Homes for Scotland report suggested that roughly 22,000 new homes were built in Scotland in 2019. That created £800 million of spend on goods, services and materials and accumulated £3.4 billion in direct, indirect and induced gross value added. There was £511 million in developer contributions, including £322 million for the affordable housing contribution and £179 million for the infrastructure contribution. Had the investment been in there—

**The Convener:** You are looking at capital, but the £984 million is resource. It is not going into house construction or anything like that. Of course, the £984 million will, to an extent, have gone towards being spent in local shops. People are not likely to have spent it on cars or overseas holidays. That is why I am looking at whether specific work has been done on the opportunity cost. Maybe Jamie Robertson has some information on that from CIPFA.

We are looking to make recommendations to the Government on where we get the best bang for our buck in tune with the Government’s own priorities, one of which is eradicating child poverty. We look at local government, and you are saying that that money could be better spent on providing local services to support campaigns against poverty and delivering on all the areas that you have talked about—for example, enabling people to get back into work as, ultimately, the best way of reducing poverty is for someone to have a well-paid job, although not everyone in work has a well-paid job.

I am just asking whether you have anything hard and fast on the opportunity cost. It seems to me that you are advocating that, instead of putting additional funding into welfare in the next year—over and above what is currently going into it—that money should be redirected to local government.

**Councillor Hagmann:** We can certainly send you information on that following the committee meeting for your own reading.

At the COSLA conference, we had the excellence awards, in which key examples of best use of funds going through local authorities were highlighted. The overall winner of that was a project in Glasgow that supports mothers whose children have been taken into care and works out how best to support them for their future outcomes. Local authority projects are having huge ramifications and are offering positive outcomes to some of the most vulnerable people in our society. My local authority, Aberdeenshire Council, was given an award as well. We can share examples of such projects being provided by local government that are really making a difference and that affect vulnerable people in our communities.

10:45

**Jamie Robertson:** I do not have any empirical evidence to present to the committee. With social security, there is an instant injection of cash that affects our communities. From a local government perspective, putting that funding into ensuring that the policies on early years, teacher numbers and employability workstreams are fully funded and sustainable will enable the delivery of the shared aims across the piece. I recognise that that is a difficult decision, but it is one that needs to be made.

**The Convener:** Providing that £980 million would provide a substantial number of jobs in local government, would it not?

**Jamie Robertson:** Yes, it would.

**The Convener:** Incidentally, on local government employment, Malcolm Burr mentioned the fact that the number of people that his authority employs has reduced from 1,900 to 1,600. However, the figures that I have show that, between the second quarter of 2018 and the second quarter of 2024, the local authority workforce in Scotland grew from 242,000 to 262,000, although I realise that about half of those jobs are probably in early learning and childcare. Across Scotland, the trend is upwards, not downwards, according to official Scottish Government figures.

Time is against us, so I will give our witnesses an opportunity to say one final thing to the committee about anything that they feel we have not covered and which they think we should incorporate in our report to the Scottish Government on our budget deliberations.

Katie, you went first, so you will have the last word. Which of the three gentlemen would like to go first? If you have nothing to add, you do not have to say anything, but if there is something that you feel we should include in our report, now is

your opportunity to mention it. Malcolm, you seem to be keen to comment.

**Malcolm Burr:** I make a plea for the steady implementation of public service reform. That should be accompanied by a clear timescale and clear milestones, along with the ability to take forward pilot projects on public service reform. In some of our areas, we will really struggle in the immediate future without significant change in that regard.

**David Robertson:** We did not go into the issue of local government reserves and the perception that we are squirreling money away for particular purposes. Reserves are a snapshot at the year end. They are influenced by a variety of factors, including the distribution of Government grants, sale and lease-back arrangements such as those that Glasgow City Council uses for its sporting assets, Covid grants coming out at the year end, service concessions, which have boosted reserve levels significantly on a one-off basis recently, and the reprofiling of loans fund debt. There are good reasons why local government reserves are spiky. Over time, those reserves will reduce significantly as pressures on councils grow, but they can be spent only once.

**The Convener:** Uncommitted reserves make up only about a tenth of the actual reserves. However, uncommitted reserves are equivalent to 3.4 per cent of local government spend, which is still more than twice what the Scottish Government's available reserve is.

**Jamie Robertson:** I was going to make the same point as David Robertson: when we talk about reserves, we should make sure that there is absolute clarity on whether we are talking about usable reserves, unusable reserves, earmarked reserves or unallocated reserves. I recognise the percentage that you quoted, but that percentage accounts for only 12 days' running costs for councils, so it is a small backstop. However, I recognise that, across the piece, the picture looks different.

**The Convener:** In the case of the Scottish Government, we are talking about only a couple of days' worth of running costs.

**Councillor Hagmann:** It is important to say that local government leaders across Scotland are absolutely committed to providing first-class, front-line, essential services to our communities. We are exactly that—an essential service—so it is very important that we continue to engage in dialogue and that we continue to make the case. COSLA will produce a lobbying document ahead of the budget announcements. In the past, I have met all the finance leads, whether in government or in opposition, and I am happy to do so again. If members have any specific questions, please get

in touch and we will share—to the best of our ability—our knowledge and expertise with you all.

**The Convener:** Thank you very much. That has been very helpful to the committee. We will hold our final evidence session in our inquiry on managing Scotland's public finances, a strategic approach, at our next meeting, when we will hear from the Cabinet Secretary for Finance and Local Government.

We will now take a five-minute break to allow for a changeover of witnesses.

10:50

*Meeting suspended.*

10:57

*On resuming—*

## Proposed National Outcomes

**The Convener:** The next item is a round-table discussion on the Scottish Government's proposed national outcomes, which form part of the national performance framework. I welcome to the meeting Allan Faulds, who is a senior policy officer with the Health and Social Care Alliance Scotland; Dr Shoba John, who is head of Obesity Action Scotland; Carmen Martinez, who is policy and engagement lead at the Scottish Women's Budget Group; Adam Boey, who is the business planning and performance manager at Stirling Council; and Sarah Latto, who is a senior policy officer at Volunteer Scotland.

I intend to allow up to 90 minutes for this evidence session. As with the previous panel, if witnesses want to be brought into the discussion at any point, please indicate that to the clerks and I will call you.

I move straight to questions. The first is for Dr Shoba John and it regards the Community Empowerment (Scotland) Act 2015. You said in your submission that Obesity Action Scotland is

"concerned that there is no mention of making any amendments to the Act as it reads currently. The current wording of the Act states that public authorities are required to have regard to the National Outcomes. However, we feel this is weak and needs to be strengthened to ensure the legislation is effective".

Will you expand on that?

**Dr Shoba John (Obesity Action Scotland):** Thank you for inviting us. We appreciate the fact that the Community Empowerment (Scotland) Act 2015 is there as an implementation tool for the framework. We have a concern about the current language in the bill, which suggests that local authorities could consider the national outcomes when making decisions. We would rather see much stronger and clearer language that suggests that they meet the national outcomes in their local interventions.

