Witness Name: Nicola Dickie

Statement No.: 6

Exhibits: ND6/1-93

Dated: 20/5/25

UK COVID-19 INQUIRY

WITNESS STATEMENT OF NICOLA DICKIE

I, Nicola Dickie, will say as follows: -

1. Convention of Scottish Local Authorities (COSLA)

1.1 The Convention of Scottish Local Authorities (COSLA) was formed in 1975. This coincided with the creation of the new structure of Local Government in Scotland under the Local Government (Scotland) Act 1973, which created a two-tier system. The Local Government etc. (Scotland) Act 1994 reorganised Local Government in Scotland again, this time, into 32 unitary authorities. All 32 of these unitary authorities are members of COSLA. COSLA also acts as the employers' association for local authorities.

1.2 COSLA's predecessor was the Convention of the Royal Burghs of Scotland. The Convention of Royal Burghs dates to the 16th century and was in operation until 1975. The Convention of the Royal Burghs undertook a similar role to COSLA, including engaging with the UK Government on behalf of Local Government in Scotland on a range of issues, including civil emergencies, emergency preparedness and risk management.

1.3 COSLA is a councillor-led, cross-party organisation. Our current Leadership Team include our President, Vice-President and five spokespeople:

- President
- Vice-President
- Resources Spokesperson
- Health & Social Care Spokesperson
- Community Wellbeing Spokesperson
- Children And Young People Spokesperson
- Environment and Economy Spokesperson

Additionally, we have six political group leaders as follows:

- Scottish Green Party
- Scottish National Party
- Independent Group
- Scottish Liberal Democrats
- Scottish Conservatives
- Scottish Labour

NB: COSLA's political team changes in accordance with local elections, most recently in May 2022.

1.4 COSLA has a Chief Executive who is supported by a Director of Place Policy, Director of People Policy and Director of Membership and Resources.

1.5 COSLA's decision making structures are summarised below:

Core to our decision making are:

- Convention – is responsible for strategic direction, priorities and electing the Leadership team as well as approving COSLA's revenue and capital budgets on an annual basis and COSLA Plan for each Local Government term (with annual reviews). Delegates are elected members from each of COSLA's member councils and appointed by their council on a basis which reflects the party-political representation within that council. Convention meets twice a year.

- Leaders – is COSLA's main decision-making body and comprises the Leader of the Administration of each Member Council, and any Political Group Leader not also a Leader. Leaders meet at least eight times during the year to discuss and agree key political and resourcing issues.

- Policy Boards – we have four policy boards:

- Children and Young People

- Health and Social Care

- Community Wellbeing

- Environment and Economy

Each Board meets up to six times a year and is chaired by the corresponding spokesperson and is responsible for developing and agreeing COSLA's policy and positions for the topics within their remit.

Further details on the composition of COSLA can be found in COSLA's constitution (ND6/01-INQ000114210), scheme of delegations (ND6/02-INQ000114208) and standing orders (ND6/03-INQ000114209), which are included as part of our submission.

1.6 COSLA's role in the economic response to the pandemic was to represent the interests of its members in discussions with the Scottish Government to ensure that additional funding was made available and distributed appropriately in order that council functions continued and adapted to provide essential services to individuals and communities and that local authorities could continue to pay suppliers as instructed by Scottish Government (Exhibits ND6/04 INQ000591013,

ND6/05 INQ000485748, ND6/06 INQ000485751). Funding levels had to be maintained as local authority staff were not to be furloughed. COSLA was involved in the development and distribution of multiple business grants throughout the relevant period. Further details on those grants are provided later in this statement.

1.7 COSLA would not normally have involvement in business grants, however, this financial role differed during the relevant period. Additionally, the services delivered to individuals and communities were substantially different. For example, the provision of early learning hubs, shielding arrangements and supporting infrastructure for testing and vaccination centres were all unique to the pandemic. All efforts were focused on supporting the financial arrangements that underpinned the local authority involvement in the response to the pandemic. This involved discussions with Scottish Government to re-profile the local government settlement (the funds allocated to local government spending as part of the Scottish Government's budget) as costs increased significantly and local authorities were initially at risk of not being financially viable due to reduced income and increased costs.

