



our shared ambition for everyone in Scotland

made possible
with fair funding





Local Government is at the heart of ensuring everyone can live well locally

It's what Councils do - every day, they work hard to create the conditions to make this possible – in villages, towns and cities, in rural areas and islands.


During the COVID-19 response, Councils demonstrated local leadership, using their knowledge to deliver local solutions – from the most remote areas of the country to the centre of our cities.

COVID-19 has changed people's lives forever and for many, their local environment now matters more than ever.

Only properly funded Local Government can enable everyone to **live well locally** by delivering:



Enabling everyone to **live well locally** is a shared ambition across Scottish Government's 'Programme for Government 2021' and COSLA's Blueprint for Local Government

 **Real investment in Local Government must feature in the 2022-23 Scottish Budget** to realise our shared ambition, to live well locally

A local focus is essential for Covid recovery

Local and Scottish Government have jointly committed to a **Covid Recovery Strategy** to deal with the immediate impacts of the pandemic:

“ Building on the partnership which underpinned our Covid response we will work with Local Government to shape the recovery activity which will support – rebuilding public services; good, green jobs and fair work; financial security for low-income households; and wellbeing of Children and Young People. ”



Our Vision

By working together, we will:

1.

Address the systemic inequalities made worse by Covid

2.

Make progress towards a wellbeing economy

3.

Accelerate inclusive person-centred public services

Within the recovery strategy, **“local” is key** – 48 references across its 46 pages – including local leadership, local partnerships, local government, local transport, local children’s services planning, local employability partnerships, local resilience, and local service design.

We look forward to working with the Scottish Government to provide the necessary **local leadership** to deliver on a collaborative approach to recovery that is at all times rooted in the needs of the people that we serve.

However, there are issues on the ground that will impact the pace of recovery:

- Councils still experience restrictions around how and when funding can be used – with highly directed and restricted “pots” of money. Councils should be left to provide services in a way that works for local people
- pressures are building on services, with a combination of significant backlogs (e.g. in planning and building control), unknown pent up demand (e.g. in children’s mental health services), and increasing costs (e.g. in construction and energy)



The 2022-23 Scottish Budget must provide **fair funding and flexibility** so Local Government can lead local action on recovery

The Economic Challenges

“ The pandemic has shown, and continues to show, that we need strong public, private and third sectors to meet the **economic and health challenges** of this crisis. ”

Scottish Government's Programme for Government 2021

The pandemic has disrupted many sectors (including retail, hospitality and tourism), exacerbating and reinforcing existing job market inequalities. All sectors will require significant support over the coming years to think and act differently, focussing on fair work and a move to net zero.

Driven by the impacts of the pandemic, Scottish Government has recognised the need for economic transformation and will publish a **10-year strategy** this autumn:

“ Working to unleash entrepreneurial potential and grow Scotland's competitive business base, this strategy will prioritise investment in the industries of the future and deliver new, good and green jobs. ”

By growing local economies and creating jobs, reliance on public services can be reduced and additional tax revenue can be raised. And there are significant health and wellbeing benefits, as people are empowered by work and enabled to live well locally.

In a recent submission to the [Local Government, Housing and Planning Committee](#), we said:

“ COSLA believes that economic recovery should recognise the central role that Local Government can, and will, hold – for example with respect to procurement, employability, capital projects etc. However, flexibility to manage funding at the local level to respond to need is required. ”

COSLA is not alone in recognising the value of local action and responsiveness:

“ European countries where **regions** have more powers and responsibilities in terms of taxation, legislation and education policies tend to do **better economically** than centralised ones. ”

“ **decentralisation** has a positive impact both on GDP per capita and **economic growth**. ”

Studies by [LGA/Localis](#); [OECD](#); [EU Observer](#)

Local Government is essential to economic transformation

The economic challenges faced by communities across Scotland require a new response that is in tune with the needs of local areas, but this needs to be resourced sustainably.

- Councils have **significant spending power** and the potential to build **local wealth**. Every pound spent in a local area - on pay, goods and services, and on capital projects - stays in and strengthens the local economy.