**The Convener:** Do other witnesses have anything to say about that? Adam Boey, in your submission you say that

"A framework should have structure"

and that

"there is no framework—the circular presentation of national outcomes only suggests that all outcomes are equally important, and that some arbitrary performance measures are being associated to them."

11:00

**Adam Boey (Stirling Council):** Thank you for giving me the opportunity to speak to you today.

What we are doing at Stirling Council is very much focused on outcomes and building the delivery mechanisms to achieve those outcomes through what is called outcomes-based accountability. That methodology, which has been around for a while in different forms, allows us to focus on delivering outcomes every day by building in a direct connection with the programmes and activity that the council officers undertake, and embedding and codifying that connectivity in the council's strategic approach.

For example, with regard to Dr John's observation about the Community Empowerment (Scotland) Act 2015, we have a specific outcome on communities that relates to that act. The council has 10 outcomes and priorities that it needs to achieve within a particular timeframe, one of which is about building thriving communities and embedding the 2015 act in the council's strategic objectives.

As a structure, the NPF is fantastic. It is a national framework that provides a national approach for doing things together, but I think that it lacks a delivery mechanism. It sets out the outcomes for everyone to achieve, but it does not say how that will be done.

**The Convener:** Let us look at the changes that have been proposed. Adam, you said in your submission that you disagree with care being added as a new outcome, because it is

"already covered in 'Health' where social care is specifically mentioned—the articulation of the health outcome is better, in terms of a specific impact or result we want to achieve."

**Adam Boey:** One thing that I have observed in setting strategic priorities in government is that there is a natural journey towards increasing the number of priorities: this is a case in point. In order to focus attention, it should be the other way round—we should be decreasing the number of priorities that any organisation or group has. We already have a focus on health and social care, and that is reflected in my comment in the submission.

**The Convener:** You disagree, Sarah. You said:

"We welcome that this new outcome reflects the need to prioritise social care in Scotland".

**Sarah Latto (Volunteer Scotland):** Absolutely. The new outcome reflects the fact that care has often been a bit of a poor relation to health. It also reflects the fact that the Scottish Government is prioritising care. I come at this from a volunteering perspective. We welcome the priority focus on care more broadly, while recognising that, from a volunteering standpoint, there is a lot more



resource and support for health than there is for care.

**Carmen Martinez (Scottish Women's Budget Group):** I tend to agree with Sarah Latto. I am sorry—I should have thanked the committee for having us here. The Scottish Women's Budget Group agrees with the new national outcome on care for precisely the same reasons. There is usually more focus on health and less on social care. The previous witnesses talked about the challenges with social care in different parts of Scotland; I think that having the new national outcome will definitely help with implementation and will lead to better outcomes for people in Scotland.

In addition, we know that care and the care economy are very important for women. More women tend to be employed in care, so the new outcome would also help to achieve greater equality between women and men in Scotland.

**Allan Faulds (Health and Social Care Alliance Scotland):** Good morning. We strongly support the proposed new national outcome on care, and we disagree quite strongly with the idea that care is already covered sufficiently under health because, as Carmen and Sarah have touched on, care goes far beyond just health and social care. Social care is very important, but the new outcome on care would include, for example, family care.

I made points similar to Carmen's a couple of weeks ago to the committee. Such care is provided overwhelmingly by women, so having more recognition for care is very important—not just in the limited sense of direct provision of social care, but in the broader sense of how care impacts on all aspects of our society. As we said in our submission, we are very pleased to see an outcome on care being included in the proposals.

**John Mason:** I want to come back to what Carmen and Allan said. I think that a lot of us are in agreement that a care outcome is a good thing to add, but is there a danger of having too many outcomes? Are we aiming at too many things? Should we drop something else?

**Carmen Martinez:** I read the papers for today, and I saw that that was part of the conversation two weeks ago. Will having fewer outcomes help, or will they become too blurry or too top line to achieve what we want to achieve for people? I do not think that there is an issue with having 12 national outcomes. That is fewer than the number of sustainable development goals, and it will give us a pathway to work towards achieving those.

**Sarah Latto:** There are 17 sustainable development goals and we are looking for greater alignment with them, so I completely agree with Carmen that greater clarity with more outcomes

will ensure that more issues are given the attention that they need. That relates to the fact that care was previously lumped in with health but, actually, care is much more broad than just health. It speaks to that point.

**The Convener:** Allan Faulds, you say in your submission that you feel that inequality has not been consistently considered across the national outcomes.

**Allan Faulds:** Yes. It is more about threading inequality appropriately through all the outcomes. We said that we were quite pleased to see that, for example, social security will be given explicit recognition as a route out of poverty, which is obviously very important in addressing inequalities.

A point that we have often made, not just on this front but in a range of areas, is about our not necessarily properly threading human rights through everything that we do. We talk quite a big game on human rights in Scotland, but we often view them as a separate high-level thing rather than as being about the fact that people have a right to food, a right to housing and a right to health. We are not necessarily embedding a human rights-based approach throughout all the outcomes; therefore, we are not necessarily tackling inequalities as best we could.

One of the other—I have lost my train of thought. I apologise. This is my first evidence session after six days off, so my brain is not working.

**The Convener:** Okay, thank you. Carmen Martinez, you have talked about how the national outcomes need to drive spending and/or decision making in relation to equality.

**Carmen Martinez:** Yes. The fact that we need better alignment between policy objectives and budgets is a recurring point that the Scottish Women's Budget Group makes. When budgets become a constraint, we need better analysis to see how resources can be spent in the best way or how we can avoid increasing inequalities.

We tend to agree with Allan Faulds. Engender's submission said that it would have liked decreasing inequalities to be part of the national performance framework's purpose. I want to take the opportunity to say that we agree with that, as well.

**The Convener:** Adam Boey, although people might not necessarily agree with Stirling Council with regard to care, you seem to be on the same page with regard to inequality. You have said there is not enough in the NPF on inequality.

**Adam Boey:** I would echo that. Health inequalities are very much part of what we are

trying to understand in Stirling and across the local government landscape.

On care, in the Clackmannanshire and Stirling health and social care partnership, we are focusing on early intervention and prevention, which absolutely includes carers as part of that landscape. I acknowledge that, in this country, caring and unpaid carers are an underrecognised support mechanism for Government.

**Michael Marra:** There seems to be a bit of divergence in the evidence that has been presented to us on the removal of economic growth and productivity from the core purpose of the NPF. I would like to start by hearing some reflections on that, and will perhaps then come back in with other questions on it, if that is okay.

**The Convener:** I understand that the word “innovative”, specifically, has been removed.

**Carmen Martinez:** We are one of the organisations that have said that they are happy with the new purpose, which does not mention the economy. That is the case for three reasons. First, economic growth sometimes does not translate to income distribution, which can have an impact on inequalities, or it does not help to reduce poverty.

Secondly, a focus on economic growth does not take into consideration impacts on the environment such as pollution and so on, which can impact on the wellbeing of citizens.

Thirdly, unpaid work, which is usually carried out by women, is not taken into consideration in any accounting mechanisms.

