

Report

Report to:	Executive Committee
Date of Meeting:	16 August 2023
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	South Lanarkshire Council Response to Pre-budget Scrutiny Call for Evidence on Sustainability of Scotland's Finances
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ present the council's response to the call for evidence issued by the Finance and Public Administration Committee of the Scottish Parliament as part of the pre-budget scrutiny process

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the South Lanarkshire response to the call for evidence – attached at Appendix 1 – be approved; and
- (2) that the response be submitted to the Scottish Parliament by the deadline of 16 August 2023.

3. Background

3.1. In recent years, in line with the recommendations of the Budget Process Review Group report, Scottish Parliament subject committees have undertaken pre-budget scrutiny, in advance of the publication of the Scottish budget.

3.2. The intention is that committees will use pre-budget reports to influence the formulation of spending proposals while they are still in development. In order to facilitate this, committees are required to publish pre-budget reports at least six weeks prior to the Scottish budget. The requirement to engage early in the budget process with local government is reflected in the developing Fiscal Framework element of the New Deal for Local Government jointly agreed between the Scottish Government and COSLA.

3.3. As part of its pre-budget scrutiny, the Finance and Public Administration Committee of the Scottish Parliament issued a call for evidence on 28 June to inform its enquiry into the sustainability of Scotland's Finances. This inquiry will form the basis of the committee's pre-budget 2024/25 scrutiny, along with the evidence gathered from its Public Service Reform inquiry.

3.4. This report presents the council's input to this call for evidence for Committee approval.

4. The Pre-budget Scrutiny Call for Evidence

- 4.1. The focus of the Finance and Public Administration Committee's enquiry is the sustainability of Scotland's finances in both the short and longer-term.
- 4.2. The Committee notes the following key points as context to the enquiry:

Short to medium term challenges

- ◆ the Scottish Government's Medium-Term Financial Strategy published in May 2023 states that the Scottish Government expects its public spending to grow at a faster rate than the funding it expects to receive
- ◆ this means the government is forecasting that it will not have sufficient money to fund the spending it currently wishes to make
- ◆ Resource spending requirements could exceed the Scottish Government's central funding projections by 2% (£1 billion) in 2024/2025 rising to 4% (£1.9 billion) in 2027/2028
- ◆ the Scottish Government also states that its plans for capital spending are more than the funding it expects to be available, with a 16% gap forecast in 2025/2026

Longer term challenges

- ◆ the total Scottish population is projected to fall by 8% by 2072/2073
- ◆ based on current tax and spending plans, the Scottish Government expects an average budget gap of 1.7% in each year during that period, the equivalent of £1.5 billion in today's prices
- ◆ the proportion of the population aged 65+ increases from 22% in 2027/2028 to 31% in 2072-73, while the population aged 16 to 64 and under 16 is falling
- ◆ these changes in the age structure have implications for the demand for public services: with more demand for services used more by older people, such as health, and less demand for those used more by younger people, such as education. These changes will also have an effect on the size of the available working age population and resultant income tax base

- 4.3. With this context in mind, the Committee has asked for views on the following questions:-

1. How should the Scottish Government's Budget 2024/2025 and its future budgets respond to these challenges?
2. Does the Scottish Government's 'three pillars' strategic approach to managing the public finances adequately address the scale of financial pressures expected in the Scottish Budget 2024/2025 and in the medium-term? Should the Scottish Government follow a different approach instead, and if so, why would that be more effective?
3. Given the pressures on the capital budget, how should the Scottish Government prioritise its capital spend in the Scottish Budget 2024/2025 and over the medium-term?
4. What are the implications of a declining capital budget, including on the productive capacity of the Scottish economy?
5. The Scottish Government's spending plans for resource (day-to-day spending needed to run public services) and capital (investment in assets and infrastructure) for 2024/2025 until 2026/2027 are to be updated and published alongside the Scottish Budget 2024/2025 later this year. Where should the Scottish Government protect or prioritise spending in these multi-year plans?