2. The System of Local Government Funding

2.1 The process for distribution of funding from Scottish Government to local authorities is overseen by the Settlement and Distribution Group ("SDG"). This group was established in 2011 and is a joint officer group between COSLA, local government and Scottish Government. It was established to make professional officer recommendations to COSLA Leaders and Scottish Government Ministers based on a set of agreed principles. The principles state that funds should be distributed based on need; that such decisions should be considered on a principled basis and not from an individual Council perspective and that the overall stability of the funding system should be considered. A detailed explanation of the SDG can be found in Exhibit ND6/07 INQ000591016.

2.2 Exhibits ND6/08 INQ000590995, ND6/09 INQ000590996 and ND6/10 INQ000590997, provide a chronological list of the papers considered by the SDG during the relevant period. Papers that related to the response to the pandemic are marked up accordingly.

2.3 During the relevant period the system of funding for local government was markedly different from business as usual. There were significantly greater funding streams for Local Government for a wider variety of purposes. For example, there was a £30m "food fund" provided by the Scottish Government in April 2020 and distribution of other support grants to businesses. In a "normal" year the SDG will consider around 30-40 papers detailing settlement issues or the proposed distribution of additional funding to local government as a result of new policy initiatives or where funding is not baselined, during the relevant period this rose to between 70 - 100 papers.

2.4 Exhibit ND6/11 INQ000605479 is a spreadsheet that was developed to track all of the additional funding and business grants during the relevant period. The tracker was shared with Local Authority Directors of Finance and helped to ensure clarity on the funding and how it was to be spent. As can be seen from the tracker, there is a mix of directed or ring fenced spend and other areas where the local authorities had some discretion. The spreadsheet tracker also provides information on the reporting requirements.

2.5 The additional funding required for the pandemic response was negotiated through meetings between COSLA, the Scottish Government and professional advisors in response to needs and priorities caused by the pandemic. The professional advisors were drawn from Local Authority Directors of Finance, the Chief Financial Officers from IJBs, resilience leads and from appropriate professional organisations dependent on the issue under consideration. Where the Scottish Government received additional consequentials as a result of increased UK Government spending there would be discussion between COSLA and the Scottish Ministers on where the money should be spent to address Scottish priorities at that time. The distribution of any funding for Local Government went through the SDG process, as it would have at any other time.

2.6 There is no framework agreement between local government and the Scottish Government regarding funding in response to an emergency.

2.7 The "Bellwin Scheme" of emergency financial assistance to local authorities provides a mechanism for the allocation of funding support where a local

authority has incurred additional unbudgeted expenditure in response to an emergency event such as severe weather or other natural disasters. The funding is allocated on the basis of criteria laid down by Scottish Government and requires a threshold of additional expenditure to be exceeded before support is provided, the Scottish Government guidance for the scheme is produced as exhibit ND6/12 INQ000590961. The Bellwin Scheme was not activated in response to the Covid pandemic.

2.8 In the case of additional funding to support the economic response to the pandemic, the distribution arrangements mentioned above, in particular the SDG, did not change. However, meetings were held more frequently to ensure funding decisions could keep pace with the rapidly changing circumstances being faced by business during the pandemic. The COSLA presidential and spokesperson team would meet with the Scottish Ministers to discuss priority areas in need of additional funding. The relevant professional associations and officers would provide cost estimates for proposed policy or legislation to support these discussions. For example, where funding was identified for additional resource for enforcement, the Society of Chief Officers for Environmental Health in Scotland and the Society of Chief Officers for Trading Standards in Scotland provided cost estimates.