We think that removing reference to “economic growth” from the purpose and focusing on the wellbeing of citizens could also support the economy. We do not place importance on the economy; we place it only on the citizens.

**Sarah Latto:** I very much agree with Carmen. We are in favour of the new purpose, as well. Volunteer Scotland is a member of the Wellbeing Economy Alliance Scotland, and we strongly believe that wellbeing should be the totem pole around which we hang all policy.

We suggested that a useful amendment that could be made to the purpose would be for it to have a focus on collective responsibility. That relates to the point about the purpose of the national performance framework. We think that it would be useful for the purpose to recognise that this is about everyone having a collective shared vision for the future of Scotland.

**Allan Faulds:** We support the change in focus, as well. Again, that touches on a point that we made in our pre-budget scrutiny evidence the other week about a move away from having a narrow focus on the economy and economic

growth. It often feels as though economic growth is being advocated for its own sake rather than for a purpose.

We might come on to this issue a bit later, but there seems to be an interesting mismatch. The other week, we complained about the fact that the focus on wellbeing appears to have got a bit lost with the change in First Minister. There has been a move away from having a cabinet secretary whose portfolio included the wellbeing economy to a more traditional view of the economy. However, in this case, we are praising the Scottish Government for having a focus on the wellbeing economy. That emphasises the fact that there is a disconnect. Why is the Government moving away from a wellbeing economy in one area, having previously moved further in that direction, while moving further towards a wellbeing economy in a different area?

If we are serious about taking an approach that is focused on more traditional economic growth, surely we should do that in every area, which would include the purpose of the national performance framework. Alternatively, if we are serious about having a wellbeing economy, we should do that in every area—in other words, not just in the framing of the NPF, but in the Scottish Government’s framing of its and the First Minister’s priorities. There almost seems to be a disconnect, whereby different parts of Government are going in different directions, which is slightly confusing.

**The Convener:** Why would any Government want economic growth for its own sake? Is the purpose of economic growth not to generate wealth to invest and spend on services?

**Allan Faulds:** That is what people would generally present economic growth as being for. That would be people’s perception, but on the ground it does not necessarily feel as though that is the impact of economic growth. Often, that growth is distributed very unevenly. Over the past 15 years—for my entire adult life—we have not had much in the way of economic growth that has been felt by ordinary people on the ground, yet in our society, in Scotland, the wider UK and the wider world, the wealthiest have gotten even wealthier over that time. The reason why we are resistant to talking about economic growth in and of itself is that it often feels as though that growth is concentrated among those who already have the most, rather than those who have the least.

**The Convener:** Growth and distribution are not necessarily the same thing.

**Michael Marra:** Allan Faulds has touched on a point that I want to explore, which is the divergence in the Government’s position. We are told that economic growth is one of the

Government's and the First Minister's key priorities, yet, at the same time, reference to economic growth has been removed from the document that we have in front of us.

I wonder whether that relates to some of the other issues that have been raised in evidence. The ALLIANCE's submission says that there is an implementation gap between the policy objectives and reality. When the Government is pulling in one direction and the rhetoric is going in another, that makes me wonder what the purpose is. What Adam Boey described was a form of organisational discipline for the bureaucracy, so that it can drive towards a purpose, but if there is a mismatch between those two forms of language, is that not a core problem? Should there not be coherence across those areas?

**The Convener:** Before I bring in Allan Faulds, I will let in Shoba John, who has been waiting for a while now.

11:15

**Dr John:** I would look at that question from the point of view of the proposed wellbeing economy and fair work outcome. Wellbeing is mentioned several times in the framework, but it is not backed by the indicators. I also point out that the Scottish Government has developed the wellbeing economy monitor, which has very good measures for, among other things, preventable deaths, poverty and inequality. That needs to be incorporated into the national performance framework.

We also have a particular concern about the framing of the proposed wellbeing economy and fair work outcome. With the addition of industry and businesses to that, I should say that we feel that several businesses and the business interest itself could be contributing to ill health, which works against the principle of the wellbeing of the community and the country as a whole.

**Allan Faulds:** To go back to some of Michael Marra's points, that brings us back to what witnesses were saying on this topic a couple of weeks ago when they highlighted the fact that the programme for government 2024-25 did not include any reference to the national performance framework. There is absolutely no mention of the framework or the national outcomes in it. Obviously, we have had a change of First Minister and there have been changes in Government; I think that the previous First Minister had three missions, and now there are four priorities.

At issue is not just the loss of the national performance framework from the programme for government. The NPF is also usually included in the budget, with the suggestion that it is supposed to be an overall guiding framework. However, if it

is not being followed by every part of Government, starting from the First Minister in setting the programme for government, is it meaningfully informing the decisions that the Government is taking?

I go back to Shoba John's very early point. If the Community Empowerment (Scotland) Act 2015 is saying, "You should think about the national performance framework" instead of "You should be designing services or working on the basis that following the national performance framework is a duty", it feels quite weak. I think that that was one of the points that we made in relation to the implementation gap—and not just on this front; indeed, I think that the committee has probably heard that term so many times now that it is sick of it. Many very good policies in Scotland are not necessarily given the teeth or the resourcing to bed in and make change on the ground, and we often find ourselves asking, "This is a really great policy, but where is it in the Government's day-to-day actions?"

**The Convener:** That is coming through quite a lot in the submissions. I call John Mason.

**John Mason:** My question is exactly on that point. We have been talking about the national performance framework for a long time, but it frustrates me that many of us do not stand up and mention it in the chamber very much.

I suppose that these questions are specifically for Allan Faulds. Do you have any suggestions to offer? First of all, does the framework matter? If it lies underneath everything, do we need to talk about it? Secondly, if we do need to talk about it, how can we raise its profile more?

**Allan Faulds:** There is definitely a case to argue that the Government, if this is its framework, should at every opportunity—and at least in its formal strategy documents—be saying clearly, "We have this framework. This is how this strategy, this programme for government and this budget aligns with it." As I have said, the budget usually does so. That does not necessarily then lead to the First Minister having to stand up in the chamber and saying what the Government is doing under this or that heading and outcome. I do not think that it need happen at that level, but we would want clear demonstration that the Government is using the framework. As you have said, the framework could be underlying everything, but if the Government is not saying so, it might not be. How do we know that it is being applied if the Government is not saying explicitly in the programme for government how the programme will meet the national outcomes?

**John Mason:** As a supplementary to that, are you—is anyone else—aware of the situation in other countries? There seems to be the

suggestion that the issue is talked about more in Wales or elsewhere. Why is that the case?

**Allan Faulds:** That is not something that I can personally speak to at this point.

**The Convener:** I call Adam Boey, to be followed by Sarah Latto.

**Adam Boey:** My job at Stirling Council is to ensure that it adopts the right performance management arrangements, both to meet its legislative responsibility and for its organisational operations, and I have done that by, in some ways, creating a layered approach. The first layer is the strategic layer. We have, as I have mentioned, 10 council priorities, and we have built that as the first layer that everyone sees and reports to with regard to performance. The second layer is operational, and the third is the LGBF.