Please also indicate how these funds can be found, such as increased taxes or reallocation of money from another portfolio.

6. The Scottish Government plans to address the budgetary implications of the expected long-term fall in population through growing the economy and tax base, public service reform, and an upcoming 'Addressing Depopulation Action Plan'. Are these the right priorities to address the implications of this fall in the population and, if not, how could the Scottish Government be more effective in this area?
 7. How should the Scottish Government start to address the forecast funding gap of 1.7% each year up until 2072/2073?
 8. How should the Scottish Government balance its short and long-term financial planning and where can improvements in this area be made?
 9. How will long-term financial pressures impact on the delivery of national outcomes and climate change targets and what steps can the Scottish Government take to alleviate these impacts?
 10. In follow-up to the Committee's inquiry on effective decision making, how can transparency be improved around how the Scottish Government takes budgetary decisions?
- 4.4. The council's response – attached in full at Appendix 1 – emphasises throughout the unprecedented financial pressures faced by local government and makes the point that any further reductions in budgets will have severe implications for councils' ability to deliver services. This will, in turn, hamper the ability of councils to support Scottish Government priorities and the achievement of national outcomes.
- 4.5. Within the council's response, Committee is asked to note the following key points:
- ◆ Local authorities have a pivotal role in delivering the national outcomes, especially those which are strongly influenced by how people experience their local areas, communities and sense of agency and empowerment. Councils are key to addressing the Covid catch-up and recovery. We provide assistance and support across our areas across diverse services including education, early years support and childcare, money advice, support into employment, housing and homelessness services, and economic development. Medium and long-term strategies for funding the public sector should recognise this key role
 - ◆ reductions in budget and significant increases in costs over a sustained period have significantly reduced the capacity of councils to continue to offer a range of core services and respond to national issues such as the cost of living crisis and carbon reduction. These pressures add significantly to the budget challenges that have been experienced in the period since the financial crisis in 2008 – councils have already had to implement high impact cuts in public services and in 2024-25 will face the most severe cuts to date. Any further squeeze on council funding will impact on councils' ability to support these outcomes
 - ◆ current funding arrangements limit the ability of councils to plan and invest in dealing with long-term systemic challenges around poverty and inequality, wellbeing, climate change, and the economic recovery following the pandemic. Single-year budgets for Local Government restrict longer-term planning and, by design, foster short-term interventions
 - ◆ Local government is now facing critical pressures in funding, due to the unprecedented level of inflation over the last 2 years, on top of many years of

having to make savings/cuts. Decisions that councils will have to take over the next year will include cuts that will impact significantly on communities and households at a time when they need the services provided by councils more than ever.

- ◆ it is essential that government takes these unprecedented pressures into account when making spending decisions, especially where they affect frontline council services. For example - assess the consequence of any new initiative being funded against cuts on money advice services, family supports, closure of halls, leisure centres, libraries and other facilities

- 4.6. As noted above, the Parliamentary Committee has issued its call for views as part of the normal pre-budget scrutiny process. The Committee will hear oral evidence in September/October 2023 and will consider the draft report in early November, with a view to publication shortly thereafter.

5. Next Steps

- 5.1. The deadline for the call for views is 16 August 2023. If approved by Committee, the Council will submit the submission at appendix 1 as its response.

6. Employee Implications

- 6.1. There are significant potential implications for staff across the council as a consequence of decisions made about how to support the Scottish Government's priorities through the budget 2024-25.

7. Financial Implications

- 7.1. There are significant potential financial implications for the council arising from decisions taken in relation to the Scottish Budget 2024-25. The response prepared by the council underlines and scale and significance of the financial challenges facing local government.

8. Climate Change, Sustainability and Environmental Implications

- 8.1. There are no direct climate change, sustainability and natural environment implications arising from this report.