2.9 The frameworks, systems, structures and processes that supported funding decisions were effective. These were all well established with proven effectiveness and were familiar to local and central government officials involved in the process.

2.10 The established financial governance arrangements as explained above worked well. The pace of change during the relevant period did cause issues. There were occasions where there was no notice of decisions made by Scottish Ministers and very short implementation times. In October 2020 the rapid rise in Covid cases led to the implementation of new restrictions and as a result business support grants had to be put in place within 10 days, Exhibit ND6/13 INQ000300797. On occasion, there were unrealistic expectations from Scottish Government in relation to the necessary timescales for delivery of additional funding. An example of this would be the announcement in December 2021 of

top up grants for hospitality businesses at a time when council staff were about to go on leave, Exhibit ND6/14 INQ000300888. Business grants were, on occasion, announced before elements such as eligibility criteria were decided and COSLA Leaders had to ask for clarification on this from Scottish Government, exhibit ND6/15 INQ000300798. This lead to businesses contacting councils with queries that they were unable to answer. The impact on businesses and the economy due to the pandemic response required the Scottish Government to develop their policy responses within short timeframes. The pace of change during the relevant period did cause some issues, as noted above, which officers from both national and local government sought to mitigate, principally by using tried and tested means of communication and distribution methodology, such as the settlement and distribution framework, whenever possible.

2.11 Local authorities faced a number of significant financial pressures in response to the pandemic. There was a sudden and almost immediate substantial loss in income from fees and charges for services such as leisure and cultural establishments and parking. In addition, there was an increased demand from social care providers to maintain the viability of the sector. Many local authority core and frontline services, such as education, social care and even waste collection required to adapt the way they delivered services which came with significant costs. These adaptations included the provision of digital devices in order that children could be educated remotely, and local authority staff could work from home; as well as changes to waste collection practices; and increased burial costs. There were also costs associated with the rapid implementation of shielding arrangements and the set up and running of testing and, later, vaccination centers.

2.12 The financial uncertainty and sudden loss of income at the beginning of the pandemic gave rise to serious concern amongst local authorities that they were in danger of becoming financially unviable. The work done at pace with the Scottish Government by COSLA and local authorities ensured that this did not happen. As is normal in Scotland, there was regional variation in the type and level of impact on individual local authorities due to the geography, urban, rural and island communities and the demographic distribution.

2.13 The existing funding system supported the requirement to work at pace and ensured that there was good financial governance throughout this challenging period.

2.14 A number of alternative mechanisms of financial support for local government were put in place, including loans fund repayment holiday, which permitted a council to defer loans fund repayments due to be repaid in either 2020/21 or 2021/22 (but not both) and flexible use of capital receipts to fund revenue expenditure. A full explanation of the funding flexibilities is outlined in Exhibit ND6/16 INQ000590959. The Scottish Government recognised that it was not only the additional costs incurred by a local authority that were creating funding pressures. Certain professional fees, such as architects and quantity surveyor costs, which would normally have been capitalised, no longer met the criteria for capitalisation and were required to be met from revenue budgets. Loss of income from services left the associated expenditure unfunded. The approach taken was to allow capital receipts to be used to fund the financial impact of COVID-19, with the local authority required to demonstrate that capital receipts have been used for this purpose.

2.15 Throughout the relevant period the Scottish Government issued Finance Circulars to local government providing detailed information on the changes to funding and the business grants. These finance circulars are produced as exhibit ND6/17- ND6/34 INQ000182932, INQ000182996, INQ000591006, INQ000587030, INQ000587031, INQ000590998, INQ000587198, INQ000590968, INQ000591002, INQ000590960, INQ000182997, INQ000591004, INQ000590952, INQ000590951, INQ000182998, INQ000591005, INQ000590967, and INQ000590993.