With such an approach, we tie in the different layers for everyone in the organisation and help them to understand the resolution, which I think is really important. That not only creates structure, as I have talked about before, but it enforces the need for us as officers, councillors and members, and, indeed, for the public to continue that conversation about what we are delivering regularly in all three layers.

**The Convener:** I see that you have suggested in your consultation response that there should be

“Hierarchical ownership and accountability for each national outcome”

and

“A single theory of change delivery model for each national outcome”.

Can you talk about that a wee bit before I let in Sarah Latto?

**Adam Boey:** As I have mentioned, we have 10 priorities, which are outcomes-based, and that is how all our performance reporting to committees and our members is structured. First, we report on progress towards delivery of the 10 priorities, and then, as I have said, the other layers come into effect. Such an approach forces everyone to ask how delivery is going, and the issue is always on the agenda.

As for accountability, each of the 10 priorities is owned by a senior responsible officer, who has to speak to members and the public about the delivery of their priority. That accountability is really important. Underneath that, each of the priority owners has a delivery team, which includes me and other service-level experts, and those teams advise on how to deliver and manage performance. In other words, it is not just about looking backwards to report on performance but about managing performance going forward.

That is a key principle that I am trying to share with all my colleagues. Performance reporting is about looking back, while performance management is about looking forward. We are trying to manage performance, to look at the results that we are getting and to make decisions based on them—turning the curve, if you like.

**Sarah Latto:** That brings us back to the core purpose of the national performance framework being, as we have suggested, collective responsibility. What we mean by that is that we need to recognise the importance of not only accountability but scrutiny. There is a role for Government in that, but equally there is a role for elected representatives in referring back to the national performance framework and the national outcomes on a fairly regular basis in order to hold the Government to account.

We, too, were frustrated that the programme for government made no reference to the national outcomes. Volunteer Scotland is the national centre for volunteering and the lead implementation partner for the volunteering action plan. The action plan led on from the volunteering for all outcomes framework, which was developed in 2019 and mapped to the national outcomes. The action plan basically drives all of our work as a publicly funded body, and we are now in the process of developing the monitoring and evaluation framework for that, which again refers back to the outcomes that were developed in 2019 and mapped to the national outcomes. That, for us, is an example of how the national outcomes should work. Even though we made that connection back in 2019, it is still leading and informing our implementation of the volunteering action plan.

I suppose that the same goes for procurement, too. When organisations such as ours are procured to deliver or support public services, the national outcomes should be their primary concern—that is, all such public activities should tie into the national outcomes. That should be their purpose, and it brings me back again to our point about collective responsibility.

We have been quite involved in the Social Justice and Social Security Committee’s on-going inquiry into third sector funding. Obviously, there is a lot of frustration about that issue, but one thing that has come out really loud and clear and frequently throughout the inquiry is that the third sector does not shy away from accountability. The third sector is probably one of the most scrutinised parts of public service delivery that you will find in Scotland, but it is receiving less and less resource. Therefore, we think that the national outcomes provide a really useful framework not only for accountability but for scrutiny.

**Dr John:** We see the national performance framework as being very useful for holding the scope to help local authorities in their decision making. That is particularly the case for planning departments. Say that they are looking at development proposals for new junk food outlets, Right now, local authorities have levers on factors such as contribution to noise levels or to litter. However, authorities need strong levers, such as being able to consider obesity levels in the local area, the density of food and drink outlets in the area—the clustering of them—or the proximity of the proposed outlets to places where children and young people gather. The scope for some of those local levers to be included in the national outcomes, particularly the communities national outcome, is currently not reflected, and we would strongly call for their inclusion. Therefore, we see the framework as holding the scope to enable local authorities, through local levers, to implement the plans in a way that contributes towards wellbeing.

**The Convener:** One area that I think is important, which Carmen Martinez highlighted, is how outcomes should drive spending and decision making. Will you expand on that a wee bit? I will then see what others have to say on that.

**Carmen Martinez:** As Allan Faulds mentioned, we should hear more about the national outcomes when people are debating policy. Budgets underpin some of those policies and are key for their implementation as well. Having the national outcomes underpinned by strong indicators that also make reference to budgets would be important to measure the progress towards achieving the outcomes. Budgets are part of the policy-making process in order to deliver services and to ensure that policies are implemented. Budgets are a key part of that.

We need to get better not at making the case for but at reflecting the relationship between those policy objectives and how the budgets are backing up those policy objectives.

**The Convener:** Allan Faulds, how do you think that the NPF should drive spending decisions?

**Allan Faulds:** We hope that there is more of a human rights thread throughout the outcomes—and there is a fair bit of that with the proposed inclusion of outcomes on health, education, housing, and equality and human rights.

Similar to points that we at the ALLIANCE often make about human rights budgeting and the importance of ensuring that those considerations are central to budgetary decisions, I suppose that the national outcomes could be one way of embedding a more human rights approach in our budget setting. That would involve ensuring that, when decisions are being taken, including in-year

spending decisions, those should be justified on the basis of the national outcomes. Therefore, if Government takes a decision to increase spending in a certain area and to cut spending in another, that should be in line with the national outcome on X, Y or Z. You should be able to use the outcomes as guidelines for your reasons for spending. If Government finds itself making a spending decision but it cannot find a national outcome that the spend relates to, there is then a question of whether it should be taking a decision that does not relate to one of the core outcomes that it has committed to.

**John Mason:** I will follow on from that. In your consultation response, Allan Faulds, you talk about how delivery against the NPF

“is reliant on the government dedicating sufficient resources to doing so.”

Are you arguing that there would have to be more resources in order to do that, or do you think that the present resources, given that we are quite constrained, could be better used to fit in with the national performance framework?

**Allan Faulds:** It is a mix of both. I do not want to go back over ground on the pre-budget scrutiny from the other week, but we think that there are opportunities to improve and increase the revenues that are available, particularly for local government. My favourite line is that I was only a year old—I am 34 now—when they brought in the council tax valuations, and we are still using them. A significant reform to local government financing could free up and increase the amount of resource that local government has, and make that resource more sustainable and predictable over the longer term. Therefore, that could improve the delivery of services. Although that would, I hope, result in increased revenues in the short term, that stability over the longer term would probably improve planning. I am not saying that there would need to be an increase in the level of taxation every year.

11:30

On the back of some points that Lewis Ryder-Jones from Oxfam Scotland made previously, there are probably still things that we could do regarding how our income tax system is structured—perhaps with less tinkering compared with what the UK does. Do we take a more comprehensive review of how to build a distinctly Scottish system that is not constrained by just adding 1 or 2 per cent to the Scottish level? There is a mix.

If we are honest, there are lots of areas—particularly social care—that we think need much more resource, and we recognise that things are constrained. However, if the Government has

committed to providing services on a human rights basis, it is also committed to identifying the resource to do so. Saying that we do not have enough is not good enough, and the question then becomes how to identify that additional resource. It is incumbent on the Government to say that, even if it does not have enough money, it has a duty to find that revenue.