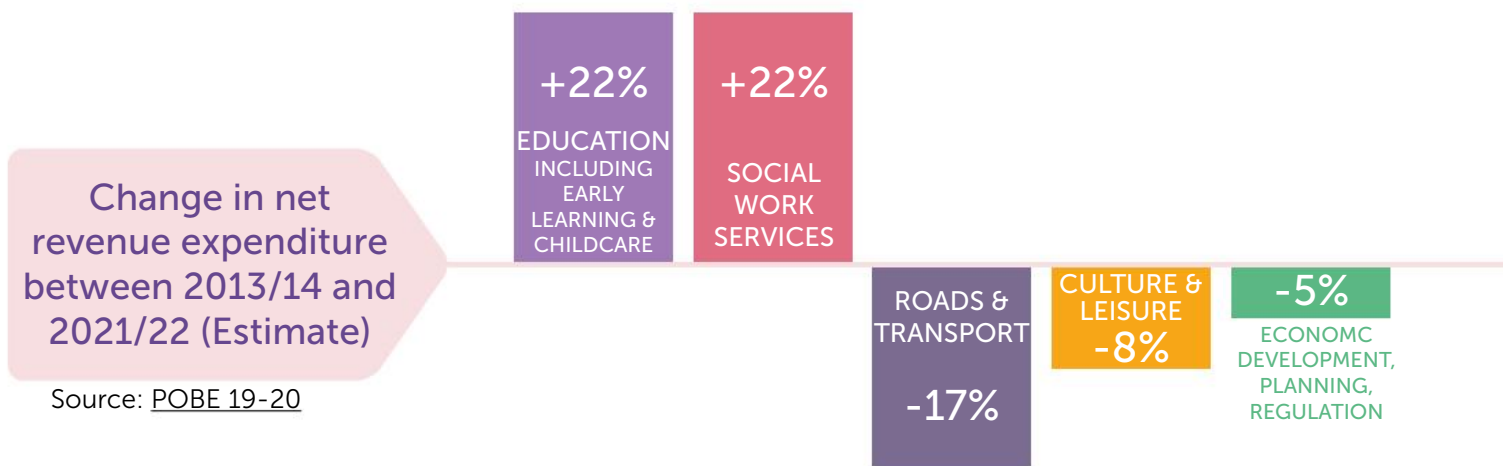
North Ayrshire Council's major housing programme is not just about building new homes "it's about transforming communities and supporting commitments to tackle climate change and to community wealth building"



South Ayrshire Council reported local spend of **£44m with 232 local suppliers** last year (26% of total spend) and is committed to sourcing local suppliers and increasing local spend wherever possible. On the ground, the total spend will actually be greater, as the official total doesn't include spending under £1000. So in reality, over **300 local businesses have benefitted**.

- Councils have **invaluable local intelligence** that should be valued and fully utilised – about local businesses, colleges and universities, key sectors, local labour markets, skills and training needs
- Only Councils have the **vital local connections across their services** that can underpin economic transformation – planning, child care, education, employability, digital infrastructure, mental health, environmental health and trading standards

Over recent years, Local Government's total funding has reduced in real terms – and at the same time, Scottish Government has prioritised & ring-fenced spend in areas like education & social work. So while spend in these areas has gone up, less resource overall means it has been at the expense of areas like economic development, roads & transport, **all critical in attracting investment, developing businesses, creating jobs and addressing climate change**.



 The 2022-23 Scottish Budget must recognise Local Government's unique role in economic transformation, to enable meaningful reinvestment in the services that underpin the economy

The Health Challenges

Recent reports from National Records of Scotland (NRS) emphasise the stark reality of health inequalities in Scotland. Whilst COVID shone a spotlight on inequalities, the longer-term trends were clear – **healthy life expectancy at birth has been reducing** over the last few years, and there continues to be an **unacceptable gap** between our most and least deprived communities.

For men, the gap is
25.1 years



For women, the gap is
21.5 years

The most recent [Annual Review of Demographic Trends](#) sets out equally stark facts - those in the most deprived areas are:

18 times

more likely to suffer a drug related death

4 times

more likely to die from alcohol

3 times

more likely to die from suicide

Twice

as likely to die from Covid

And sadly, the [State of Child Health 2020](#) report shows that the adolescent mortality rate per 100,000 children age 10-19 has increased from 19.5 to **24.6**, the highest rate of the four UK nations.