2.16 In June 2020 the COSLA Spokesperson for Resources wrote to the Cabinet Secretary for Finance (Exhibit ND6/35, INQ000590936) requesting a number of fiscal flexibilities. A letter was also sent the Chancellor of the Exchequer (ND6/36, INQ000590925). Further correspondence on this matter is contained in Exhibits ND6/37 INQ000590969, ND6/38 INQ000590970 and ND6/39 INQ000590926 .

2.17 In October 2020 Leaders were updated on the agreed position with Scottish

Government regarding the fiscal flexibilities requested, Exhibit ND6/13 INQ000300797.

2.18 In early 2021, there was further correspondence between COSLA and the Scottish Government in relation to fiscal flexibilities and service concessions. On 2 February 2021 the Spokesperson for Resources wrote to the Cabinet Secretary for Finance, Exhibit ND6/40 INQ000590953 requesting an extension of the service concessions. A reply was received on 25 February 2021, Exhibit ND6/41 INQ000590954. The additional funding that was allocated to Scottish local government as a result of UK Government consequentials removed the need for these fiscal flexibilities.

2.19 The Scottish Government's messaging in relation to the financial support to be given to local government in response to the pandemic was, on the whole, clear and timely, considering the pace at which the situation changed. At times the Scottish Government were dependent on UK Government decisions in relation to how to respond to emerging issues and this could create some additional stages in the process, where policy and funding decisions lay with UK Government. For example there were delays in the confirmation of funding for IJB's for local mobilisation plans whilst Councils incurred considerable costs across home care and care at home in order to ensure the safety of staff and clients in the care system. COSLA and The Society of Local Authority Chief Executives and Senior Managers ("SOLACE") provided a joint briefing to the Local Government and Communities Committee Meeting of 3 June 2020 which provided details of some of these concerns, exhibit ND6/42 INQ000590924. The COSLA President provided oral evidence to the committee and this was followed up by letter, Exhibit ND6/43 INQ000590992, the letter outlines some of the issues experienced at that time around the timing of information in relation to payments to local government.

2.20 Making use of the well-established financial governance processes worked well in supporting the funding to local government in response to the pandemic. However, the multiple, frequent and changing funding streams put strain upon that system. There was no additional resource within COSLA to support the increased workload, which resulted in substantial additional demands falling on the existing staff group.

2.21 COSLA Leaders were updated regularly on the provision of additional funds. In addition to Exhibits ND6/13 INQ000300797 and ND6/15INQ000300798 Exhibits ND6/44- ND6/69 INQ000300706, INQ000300735, INQ000300736, INQ000300745, INQ000300746, INQ000300755, INQ000300766, INQ000300767, INQ000300776, INQ000300783, INQ000300806, INQ000590946, INQ000300812, INQ000300813, INQ000300861, INQ000590974, INQ000300859, INQ000300892, INQ000300893, INQ000300899, INQ000300910, INQ000300881, INQ000300884, INQ000300924, INQ000300927, INQ000300928 are the relevant papers.

2.22 COSLA do not have specific recommendations in relation to the system of funding to local government in relation to a future pandemic. However, COSLA have a number of current asks of Scottish Government in relation to funding of local government. These include alignment of spending decisions to the Verity House Agreement (Exhibit ND6/70, INQ000582771), an increase in funding to maintain service provision, sustainable capital investment, empowerment to raise local levies, empowerment to invest in tackling climate change and sustained investment in prevention and early intervention. Further details can be found in Exhibit ND6/71 INQ000590994. These measure would increase the resilience of Councils and improve their ability to manage the financial and service delivery shocks that another pandemic could bring.

3. Communication and cooperation

3.1 During the relevant period, COSLA advised and collaborated with a number of organisations and worked within established response structures. COSLA was a member of the Scottish Government Resilience Room ("SGORR") enabling it to reflect and express the views and concerns of Local Government and the professional bodies, such as SOLACE, operating within its structures at the highest level. COSLA were involved in a number of other Scottish Government groups that sat below SGORR. These included the National Incident Management Group and the National Contingency Planning Group, the latter of which is chaired by senior COSLA officers. Both groups were established prior to the relevant period that is of interest to the Inquiry and were constituted in such a way as to ensure that there was a coordinated public sector response to emergency or critical incident situations in Scotland. This ensured that services

across the public sector worked together to make the best use of resources available and avoid duplication. COSLA's role is to represent the views of its member councils and to ensure that local authorities can deliver any strategic decisions taken.