**Sarah Latto:** I absolutely agree with what Allan Faulds has said. It is really important that spending should be aligned with the national performance framework. Otherwise, what is the point? To build on that, it is also about scrutiny when spending has taken place. What has been the return on investment? That is incredibly important.

I go back to the Social Justice and Social Security Committee's inquiry into third sector funding. One thing that has been raised is that there appears to be a bit of a disconnect in spending decisions, particularly in the third sector, and in the impact that third sector bodies are making. For us, it is a matter of recognising that there is a feedback loop when spending decisions are made and services are procured. It is then a matter of thinking about the impact of that spending and, where there has been a really positive impact—which we can see with a lot of third sector organisations—it is about how we ensure that the service has increased funding or has been rolled out. We learn from that as the service is rolled out in different places.

However, the reality is that many organisations in the third sector have experienced a 20 to 30 per cent real-time decrease in funding over the past 10 years, despite the fact that the third sector has been lauded, particularly during the pandemic, for having had a considerable social impact and having contributed to a lot of the national outcomes.

For us, it is about spend and follow-up. Has there been a return on investment? If there has not been a return on investment, what is the follow-through?

**Carmen Martinez:** The proposed national outcome on care is a concrete example of how we could see the national outcomes supporting or driving spending. We would hope that that national outcome will drive spending and that there will be less news in March or April when local authorities are passing their budgets and we suddenly start seeing headlines about the number of cuts affecting social care services across local authorities. That would be a mechanism for scrutinising whether budgets are working towards supporting the national outcomes and, concretely, the one on care.

**Adam Boey:** One thing that occurs to me about spending is that we probably do not know how much it costs to achieve outcomes. We have tried to address that in local government, and I go back to the methodology that is used in Stirling, which is outcomes-based accountability.

Outcomes-based accountability allows us to draw upon a couple of tools. One is the development of a theory-of-change model or logic model. A logic model is a conceptual understanding about what actions we need to take to achieve outcomes. In Stirling, we have used that to structure our delivery mechanism so that we understand specifically what actions contribute towards the achievement of our outcomes. The second maturation of that process is to account for and cost all those activities, so that we know how much those outcomes cost the council to deliver.

**Michael Marra:** I am thinking about the framework as a decision-making tool. Is it not the case that, in the absence of economic growth, there will be fewer resources as demand grows? If we do not grow the amount of finance that is available to the public sector through economic growth, we will have less available because of climate change, technological change, demographic change and increasing pressure on our public services. Does the framework therefore not become a tool to prioritise cuts? Rather than saying what works, it becomes a question of what does not work. Is it an effective tool to determine what does not work?

**Dr John:** We have been discussing spending, and we propose looking at where the money comes from. The commercial drivers of health risks—tobacco, alcohol and unhealthy food, for instance—hold within themselves the potential for a health supplement that generates revenue to not only address the prevention of non-communicable diseases but supply healthy food and other care services, particularly in deprived communities. There is a solution within the problem. With Scotland's devolved powers, we are able to have a health supplement. I wanted to respond by talking about the other side of spending, and about where the resources could come from. We have available potential that is within our means.

**Allan Faulds:** I will push back slightly on how the question was framed. It seemed to start with the member saying that we do not have economic growth. Perhaps this relates to some of the earlier discussion that we had about a shift in focus towards a wellbeing economy rather than simple economic growth. I do not think that anyone is suggesting that we should not have economic growth—the ALLIANCE certainly is not suggesting that. I do not want to be a bore by quoting the wellbeing economy and fair work outcome, but it says:

“We have a competitive entrepreneurial economy that is fair, green and growing, with thriving businesses and industry, and fair work for everyone.”

That encompasses the balance that we would like to have. We should have economic growth—which is important—and part of that growth means having a green economy and fair work.

We very much are not saying that there should be no economic growth and that we should then use the framework to prioritise cuts. Although I spoke earlier about whether the framework could be used to justify not spending on a particular area if it was not within the outcomes, I would be concerned if the Scottish Government were to end up using the framework as almost a defence for cuts. I find it hard to see how it could do so in a meaningful and rights-based way. There are outcomes on education and health and care, and there is no hierarchy—no one thing is above another—so I do not know how the framework could be used to guide cuts, because we would say, “Well, no, we need to provide both those things.”

To come back to my answer to John Mason’s question, if we are trying to achieve those things and do not currently have enough resource, we need to consider what we do to get the resource. That could be through reforms to revenue, but it could also be in how we approach fair economic growth.

**Sarah Latto:** My point—which Allan Faulds has kind of stolen—is that it is about sustainable economic growth and ensuring that when there is economic growth it generates public money that can be spent on public services. That is most important.

In the programme for government, the First Minister called these “unprecedented times”. At the moment, there is considerable inflation and a considerable squeeze on the public purse, but rather than suggest that the national performance framework be used to inform what is cut, it would be incredibly useful if it were about prioritisation. It is most important to ensure that we prioritise services that are ultimately working towards national outcomes.

I have said this before but, in relation to third sector finances, there is very good and strong evidence that the third sector consistently supports the delivery of public services and that there is a strong return on investment, yet we are not necessarily seeing the same investment in the third sector from the public sector. How that decision has been made is a bit baffling for some in the third sector. It makes us ask ourselves why we are working so hard to deliver such great outcomes when we are not getting the investment. We keep doing it because we are supporting people who need those services most.

**The Convener:** Surely, if we prioritise based on the national outcomes, that suggests that funding in other areas will be reduced. Is that analysis correct when it comes to having a fixed or fairly limited budget?

**Sarah Latto:** That is the reality. Decisions have to be made, and we have heard multiple ministers talk about having to make difficult decisions. However, it is about prioritising the things that will have the largest impact.

**John Mason:** My question is on that point. Does the national performance framework help us in that regard? Allan Faulds has just said that it does not help us to prioritise cuts, because there is no hierarchy in it. Is the same not true of spending? It does not really help us to prioritise spending, because there is no hierarchy.

I have mentioned dualling the A9 and building houses. If you are choosing between the two, the national performance framework does not help us, because both can fit somewhere in the national performance framework, can they not?

**Sarah Latto:** The flaw with the national performance framework is that there is no implementation plan. We have quite high-level national outcomes, which are useful in providing a steer, but the fact that we do not have an implementation plan that is tied to the national outcomes makes prioritisation very difficult.

That goes back to the fact that we have a programme for government that is not explicitly aligned to the national outcomes, which makes it quite difficult to see the connection between decisions that the Government has made for the current year and the national outcomes as they stand.

**Adam Boey:** I agree with Sarah Latto: an implementation plan is key. There is no use in having performance information if you cannot or do not act on it. As I said, performance reporting looks backwards. We need to embrace performance management, which looks forwards. We need to use the data and make new decisions that are based on that data and on what we are seeing.

**Carmen Martinez:** I go back to the purpose of the framework, which is to achieve wellbeing for people in Scotland now and in the future. If we think about that in terms of budget constraints, cuts and all those things, that is not very exciting, because the framework should push us to achieve more. We could think about what the risks are for wellbeing. The national outcomes are not prioritised, but if we do not achieve improved wellbeing or we go backwards, what is the cost of that to our economy? If people get sicker, how will that impact on levels of unpaid care? If people are unable to participate in the workforce due to a lack

of social infrastructure, how will that impact on the labour market, for example, and on the economy?