9. Other Implications

- 9.1. Considering the detail of the report and identifying actions as appropriate contribute towards effective risk management. There are very significant risks to local government arising from the decisions taken in the Scottish Budget 2024-25.

10. Equality Impact Assessment and Consultation Arrangements

- 10.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

- 10.2. Consultation was undertaken internally on the contents of this report.

Paul Manning

Executive Director (Finance and Corporate Resources)

1 August 2023

Link(s) to Council Values/Priorities/Outcomes

- ◆ Accountable, effective and efficient

Previous References

- ◆ None

List of Background Papers

◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

Tom Little, Head of Communications and Strategy

Ext: 4904 (Tel: 01698.454904)

E-mail: Tom.Little@southlanarkshire.gov.uk

<p>1. How should the Scottish Government's Budget 2024-25 and its future budgets respond to the challenges below?</p> <ul style="list-style-type: none"> • Challenges around Inflation • Post Covid catch up (care / NHS etc) • Sustainability agenda / Green targets 	<p>Local government is now facing critical pressures in funding, due to the unprecedented level of inflation over the last 2 years, on top of many years of having to make savings/cuts. Decisions that councils will have to take over the next year will include cuts that will impact significantly on communities and households at a time when they need the services provided by councils more than ever.</p> <p>It is essential that government takes these unprecedented pressures into account when making spending decisions, especially where they affect frontline council services. For example - assess the consequence of any new initiative being funded against cuts on money advice services, family supports, closure of halls, leisure centres, libraries and other facilities.</p> <p>In addition to the fundamental points above, the Scottish Government should seek an appropriate balance between income generating options and prioritisation of spend. There are difficult choices to be made here. Cost of living pressures on the public may motivate constraints on income generation, however decisions on spending priorities (for example through cutting LG funding or giving LG funding allocations less priority than other sectors such as NHS / police) will have significant consequences on public wellbeing, outcomes and inequalities.</p> <p>We would underline the key role that local government plays in tackling these challenges and mitigating adverse impacts on communities across Scotland. A wide range of services are engaged in aspects of the post-Covid catch up, for example – ranging from education, early learning and childcare through financial inclusion and welfare services to housing and housing support services.</p> <p>Equally, in terms of sustainability and a just transition, local government has wide-ranging influence across multiple domains relevant to the achievement of our shared sustainability objectives – including planning, land use and development management; flood risk management; energy efficiency; waste management; electric vehicle infrastructure; biodiversity and nature-based solutions; regeneration, digital connectivity and inclusion; economic development and business support.</p> <p>Other than Scottish Government, Local Government is the only part of the public sector with a footprint</p>
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	<p>covering so many inter-related aspects of population wellbeing, the economy and the climate change and sustainability agenda.</p> <p>However, funding arrangements limit the ability of Councils to plan and invest in dealing with long-term systemic challenges around poverty and inequality, wellbeing, climate change, and the economic recovery following the pandemic. Single-year budgets for Local Government restrict longer-term planning and, by design, foster short-term interventions. In addition, resourcing on an annual basis inhibits effective service design, makes it more difficult to recruit and retain people with the necessary skills, and hinders procurement activity which leads to stop-start service delivery.</p> <p>This was recognised by the Accounts Commission in their ‘Local Government in Scotland Overview 2022’:</p> <p><i>"The ongoing absence of a multi-year financial settlement creates uncertainty for councils at a time when effective, robust financial management is crucial. [Funding] on an annual basis... makes it challenging for councils to plan and budget effectively for the medium and longer term, and work with partners to develop long-term plans to deliver better outcomes and address inequalities."</i></p> <p>There is also a strong case for Scottish Government to look at reducing its policy demands and recalibrate those to be better aligned to the funding available. We have discussed above the impact of cuts on local government, however the Scottish Government can reduce the cuts on local authorities by reconsideration of their policy demands, leaving more money for the essential core services that local authorities need to provide.</p> <p>Alongside policy demand, councils have also faced the challenge of requirements around “input” such as minimum teacher numbers (or face financial penalty) – these restrictions are exacerbating the critical financial position in which councils find themselves.</p>
<p>2. Does the Scottish Government’s ‘three pillars’ strategic approach to managing the public finances adequately address the scale of financial pressures expected in the Scottish Budget</p>	<p>The three pillars are:</p> <ul style="list-style-type: none"> ◆ focus spending decisions on achieving our three critical missions (equality, opportunity and community – require us to tackle poverty; to build a fair, green and indeed a growing economy; and to improve our public services.). ◆ support sustainable, inclusive economic growth and the generation of tax revenues.