3.2 The COSLA Spokesperson for Resources was in regular contact with the Cabinet Secretary for Finance and had regular meetings and correspondence. (see exhibits ND6/35 INQ000590936, ND6/40 INQ000590953, ND6/72 INQ000590956, ND6/73 INQ000590957, ND6/74 INQ000590958). The Spokesperson also wrote to the UK Government Chancellor where appropriate (see exhibits ND6/36 INQ000590925, ND6/75 INQ000590990). The COSLA president also wrote to the Cabinet Secretary for Finance on 16 March 2021 Exhibit ND6/76 INQ000590955. A joint letter from COSLA, Northern Ireland Local Government Association and the Welsh Local Government Association was sent to the Chancellor of the Exchequer in July 2020, Exhibit ND6/77 INQ000181648.

3.3 The development and distribution of business grants was a new area of work for COSLA. In April 2020, the Scottish Government set up the Rates Relief and Grant Payments to Businesses Project Group and the Covid-19 Business Support Steering Group was set up in March 2021(Exhibit ND6/78 INQ000590964). The purpose of these groups was to collectively ensure that COVID-19 Business Support Grants from March 2020 to March 2022 and beyond were delivered in a timely, efficient and effective manner with a focus on value for money and optimum impact in supporting businesses through the extended economic crisis.

3.4 High level information, data and economic analysis was shared between COSLA and the Scottish Government through the established resilience structures such as SGORR. In COSLA's view these arrangements adequately met the requirements of COSLA and its members. Apart from the volume of information being shared and the frequency of interactions that was required, the approach to interdepartmental relations and the sharing of information, data and analysis was not significantly different from the period before the pandemic.

3.5 In the main, COSLA considers that the systems and structures that facilitate joint working between local and central government in Scotland were effective. The

first meeting of SGORR in relation to Covid-19 took place on the 16th of March 2020 and was attended by the COSLA Chief Executive. There was a meeting of Group Leaders on the 20th of March 2020 which the Scottish Government Clinical Director joined to discuss the ongoing public health emergency and answer questions from Group Leaders.

3.6 Over the relevant period COSLA played a key role in the frameworks set up by the Scottish Government to respond to the pandemic. As the representative body for all 32 Scottish local authorities, COSLA had regular meetings with the Deputy First Minister ("DFM"). The DFM met with COSLA's Presidential Team, COSLA Leaders and on occasion, leaders from individual councils. In addition to the meetings with the DFM there were regular meetings between Cabinet Secretaries and the relevant spokespeople at COSLA who were the relevant policy leads. For instance, on matters pertaining to the economy the Cabinet Secretary for Finance would meet with COSLA's President or the Spokesperson for Resources. These meetings were conducted weekly when there were particularly acute financial issues. No minutes were kept of these meetings, however, there were other channels of communication in place to implement decisions, such as COSLA Leaders' meetings and meetings of the political Group Leaders within COSLA.

3.7 In addition to these bilateral meetings COSLA was also represented on a number of groups set up by the Scottish Government, These included:-

- SGORR (Ministerial)
- SGORR (Officials)
- National Incident Management Team
- National Contingency Planning Group
- Shielding Group
- PPE Group
- Test and Protect
- Education Recovery Group
- Strategic Resilience Partnership
- Business Support Steering Group

3.8 The Scottish Government was responsible for the core political and administrative decision making in terms of the Covid-19 response. Through involvement in the

groups listed above, COSLA was in a position to reflect the views and concerns of local government and the professional bodies working within its structures.