The Organisation for Economic Co-operation and Development has been doing quite a lot of work on gender equality and closing gender gaps to help to close fiscal gaps. Canada, for example, has improved accessibility and affordability of childcare to bring more women into the labour market, which supports growth. We should look at that, but it is up to us how we do that and the perspective that we take. However, not increasing wellbeing could have costs, adding to budget pressures.

**Allan Faulds:** I emphasise that the ALLIANCE does not have a position on dualling the A9, but that has been given as an example, so I will use it as a thought experiment. Dualling the A9 and housing could both be said to fit the national outcomes and the national performance framework, but could the framework be used to prioritise between the two policies?

If you are talking about a significant road dualling project, you might query whether that is in line with a green and growing economy and with the national outcome on the environment, including protecting the environment. You might also question whether it is in line with the international outcome, which recognises that we are connected globally—anything that we do in this country that might have a climate impact has an international impact.

I have noted three national outcomes that are relevant. I reiterate that this is a thought experiment; I am not taking a position here. You might say that, if you are prioritising spending, A9 dualling does not necessarily meet those outcomes. However, if you are talking about housing—people living in safe quality housing and having connected communities—you could argue that housing matches more of the national outcomes and does not have any negatives, if that makes sense.

11:45

In that case, you could probably say that, with regard to capital spending, if the choice on the table was between a road-building project or a housing project—I am not saying that that is the choice on the table—you would do the housing project, because it would be more in line with the national outcomes.

As I said, that is a thought experiment. That is my reading of the outcomes and I am not taking a position. I just spoke about that because it was the example that was given.

**The Convener:** Your neutrality is noted, Allan.

I want to move on to the United Nations sustainable development goals. In its review document, the Scottish Government reports that it heard from stakeholders that alignment with those UN goals could be improved. Carmen, in your submission, you say that

“in some respects, the proposed National Outcomes are less ambitious than the UN SDGs. For example, SDG1 seeks to achieve ‘no poverty’ by 2030, as opposed to ‘reduce poverty’ (National Outcome).”

You also reiterate concerns about

“the lack of focus on Gender Equality”

in the national outcomes.

**Carmen Martinez:** We mentioned that there are differences in the national outcomes, some of which might be due to the specific context in Scotland. For example, there is a national outcome on housing, which might be due to different council areas declaring a housing emergency. However, we noted that there is what seems to be a lack of ambition, as demonstrated by the difference between the UN sustainable development goal to achieve no poverty and the Scottish national outcome, which is to reduce poverty. In this case, semantics are important.

Another issue is that the sustainable development goals include a goal to reduce inequalities—to go back to Allan Fauld’s point—a goal related to gender equality and a goal related to peace, justice and strong institutions, but those three sustainable development goals have been amalgamated in the national outcome on equality and human rights. That is why we say that the national outcomes are less ambitious than the sustainable development goals. Alongside other women’s organisations in Scotland, we would have liked to see a dedicated outcome on gender equality, which would potentially increase policy coherence across Scottish Government strategies.

Also, when we talk about eradicating child poverty and about the care economy, we are, in essence, talking about women. More than 80 per cent of care industry jobs are held by women. It is usually women who work part time after having children and fill in all those gaps. We want to make the point that that has an impact on financial equality for women. Angela O’Hagan also made a point about the lack of focus on gender equality. She said that we can see further

“evaporation of gender in the framing of equalities”,

so having something specific about gender would have been welcome.

**The Convener:** I am happy for people to come in on any issue with regard to the UN sustainable development goals, but we have kicked off with the lack of ambition and the focus on gender inequality.



**Allan Faulds:** I also want to come in on the point about the goal to achieve no poverty. In our response, we noted the exact same issue of the difference in ambition of the sustainable development goals and the national outcomes, with the SDG being to have “no poverty”. I go back to some of the points that we discussed earlier about the slight misalignment between different things across the Government.

One of the First Minister’s four priorities is to eradicate child poverty, which is a much more ambitious statement than an aim to simply reduce child poverty. Everyone in this room, regardless of party or organisation, would want to get down to no poverty. However, another point that we made in our response is that there might be recognition of the Government being realistic in its ambitions. One thing that we have been thinking about more recently is that we often talk about the powers of this Parliament and the Government as being almost unlimited, which is obviously not quite the case—

**The Convener:** Not quite.

**Allan Faulds:** I do not want to open that can of worms, but it is a simple fact that devolution is, by its nature, limited. People will have different views on whether the limitations are good or bad. However, those powers are limited, and we risk undermining trust in the Parliament, the Government and devolution itself if we say that this Parliament can eradicate poverty—that it can get poverty down to zero. It cannot, because many of the levers to achieve that, in particular around social security—we made this point explicitly in our response—are held at UK Government level. It is about the two Governments working together to achieve those things. By definition, the Scottish Government’s national performance framework cannot bind the UK Government.

Yes, we would like to see more ambition, but perhaps we sometimes need less ambition and more recognition of the genuine limitations of devolution, rather than overpromising and then perpetuating the implementation gap that we have highlighted at various points.

**The Convener:** No one has suggested that they want to come in. Sarah, I volunteer you at this point, because you talked about how

“Volunteering is also recognised by the UN as a key driver in global delivery of the Sustainable Development Goals.”

**Sarah Latto:** Absolutely. The UN recognises the important role that volunteers play in the delivery of services, and that is reflected in the fact that we think that there should be a specific stand-alone indicator that looks at volunteer participation, in particular given the challenges that we have seen around volunteer participation in the past four or five years.

With regard to the relationship between two of the sustainable development goals, I agree with Carmen Martinez and Allan Faulds that there could be more ambition. Equally, it is important to recognise that we are talking about Scotland’s national outcomes and performance framework, and it is important that it reflects specific issues in Scotland. Social care has been identified as a particular challenge in Scotland and the UK more widely. In my previous role, I worked for Shelter Scotland, so I am also acutely aware of the challenges around housing. Speaking not necessarily from a Volunteer Scotland perspective but personally, I recognise the importance of housing being in the framework.

It is important to concentrate on the outcomes and whether they align with the sustainable development goals. However, it is more important to consider the indicators that sit below that. I am quite disappointed that, for a start, in the consultation, there were no specific questions about indicators. Volunteer Scotland took the opportunity, in our response, to talk specifically about indicators, recognising that there is no commitment to consult more widely again around specific indicators. That could be a real barrier and a challenge, and it could potentially exclude a lot of organisations and important stakeholders and prevent them from suggesting what would be a good measure of the national performance framework.

**The Convener:** I come to Adam Boey. Sarah Latto touched on consultation. You were not very enamoured with the consultation, were you?

**Adam Boey:** Yes—the conversation about indicators is interesting, because most people have a view about what should be measured. I come from a science background, so I suppose that what should be measured depends on what you are doing. That is an interesting side question.