2024-25 and in the medium-term? Should the Scottish Government follow a different approach instead, and if so, why would that be more effective?

- ◆ maintain and develop our strategic approach to tax

All of these are ambitions that seem fair and reasonable. This strategic approach is difficult to argue with, however as the Medium-Term Financial Strategy (MTFS) is demonstrating a significant gap, it is still unclear on how these pillars will be used to manage this gap. We are now dealing with a critical financial crisis, and whilst these ambitions seem reasonable (if broad) priorities to use as a framework. it is suggested that there is a need to review the expansive National Performance Framework. The three pillars are the focus of this question, but are there other areas then that are considered less important? If so, what are those less important areas and how might the way they are approached assist in the financial situation faced by local authorities?

Local Government's role is fundamental to tackling child poverty, covering the broadest range of services including employability, welfare and crisis support, and housing, while services such as education, childcare and transport that are also key to supporting families to develop long term sustainable solutions to the problems they face.

Because fair and flexible work can provide a sustainable route out of poverty for parents, employability work led by Local Government, and planned and delivered through Local Employability Partnerships, is a critical contributor to reducing levels of child poverty. The No One Left Behind (NOLB) approach targets those who are unemployed and most disconnected from the labour market, those in low income and precarious jobs.

Local Government critically provides welfare and crisis support as well as money advice, rights and advocacy (either directly or through funding providers). Those services all help to mitigate the impacts of poverty on families and support those on lowest income manage increasing cost of living.

Social housing is required to tackle child poverty. Increasing the availability of affordable, energy efficient social housing is important.

As noted under Q1 above, Local Government has a key role in creating a stronger, fairer and greener economy and is a key driver of the local and national economy. Councils have a rich experience of addressing local needs effectively. That includes long experience of supporting those furthest from the labour market through employability support and

	<p>track record of successfully driving down youth unemployment through apprenticeships and job creation schemes following the last recession. In the Covid recovery phase, this support needs to be continued and enhanced given the weight of evidence on the pandemic impact on these groups.</p> <p>The economic footprint of Local Government is considerable and should be a key strength for delivering a Just Transition. In 2020/21, Councils spent almost £480m on economic development and tourism (this was made up of over £119m capital spend and over £360m revenue spend).</p> <p>Local Government has a strong track record in local economic development and business support, which can be enhanced through help and guidance on safer working practices to assist businesses to reopen, and start-up support to create employment opportunities. Local Government is in a unique position to help drive demand in the labour market through effectively aligning powers and investment to create new additional jobs, with a specific opportunity to help drive forward the green economy enabling improved outcomes.</p> <p>Notwithstanding the points made above, there needs to be sustainable funding for local government to continue to contribute to and deliver the sustainable growth sought in the pillars above.</p>
<p>3. Given the pressures on the capital budget, how should the Scottish Government prioritise its capital spend in the Scottish Budget 2024-25 and over the medium-term?</p>	<p>From a local government perspective, capital grant allocations have seen significant cuts in recent years with almost 30% cuts in grant. This has meant that the replacement and renewal of assets is simply not happening more often than not. This results in increasing revenue costs to maintain and operate our assets, so these become unaffordable and increase the imperative to withdraw services and close facilities. While councils can borrow, there is a hugely reduced scope to fund borrowing through revenue budgets.</p> <p>This cut in grant significantly reduces the ability for councils to meet their core needs on capital investment, but also limits the ability to consider change programmes, or capital spend for regeneration, or for meeting carbon targets.</p> <p>In our capital planning, priorities are keeping the business running, and looking at any other opportunity to spend to save revenue costs given the outlook in terms of revenue budgets.</p>