This is despite increased funding to Health;

- between 2013/14 and 21/22, health budgets increased by **44%** (cash terms)
- Local Government's budget only increased by **13%** (cash terms)
- In real terms (i.e. reflecting today's prices), Local Government has seen a cut to revenue budgets (see p7 for more details)

Simply putting more resource into health is not the answer – evidence shows that investment across the whole system is crucial.*

COSLA's response to the National Care Service consultation highlights the need to focus on the whole system to improve population health and wider wellbeing:

Collaboration is the best way to address health challenges

Council services can support **real change** in communities

Local decisions about services need to be taken close to those who use them

Prevention must see **investment in wider determinants of health**

Short term funding settlements inhibit whole system approach

There has been **increased ringfencing**, and disconnected initiatives and duties

Current under-resourcing is the fundamental issue

There has been a **systemic failure to move resources** from acute to prevention

* Studies from the World Health Organisation (WHO), Kings Fund, Place-Based Longitudinal Data Resources (PLDR)

Local Government is key to **creating the conditions** for improved health & wellbeing

The World Health Organization (WHO) makes a compelling case for wider thinking about public health:

“ Evidence shows that a wide range of preventive approaches are **cost-effective**, including interventions that address the environmental and social determinants of health, build resilience and promote healthy behaviours. ”

“ Interventions that focus on addressing social and environmental determinants (such as **promoting walking and cycling, green spaces, safer transport and housing**) are shown to have early returns on investment. **Healthy employment programmes show returns on investment within 1–2 years.** ”

Local Government services are critical to addressing the social determinants of health – core services like roads, transport, housing, parks, leisure and recreation and youth work.

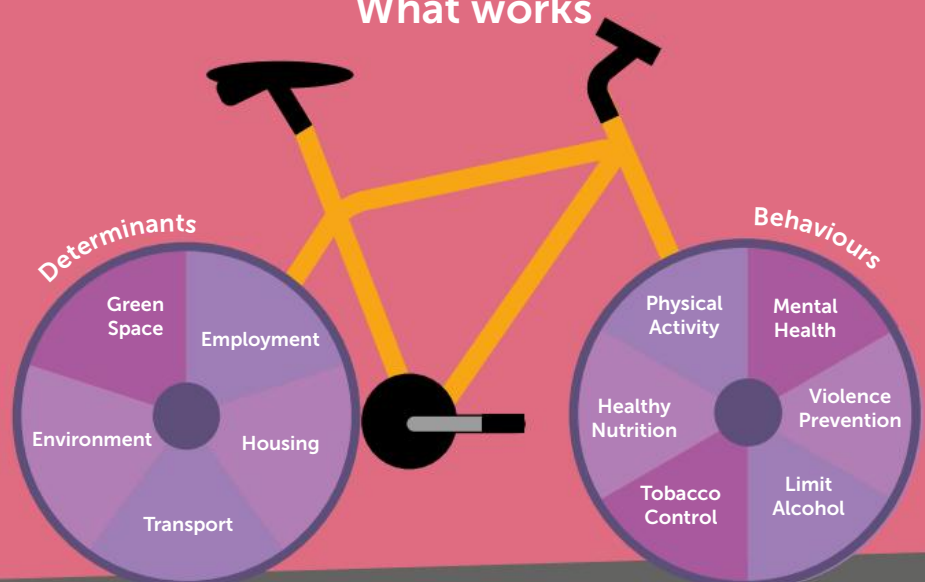
Investing in these areas can improve population health, and general wellbeing

Public health is part of the solution

Investment in prevention reduces health costs and lowers welfare benefits

Promoting health and well-being enhances resilience, employment and social outcomes