On consultation, if the framework is going to be a collective thing, we need to involve the whole country in different ways that meet everyone’s needs. That should be not simply through a survey, for example, but through a lot of face-to-face engagement and community involvement, and a lot of engagement with different sectors. It is important to get everyone involved, and I do not see that there has been investment in that area.

**The Convener:** I will bring in Shoba John.

**Dr John:** We wanted to home in on the sustainable development goals in particular. We find that there is, overall, alignment between the national outcomes and the SDGs, but one area in which we could do better in the national outcomes pertains to SDG 17, which is popularly referred to as the partnership goal. It requires Governments to also address conflicts of interest.

From the discussions that we have had here about economic growth versus wellbeing, we can see that tensions arise when we try to implement the national outcomes. That is accentuated at the local level in particular, when local authorities have to take decisions and there are multiple stakeholders with diverse viewpoints and interests. National outcomes need to reflect that in recognising the conflicts of interest that may arise in the implementation, and by providing guidance and tools for local authorities to address that in their decision making.

**Michael Marra:** There is a tension between the powers, the capabilities and the long-term stretch targets on eradicating poverty. We have universal agreement about that goal, but I worry that some of the statements undermine the credibility of institutions and lose the public's trust.

Kids in Scotland are a year behind those in the rest of the UK in mathematics education. Would closing that gap not be a better goal? Would it not be more practical to say that we, as a set of institutions and a group of people, should do that? Would that not help us to achieve the other ends on eradicating poverty? Would it not be more intelligible to the public for us to be clearer about something that is doable and clearly within the Parliament's responsibilities? Education has been fully devolved for the past 25 years, so there is no good reason why kids in Scotland should be a year behind those in the rest of the UK in maths education, is there?

**Sarah Latto:** That is an interesting point. Adam Boey talked about theories of change. There are very high-level outcomes, and there is no organisation in the third sector that is not familiar with outcomes-based reporting and delivery. However, from the perspective of a theory of change, there tends to be short-term, medium-term and long-term outcomes. The national outcomes are clearly long-term outcomes, but what you have suggested would be particularly useful as a medium-term or short-term outcome.

**Michael Marra:** I hope so.

**Sarah Latto:** That takes us back to the point about the implementation plan. An implementation plan with clearer, more bite-sized milestones to work towards would make the national outcomes more tangible and much easier for organisations such as Volunteer Scotland and individuals such as me, as a policy officer, to interact with. I agree that high-level outcomes can feel distant and difficult to achieve. You find meaning only once you start breaking them down into more tangible ones.

**The Convener:** To be fair, the proposed new education and learning outcome is a bit woolly. It says:

"We are well educated, have access to high quality learning throughout our lives and are able to contribute to society".

That is a bit difficult to measure.

**Allan Faulds:** The phrase "a bit difficult to measure" is useful, because we do not yet have the indicators that will be used to measure the outcomes. Obviously, we have the indicators for the current set of goals.

Sarah Latto said that Michael Marra's suggestion is a good example of a specific short-term goal that we should achieve. We should have already achieved it because, obviously, it is not great to be in the position that he outlined. However, the national outcomes are a longer-term framework for aspirations as a society. As a society, our aspirations on education should be broader than just closing that gap, which would be an important specific target to meet in the short term while trying to achieve overarching goals.

**Adam Boey:** There is no doubt that we need aspiration. That brings people along with us, but we need to be realistic. We have been talking about the different layers down from the national outcomes. There needs to be something in between that fills the gap and allows all stakeholders to do the stuff that will allow us to achieve our aspirations, have quick wins and show progress. That is important. That is the pragmatism and the reality of the doing.

**The Convener:** Allan Faulds, human rights are important to the ALLIANCE. Will you expand on your view on the proposed new national outcome for equality and human rights?

**Allan Faulds:** We are very pleased to see that focus on equality and human rights and the recognition that those two things go hand in hand. One of the points that we have made—I kind of made it a moment ago—is that what we can say on the proposed functioning of that outcome is a little bit stunted by the fact that we do not yet know what the indicators will be.

We have been a bit dubious about the indicators under the human rights outcome in the current framework. They are more focused on civil and political rights, not on people's social, economic and cultural rights. There is a bit of a mismatch. There is nothing about, for example, discrimination. One indicator could be whether people experience discrimination in their lives, because that is important to equality.

In the next stage, when the Government considers what indicators to use, we want to see a bit more teeth to what those indicators measure so that we can get a sense of what we mean by human rights. That should run throughout the entire framework.

12:00

Adam Boey made a point earlier about how it is often difficult to identify how much spend you might need for something. If a national outcome on care was added, one of the indicators could be to identify unmet need. We know that there is a huge amount of unmet need in relation to social care, and we know that the provision of good-quality social care helps people to realise their human rights, such as their equal participation in society and, particularly for disabled people, their right to independent living. If there was an indicator that allowed us to identify unmet need, that would provide more data for us to understand the resources that we needed and where we needed to put them to deliver the national outcome on care, which would then deliver on people's human rights.

There are opportunities, but, as I said, because we do not yet have the indicators for the outcomes, we are a bit limited in what we can say about how good or bad the human rights indicators will be.

**The Convener:** Sarah Latto, you were nodding away there.

**Sarah Latto:** The point about indicators is really important. Under the communities outcome, there is a composite indicator for social capital, which has several different measures, including volunteer participation. However, it is quite opaque; it is not particularly clear. Basically, four different measures are put into a calculator somewhere and it spits out a quite meaningless number, which makes it difficult to fully understand the challenge that we face in community wellbeing.

We also see another challenge. Under the communities outcome, we see the number of community asset transfers as an outcome of good community wellbeing, but when we speak with volunteers on the ground, we find that a lot of them are feeling a huge amount of strain. The increased pressure that is being placed on volunteers is one of the reasons why volunteer participation is in decline, and the Government is reliant, for quite a number of its priorities, on the efforts of volunteers on the ground as well as community empowerment, local democracy and that type of thing.

The point that I am making is that indicators are important in providing a holistic picture and, without volunteer participation being a separate indicator, we are not getting the full picture. The number of community asset transfers looks great, because it has increased, but if there is not a similar increase in the number of volunteers, there is a tension that will snap at some point.

That goes back to the point that I made earlier about the lack of transparency around the development of the indicators. The Scottish Government's chief statistician, I think, will pull together the indicators, so it strikes me that the Government is not only marking its own homework but setting the questions. It is creating indicators that match up with its priorities and, although I am not suggesting that this is the case, there is the potential for it to choose indicators that match up with things that are progressing well. It is important to have oversight of the indicators, given how important they are.

**The Convener:** Incidentally, being here is like being at an auction—if you twitch, you will get called to speak.

In your submission, you made the quite stark point that, in the years since the pandemic, the number of young people who volunteer has fallen from 52 per cent to 37 per cent, which is quite a significant reduction. How would an indicator help to increase the number of people who volunteer?