	<p>The Scottish Government should consider that the priority is providing funding to allow us to keep essential existing assets operational, and delivering on key, core services.</p>
<p>4. What are the implications of a declining capital budget, including on the productive capacity of the Scottish economy?</p>	<p>As noted in response to Question 3 above, the impact of reducing capital funding for local government is that replacement and renewal of core assets is massively compromised. The ability to maintain assets is reduced, resulting in higher ongoing costs, and service delivery is significantly at risk as our assets age and deteriorate.</p> <p>As also covered in response to Question 5 below, there is limited, if any, opportunity for us to use very limited capital funding to contribute towards impacting productive capacity of the Scottish economy. Investment allows Scottish productivity to improve, and would also benefit councils in terms of allowing spend on service change (and more fundamentally, essential spend on our vital assets).</p>
<p>5. The Scottish Government's spending plans for resource (day-to-day spending needed to run public services) and capital (investment in assets and infrastructure) for 2024-25 until 2026-27 are to be updated and published alongside the Scottish Budget 2024-25 later this year. Where should the Scottish Government protect or prioritise spending in these multi-year plans? Please also indicate how these funds can be found, such as increased taxes or reallocation of money from another portfolio.</p>	<p>After many years of Local Government featuring lower in the priority list than other public sector bodies such as Health there has been a significant shift in the share of funding allocated to public bodies. The impact on local authorities is stark – budget gaps for future years are significant and delivering core essential services is at risk unless further investment is made.</p> <p>Limitations on ring fencing is a start for local government to be able to locally prioritise what is needed on the ground.</p> <p>In terms of where funding can come from, the prioritisation of services will be key here, and the MTFS does acknowledge that the Scottish Government are not shying away from having to make difficult decisions.</p> <p>In terms of “where should the Scottish Government protect or prioritise spending”, there needs to be some reflection on the impact of investing in prevention and early intervention to ensure that there is evidence that outcomes are positive. There is an argument to be made that increased spending on health on its own has not improved health outcomes and that actually the increased demand for health services is exacerbated by the loss of preventative services offered by local authorities. Better outcomes would result from prioritisation of the type of preventative work in which local authorities can lead and excel.</p>

	<p>The impact of a smaller share of Scottish Government funding being provided to local authorities, together with the current inflationary climate, is that our potential to contribute through preventative input is currently much diminished. The scale of the issues facing councils as a consequence of inflation is unprecedented, with levels of cuts for council services at a level that we have never seen before. As things stand, what we expect to see over the next 2 to 3 years goes well beyond the diminishment of our critical role and our potential to deliver on prevention. In fact, we are likely to see enforced widespread withdrawal from whole areas of service which we currently support: leisure services; community facilities; benefits and money advice services; housing support services; community and third sector grant support, etc. Given the focus of these types of services, withdrawal will inevitably disproportionately impact deprived communities.</p> <p>In view of the importance of climate change, we would suggest spending priorities should include action on energy infrastructure such as Air Source Heat Pumps, especially district heating, Low and Zero Carbon Technologies, waste heat. Also Investment in upgrading homes for energy efficiency – insulation, draught proofing, ventilation etc, investing in the right technologies in the right place to maximise co-benefits including health and wellbeing.</p>
<p>6. The Scottish Government plans to address the budgetary implications of the expected long-term fall in population through growing the economy and tax base, public service reform, and an upcoming 'Addressing Depopulation Action Plan'. Are these the right priorities to address the implications of this fall in the population and, if not, how could the Scottish Government be more effective in this area?</p>	<p>As a place-based leader, critical to joined-up service delivery, Local Government is well-placed to be the key partner in the Scottish Government's public service reform programme. To fulfil this role, Councils should be empowered to better support delivery of more services locally, focusing on early intervention and prevention, given their unique local knowledge and local democratic accountability.</p> <p>Having delivered efficiencies for more than a decade in response to real-terms cuts to core funding, increasing policy direction from Scottish Government and limits on Councils' ability to raise revenue, any 'easy' savings have been made – any further reductions will have a major impact on services and jobs. There is also the potential for over-estimating the savings that can be made through, for example, estate rationalisation – cuts to premises may lead to higher costs and other negative impacts elsewhere, for example as a result of reduced access to services.</p> <p>To fulfil its role at the heart of public service reform, to achieve further innovation and to maximise the</p>