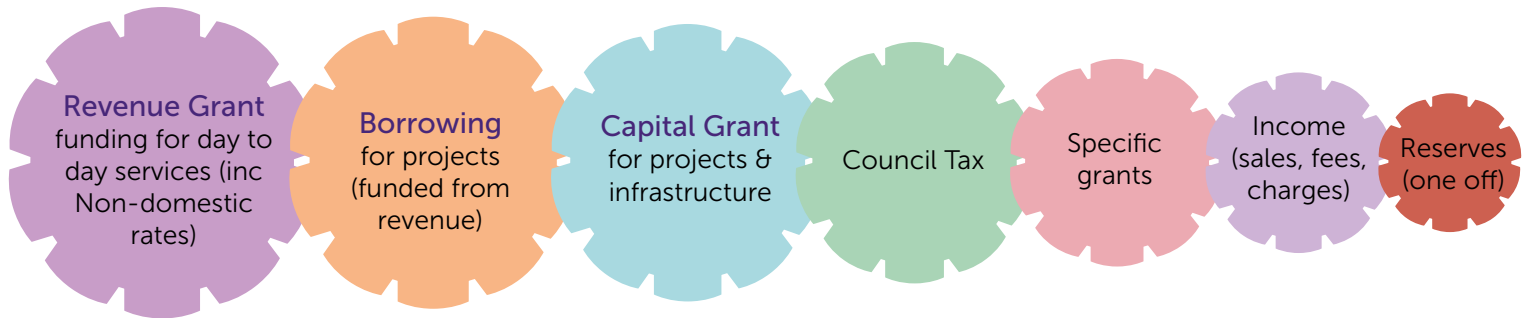
What works



To enable a stronger recovery, the 2022-23 Scottish Budget must clearly demonstrate **a commitment to the “whole system” of population health**, and the vital preventative and early intervention services Councils provide

The Funding Challenge - and what Local Government requires

Council funding is a complex mix of inter-related elements, that cannot be looked at in isolation:



Revenue Funding

Between 2013/14 and 2021/22, revenue funding increased by **£685m** (cash terms)
The main cash additions were:

- specific grants for Early Learning and Childcare expansion and Pupil Equity Fund, totalling **£666m**. Both require Councils to establish new services and/or incur additional costs.
- money provided as compensation for not increasing Council Tax (**£370m** in total since 2013/14) - this meant that Councils were not able to use local discretion and raise Council Tax to address local priorities.

If these 2 elements alone are removed from total Scottish Government grant funding over the period, then the impact is stark:

- **3% cash terms** reduction since 13/14
- **20% real terms** reduction (applying GDP deflator, March 2021 prices)

| | 2013/14 Finance Circular (£m) | 2021/22 Finance Circular (£m) |
|---|----------------------------------|----------------------------------|
| Total Scottish Government Grant Funding | 10,319 | 11,003 |
| Less funding ring-fenced for Pupil Equity Fund and Early Learning & Childcare | | -666 |
| Less Council Tax Freeze "grant" | -70 | -370 |
| REVISED TOTAL | 10,249 | 9,967 |

Pressures on Council revenue funding

Over the same period, other factors have meant increased pressure on service delivery including:

| | | | | | |
|--------------------------------|----------------------------|----------------------------------|---|---|---|
| 2% | 8% | 3% | Pay pressures | Increasingly complex care needs | New policy areas |
| increase in overall population | increase in 65+ population | increase in number of households | Inflation, Real Living Wage, & Scottish Govt policies in health & social care | - addictions, dementia, mental health, additional support | e.g. free personal care and Carer's Act, music tuition, period products |

The current operating context for Councils is complex, fast changing, and will be impacted by COVID and other factors for years to come, and will see:

- demand intensify in many key service areas for example education, social care and employability
- ongoing pressures on crisis grants and service for those with no recourse to public funds
- service backlogs that will require resource to clear
- staff shortages and recruitment challenges in areas like care
- significant price increases in utilities and construction.



Local Government needs **real terms increase to general revenue grant**, and transparency and certainty about the settlement from year to year



Council Tax

Successive years of a Council Tax freeze means that the Council Tax base is significantly smaller (around **£600m**) than it could have been, had the decision been left to Councils. This policy has been questioned in terms of realisation of human rights and best value, by the Fraser of Allander Institute in a [recent blog](#)

“ **this freeze could benefit higher earners more.** Lower income households should be exempt from paying Council Tax and so this freeze will do little to improve their situation. This policy will cost £90 million, to the benefit of approximately 50p per household, **arguably money that could have been better targeted elsewhere.** ”



Other Local Taxation and revenue raising

Local Government is keen to progress discussions with Scottish Government on other ways in which revenue can be raised locally and to look at measures that will deliver new or enhanced revenue raising power for Councils, including the Transient Visitor Levy (TVL), and local determination of planning fees.