**Sarah Latto:** We are talking about the purpose of the national performance framework. If it is acting as it should and is informing the setting of policy and budgets, it could acknowledge that there is an issue with volunteering and identify a need for additional resources to support that, which are not being provided at the moment. The fact that youth participation is declining even more starkly than adult participation is a real concern, especially considering that young people are the volunteers of the future—they are the ones who will support our service delivery in the future.

Recently, one of our priorities has been to try to get volunteering better recognised in education and skills reform, particularly through making sure that the benefits of volunteering and the importance of participating in it are built into the curriculum. If the volunteering rate is identified as an indicator—we have suggested in our submission that there should be an indicator under the education and skills outcome, too—that will help to identify where, if performance is declining, there is a need for additional resources to support it and to try to reverse the trend.

**The Convener:** Given how time is moving on, the housing indicator will be the last one that I touch on. I also want everyone to have an opportunity to say something to round things off.

The proposed new housing indicator says:

"We live in safe, high-quality and affordable homes that meet our needs."

In the previous evidence session, we heard about very high-quality but not particularly affordable housing that one local authority is providing. Allan

Faulds, with the resources available, how can we maximise that indicator?

**Allan Faulds:** I will be 100 per cent honest with you—I do not have a strong awareness of housing policy.

**The Convener:** I am thinking specifically about the vulnerable groups that the ALLIANCE considers and deals with.

**Allan Faulds:** It would be useful for consideration to be given to the kind of housing that we are building. It is not just about affordability; for example, we often talk about housing adaptations. When we build housing, we need to think about the longer term and ensure that it can adapt to people's changing needs. As people go through life, they might well experience changes—they might become disabled, having not been disabled previously, or their condition might progress—and they should not have to go through a costly and potentially often distressing process of finding new housing or being turfed out. As such, building good-quality housing that is easy to adapt is quite important.

It is also a case of building that sort of thing from the get-go, because a lot of money is needed for retrofitting. Obviously, retrofitting is very important, because we have a lot of good-quality housing stock that needs to be improved, but if we are still providing new builds that are not designed to be accessible in the longer term, we are probably setting ourselves up for bother further down the line. One area of importance for us as far as housing is concerned is to ensure that we measure these things and are clear that we need to build housing that is accessible or can be adapted.

**The Convener:** I lodged an amendment to the Planning (Scotland) Bill on adaptability that was accepted not by the committee in question, I have to say, but by the Government later on at stage 3. What progress has been made in making housing more adaptable than it might have been prior to that legislation?

**Allan Faulds:** We are definitely seeing some degree of progress in the kinds of builds, but, as I have said, housing is not my area of strength or focus at the ALLIANCE, so I cannot give you any examples at the moment, I am afraid.

**The Convener:** That is fine.

Carmen Martinez, I saw you making notes. Were you wanting to come in?

**Carmen Martinez:** I was just making notes for my own research.

**The Convener:** That is okay.

I think that we have covered this subject quite comprehensively, but there are always areas that

we could have focused on more. I will therefore give each of our guests an opportunity to make some final comments about the national performance framework and where we go from here.

The last person that I will ask to speak will be Shoba John, as she spoke first, so she will have the final word. Which of our remaining four guests wants to go first?

**Sarah Latto:** One point that has perhaps not been touched on today but which I think is incredibly important is the potential for the national outcomes and the national performance framework to make decision making more approachable and transparent for decision makers. That has been a considerable challenge. I am the policy officer for Volunteer Scotland, and volunteering touches on many policy areas, but it can be particularly challenging to identify who in the Government is the best person to speak to about it.

There is a wider point about Government transparency, but there is potential with the national outcomes and the national performance framework to recognise certain key themes. If there was a lead contact or lead team for each of the outcome areas that could help organisations such as Volunteer Scotland and other stakeholders to participate in policy and decision making, that would be a positive step.

**Adam Boey:** I echo that. For it to be a true framework, it needs to fill the gaps and be implemented comprehensively, and there needs to be an understanding of how policy and budget setting are part of that process to achieve what we all collectively want to achieve.

Moreover, the framework needs to connect with other existing processes. For example, the local government benchmarking framework has been mentioned, but there is no mention of or connection to that existing framework, and there are bound to be other such frameworks—not just Government ones but ones in certain sectors. The national performance framework needs to map and connect all those elements. It is a very powerful tool.

**Allan Faulds:** I emphasise that we think that the national performance framework has quite a lot of strengths. If it is used properly, it can do things really well, and we think that some of the changes that have been suggested, particularly on the proposed national outcome on care, are very good and, if applied properly, will lead to significant improvements.

The ALLIANCE often calls for a human rights approach to budgeting. The framework could, if applied well, help us to reach that standard and allow us to take a human rights budgeting

approach. After all, so much of this relates to people's basic human rights, so we would really welcome that approach being embedded. However, it needs to have teeth, it needs to be well embedded and it needs to be consistently applied across the Government. Indeed, we have had a bit of discussion today about the fact that it is not necessarily consistently applied across the Government.

A couple of weeks ago, some witnesses talked about the proposed wellbeing and sustainable development bill. That has not been included in the programme for government, and perhaps an opportunity has been missed to embed the national outcomes in the framework for how the country works. We could have taken the opportunity provided by that bill to amend other legislation and ensure that various bodies had a duty to comply with the national performance framework and not simply give it due regard. As I have said, that was perhaps a slightly missed opportunity that we will not get again in this parliamentary session.

**Carmen Martinez:** I agree with that, and I agree with Sarah Latto, too, about the use of the national outcomes to increase transparency and accountability. It is very important that there is no silo thinking when it comes to implementation and that the national outcomes help policy makers to speak to one another and make policy more coherent.

Finally, as part of the success of all this will be for all of us to be able to measure progress, we need to look at what exactly the indicators are measuring. Therefore, I would very much welcome the opportunity to feed back on the indicators.

**The Convener:** Last but not least, I will bring in Shoba John.

**Dr John:** I want to begin with an issue that we have not touched on, which is the need to link the national performance framework with existing sectoral frameworks. There is, for instance, the population health framework, which is the omnibus, big-ticket item under development, and that framework will need to be linked with the national performance framework to ensure that its implementation contributes to national performance and wellbeing. I also reinforce what I said about including strong local levers that empower local authorities to make decisions that promote wellbeing and productivity.

Finally, I have what is more of a comment on the process, and it comes back to the issue that Sarah Latto and Allan Faulds highlighted about indicators not being available. There has been an indication that the indicators will be developed once the national outcomes are adopted, but we have no sense of the timelines. As a result, even

with the issues that we deal with, we do not know whether, for instance, there will be an indicator on childhood obesity, despite the Scottish Government's commitment to halving it. Our feedback on the process relates more to the timelines and to whether there will be a consultation on the indicators once they are available.

Those are my top thoughts.

**The Convener:** I thank all our guests for their contributions. We will conclude our national outcomes scrutiny with evidence from the Deputy First Minister and Cabinet Secretary for Economy and Gaelic next week.

*Meeting closed at 12:13.*



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The deadline for corrections to this edition is:

**Friday 1 November 2024**

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Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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