	<p>positive impact of public spending, Local Government requires fair and sustainable funding and greater empowerment. This includes radical shifts towards increased flexibility and fiscal autonomy, as well as a whole-system approach and a focus on investing in prevention.</p> <p>Crucially, the Local Government workforce – and that of the public sector as a whole - must be valued if we are to maintain excellent public services, and impacts on staff must be a primary consideration when assessing options for and implementing reform. A decline in real-terms funding will lead to job reductions and a loss of capacity, skills and expertise – with consequential impacts on services within communities.</p> <p>Demographic change is expected to lead to real terms increases in costs in health and social care (because of an aging population) and decreases in costs in ELC, education and ultimately further and higher education (because of falling numbers of children). Work by the Scottish Fiscal Commission has concluded that overall, the projected cost decreases as a result of demographic change over the next 20 years do not fully off-set the cost increases, with overall spending projected to increase.</p> <p>Modelling by the Scottish Fiscal Commission suggests that structural shifts in expenditure (from the Education to the Health and Social Care portfolio) would go some way in containing per head spending growth over the next 20 years and that shifting expenditure has the potential to make a significant contribution to Scotland's long term fiscal sustainability.</p> <p>These implications of these conclusions require investigation and consultation, to understand what structural shifts might look like and the timescales over which they might be achieved.</p>
<p>7. How should the Scottish Government start to address the forecast funding gap of 1.7% each year up until 2072-73?</p>	<p>As covered earlier in the response, it is suggested that the Scottish Government must look at its priorities and determine those that can be managed within the funding envelope available. There is reference in MTFS to health requiring 50% of all devolved spend by 2072/73 due to population expectations illustrates that this would not be a sustainable position for local government (or other public services) without a substantial change in approach of delivery'</p>

	<p>Income generating options are obviously part of the consideration (around tax / borrowing / block grant and other sources such as NDR).</p> <p>We believe there needs to be a renewed focus on shifting balance of care and investing in prevention – an aspiration which Audit Scotland points out is as relevant now as when proposed by Christie. Recent research points to a growing burden of ill-health as demographic changes result in more older people living with chronic health conditions. It is not sustainable to continue pouring money into the existing model and radical change is needed. Local government has a role to play in the shifts required.</p>
<p>8. How should the Scottish Government balance its short and long-term financial planning and where can improvements in this area be made?</p>	<p>This is similar to other questions and our responses to those are relevant here.</p> <p>A core feature here is a fundamental review of all spend commitments - including long standing areas like free prescription charges and other universal provisions. This would allow for improved targeting of scarce resources and a focus on spend related to core priorities.</p>
<p>9. How will long-term financial pressures impact on the delivery of national outcomes and climate change targets and what steps can the Scottish Government take to alleviate these impacts?</p>	<p>Councils have a key role in helping deliver the National Outcomes through action at a local level. In terms of climate change and sustainability, impacts are increasingly evident and are most challenging for those communities already experiencing inequalities and poverty.</p> <p>It is important to raise the question whether the Scottish Government's aspirations on sustainability are achievable without funding to address the issue. Enhancing climate resilience, delivering on sustainability commitments, and managing a just transition to net zero all require significant change – which in turn requires investment both now and in the future. The longer such investment is postponed, the more costly climate adaptation will be in the long run.</p> <p>Specifically on climate change targets, this council notes that an estimated £500million would be required to “decarbonise” the council estate. At current investment levels, it will be impossible to achieve the changes necessary to meet such targets at a local level.</p> <p>Steps which can be taken include: Green upskilling campaigns focusing especially on traditional fossil fuel industries i.e. training gas engineers to install heat pumps etc to address future skills gaps; Awareness and training for local authorities to access net zero investment opportunities; and exploration of multi-year financing models and long-term</p>