Reserves

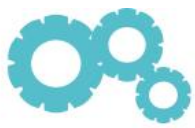
Unlike other parts of the public sector, Councils can hold reserves, giving flexibility to manage funds across financial years, deal with financial risks and enable investment in efficiency programmes. Around £500m of one-off COVID funding was passed to Local Government during February and March 2021, recognising its ability to hold reserves.

BUT RESERVES CAN ONLY BE USED ONCE

The cost of COVID in this financial year is still unknown and unpredictable:

- Income levels have not returned to pre-COVID levels - Councils lost over **£400m** in income during 2020/21 and projections for 2021/22 show losses of around **£130m**
- There are ongoing additional costs (cleaning, social support, admin)
- Costs pressures are growing in construction and energy
- There is pent-up demand in areas like children’s social care
- Ongoing pay pressures and increase expectations due to decisions by Scottish Government in relation to public sector pay

- £ There should be **no cap on Council Tax**- long-lost discretion should be restored
- £ Progress should be made during 22/23 on options for **local taxation and revenue raising**, and necessary legislation implemented
- £ The **one-off nature of reserves** must be recognised – they are not a substitute for recurring funding



Capital Funding

Investment in infrastructure helps underpin the economy, improves everyday life for residents and visitors, and will be a key driver of the move to net zero. Council investment in schools, bridges, public realm, sites for gypsy/travellers etc, is tailored to local need and generates benefits beyond just the assets, as demonstrated in the case study below.

West Lothian Council’s West Calder High School construction project saw wider benefits from a £32m project:

- 25 new jobs
- 1100 student visits
- 272 work placement days
- 14 apprenticeships
- 8 graduates
- From 2017/18 to 2019/20 there has been a significant improvement in the number of young people achieving 5 or more qualifications at Higher level or equivalent



“Bringing together the best of public and private sector knowledge has helped develop and deliver a unique facility for staff, pupils and the local community – one which encourages innovative learning, providing the right platform for our young people to achieve their full potential.”

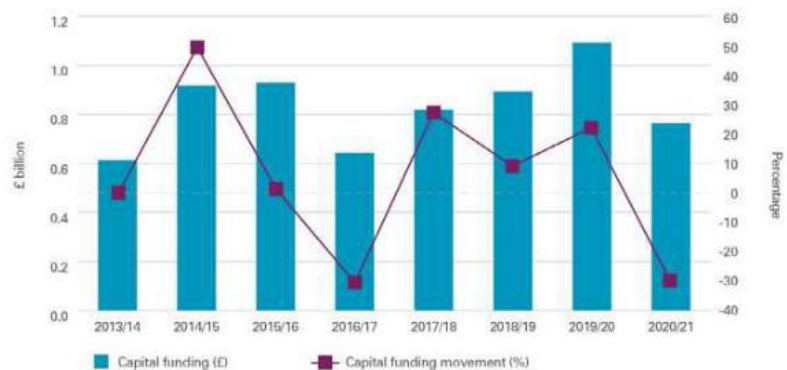
Dr Elaine Cook, Depute Chief Executive, West Lothian Council.

General capital grant funding over recent years has been unpredictable, shown in the Audit Scotland graph opposite, and over the next 5 years will “flat line” at 2013/14 levels (around £640m) as set out in Scottish Government’s [5 year Capital Spending review](#). This has made longer term planning very challenging.

Exhibit 12

Real terms capital funding between 2013/14 and 2020/21 (excluding Covid-19 funding)

Scottish Government capital funding in 2020/21 (excluding Covid-19 funding) is decreasing by 30 per cent.



Source: Finance Circulars 04/2020 and Scottish Government budget documents

Local government in Scotland: Financial overview 2019/20, Audit Scotland, 26 January 2021, licensed under the Open Government Licence



Scottish Government should **reconsider its 5 Year Capital Spending Plan** and recognise the benefits of council capital plans to COVID recovery

Capital + Revenue must be considered together

A Council's ability to invest in infrastructure is not just enabled by capital grant - it is also enabled through borrowing and is therefore **linked closely to revenue funding**. Unlike other parts of the public sector, Councils are able to borrow under the 'prudential code', so long as repayments have been assessed as affordable. But if revenue funding is cut, then so too is the ability to invest in local assets and infrastructure.