	<p>commitment; , funding which isn't sacrificed for short term gains or caught up in bidding processes between local authorities; Removal of competitive bidding process, unlocking an equitable spread of money across local authorities through a more proportionate funding model.</p> <p>As we have noted consistently , councils are facing unprecedented financial pressures that will have significant impacts on the services that we will be able to deliver in the future. This will undoubtedly restrict the ability of councils to deliver the services which improve the National Outcomes. Funding to local government needs to be fair, sustainable and flexible.</p> <p>Single-year budgets for Local Government restrict the ability of Councils to plan and invest in dealing with long-term systemic challenges around climate change, poverty and inequality, wellbeing, and the economic recovery following the pandemic. In addition, resourcing on an annual basis inhibits effective service design, makes it more difficult to recruit and retain people with the necessary skills, and hinders procurement activity which leads to stop-start service delivery.</p> <p>Local authorities have long made the case for multi-year settlements as one means of assisting longer-term financial and service planning. Such multi-year settlements are required more than ever given the financial challenges ahead, so councils can tackle these issues effectively and maximise the positive impact of public spending, together with a focus on broader outcomes rather than narrow inputs and outputs. However, it must be understood that even multi-year settlements will not prevent the significant impact on services that lies ahead; rather they would allow councils to better plan and prepare for the reduction in services – and the consequences of this on our communities and residents – over a longer period.</p>
<p>10.In follow-up to the Committee's inquiry on effective decision making, how can transparency be improved around how the Scottish Government takes budgetary decisions?</p>	<p>The Committee's enquiry report notes that "A consistent theme arising in evidence was the need to shift the focus more away from firefighting to address short-term issues to tackling longer term issues..." (par 118, p.23)</p> <p>We would endorse this view – as referenced elsewhere in this response – that a longer perspective needs to be taken. In relation to funding, there is a need to support longer-term financial planning and decision-making, which is undermined by year-on-year settlements; and also to move away from ring-fenced allocations which constrain</p>

innovation and flexibility to respond to local conditions and priorities. In relation to the longer-term attainment of outcomes, a longer-term focus is needed to support the long-term, systemic changes required to shift to prevention.

The way in which Local Government is funded in the Scottish Budget provides a good example of how there is currently a lack of transparency. The funding provided from the Scottish Budget to Local Government comes from different departmental budgets within the overall Scottish Budget which creates a lack of transparency, with very often no clear lines showing what departments have set aside for providing funding to Local Government. This leads to an argument over what makes up Local Government funding, what is core funding which can be used flexibly, compared with departmental funding lines which are provided with substantial conditionality attached and little or no flexibility. There is not the same strategic approach to Local Government funding as there is in funding for the NHS.

Through a consultative approach and a longer-term conversation about fiscal sustainability through the New Deal and Fiscal Framework it is hoped that the outcomes for Local Government will improve. A collaborative approach to budgeting would be welcomed and needs to be extended further and link with both the Programme for Government and the development of manifestos. These should be 'sense checked' against the priorities and outcomes and any funding assumptions should be developed with relevant partners. There are numerous examples of announcements made prior to any engagement with Local Government where it transpires that cost assumptions are significant underestimates – for example the expansion of Free School Meals. Local Government must be engaged as early as possible.