Every £1 of revenue allows at least £14 of capital investment. Had Scottish Government allowed Councils to grow the Council Tax base instead of choosing to freeze levels, £600m could have funded capital investment of around **£8bn** - this could have been used to fund new schools, energy efficiency measures across the whole estate, energy efficient housing, and biodiversity projects.

Pressure on core revenue budgets **inhibits borrowing** and Local Government's ability to invest in communities – creating a cycle of disinvestment.



Even against constrained finances, Councils are showing what is possible at a local level to address climate change:

Aberdeen City Council's

Hydrogen Programme includes portable hydrogen refuelling module, bus fleet, and refuse collection vehicles

Highland Council's

'Climate Action Coastlines' will enable research and implementation of natural coastal adaptation solutions, including tree planting, peatland restoration, sand dune strengthening, saltmarsh restoration, and floodplain development.

North Lanarkshire Council's

Green Park, Green Power, Green Neighbourhood will retrofit the Watersports Centre at Strathclyde Park, and see the installation of solar PV canopies

If Local Government is to play its part in achieving net zero emissions, then both revenue and capital funding is needed, allowing the integration of carbon reduction into Councils' mainstream service delivery and dedicated initiatives. Councils want to be able to set the tone across their communities – from low emission vehicles to energy efficient schools; from biodiverse parks and open spaces, to cutting edge recycling and waste plants.



Investment in infrastructure alongside investment in services needs to be at the forefront of the Scottish Budget – both revenue and capital – allowing Local Government to create opportunities and share prosperity across communities



Fair Funding for Local Government in 2022-23

The need for real growth in core funding (revenue and capital) has never been greater. After years of cuts and increasing demand there are no “easy” savings - savings create cuts to core services and will undermine recovery.

“ The intention for any local government funding settlement, at its most basic, is to allow local government to deliver core services. In the current circumstances leading the economic recovery from the pandemic is also a crucial part of the work of local government and therefore an important aspect of local government funding arrangements. ”

Ariane Burgess MSP. Convener, Local Government, Housing and Planning Committee in a [letter](#) to Deputy First Minister (26 Oct 2021)

We need fair funding for Local Government that:

- **Respects** the role of Councils, and allows them the freedom and flexibility to deliver locally appropriate services and support
- **Enables** a full and effective recovery
- **Recognises** the very real pressures that Councils face – including pay, increased service demand, inflation, and Brexit.

REVENUE FUNDING: the facts

In 2021/22, the revenue settlement was **£11,003m**

- During 21/22, Scottish Government policy commitments totalled around **£650m** – including additional teachers & free school meal expansion
- UK Gvt has announced support in England to compensate Councils for the increase in National Insurance Contributions (NIC). It is estimated that around **£70m** is required in Scotland for the same purpose

| | | |
|---------------------------------|-----------------|--|
| To stand still , we need | £11,723m | 21/22 funding + new policy commitments + NIC |
| To survive , we need | £12,075m | 21/22 funding + new policy commitments + NIC + inflation (3%) |
| To thrive , we need | £12,661m | 21/22 funding + new policy commitments + NIC + inflation and recovery (8%) |

CAPITAL FUNDING: the facts

Local Government is set to receive **£628m** in **22/23**, as set out in the Scottish Government's 5-year Capital Spending Review, only £11m more than last year. (ring-fenced for Flood Risk management)

- In real terms, this will represent a **6% cut since 2013/14**
- Whilst there have been increases in the years since, these have largely been **ringfenced for the expansion of early learning and childcare**

| | | |
|-----------------------------|--|---------------|
| To survive , we need | Recognition of inflation and known construction industry pressures including material price volatility and supply issues + inflation (at least 5%) | +£30m |
| | Additional funding for the expansion of universal free school meals (current estimates show £200m) | +£200m |
| To thrive , we need | Scottish Government to re-consider its 5-year Capital Spending plans | +£500m |
| | Real-terms investment that enables work towards net zero | |
| | Capital grant that can be used flexibly to transform local economies and share prosperity | |

Fair Funding will allow us to support everyone to



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