3.9 We are aware that Mark Lloyd (CEO of the Local Government Association) raised some concerns in his statement to Module 2 of the Inquiry (INQ000215538) that there were issues with announcements on the timing and purpose of funding for councils to help residents with food and or financial hardship in that they were often last minute and contradictory. The experience in Scotland in relation to food and financial hardship were not the same. In April 2020 the £30m food fund was agreed by COSLA Group Leaders (Exhibit ND6/79 INQ000590929 and ND6/80 INQ000590930). This ensured that early support was available for those most in need in communities and local authorities were able to implement the support in a manner that suited local conditions.

3.10 There were, however, times when the Scottish Government made announcements about financial support measures, such as the £500 "thank you" payment to health and social care workers without prior engagement and with little knowledge of the complexities involved in implementing the payment. The £500 payment was announced by the First Minister on the 30th of November 2020 but was not paid until the end of the financial year due to the difficulties associated with implementing the payment and the burden this placed on local authorities (as the implementation agencies). COSLA Leaders considered this matter in December 2020, January and February 2021 (Exhibits ND6/81 **INQ000300819**, ND6/82 INQ000300879, ND6/83 INQ000300896) before being in a position to "clear" the payment to the workforce.

3.11 In Scotland the support to communities through the likes of shielding arrangements was able to reflect local need and circumstances. For example, the guidance issued by Scottish Government on the food fund scheme (Exhibit ND6/80 INQ000590930) clearly demonstrates that local discretion should be used when determining how to use the allocated funding.

3.12 The Scottish Government issued guidance aimed at ensuring local authorities continued to pay suppliers for services even where those services could not be delivered e.g. school transport (Exhibit ND6/05 INQ000485748).

There was limited flexibility in this approach resulting in situations where local authorities were having to pay the full contractual costs even where, as in the case of school transport, a supplier's costs would have been reduced as they were not having to pay for outlays associated with delivery of the service. COSLA worked with SOLACE and Directors of Finance to develop a set of key assumptions, principles and criteria for payment of suppliers and partner providers, and this was provided to COSLA Group Leaders on 27th March 2020 (exhibit ND6/84 INQ000590927).

3.13 Throughout the relevant period, there were often issues, particularly around business grants, with the amount of notice and rapid timescales for implementation. This meant that in some cases the grants were not delivered as efficiently as the public expected or, failed to timeously achieve the intended outcomes. For example, the Offer of Grant Letters for the Covid Business Support Transition Fund and Scottish Business Restart Grant and associated guidance were issued by the Scottish Government (without prior notice) to Local Authority Chief Executives and Directors of Finance on the evening of Friday 9th April 2021 with a payment deadline of 21st April. This meant that the decision to award funding was cascaded to operational teams administering the funds on the morning of Monday 12th April who then had the task of ensuring that appropriate systems were put in place to meet the payment deadline. This was a tight and challenging timescale for delivery that inevitably put additional pressure on local authority officers and employees. However, local authorities' existing processes and communication channels enabled effective delivery. In other cases, such as with the £500 "thank you" payment discussed earlier in this statement, the timescales announced by the Scottish Government were not met.

4. Financial Support in response to the pandemic

4.1 COSLA was not involved in the design, implementation and/or delivery of a number of pandemic related financial support schemes. COSLA's involvement varied dependent on the particular scheme. A joint project group involving representation from Scottish Government, COSLA and local government was set up in March 2020 to oversee the provision of business support. The group was chaired by the Scottish Government, and they provided the secretariat.

4.2 In relation to non-domestic rates relief COSLA implemented the scheme as directed by the Scottish Government. Details on this can be found in the Scottish Government Local Government Finance Circulars, Exhibits ND6/17 –ND6/34 INQ000182932, INQ000182996, INQ000591006, INQ000587030, INQ000587031, INQ000590998, INQ000587198, INQ000590968, INQ000591002, INQ000590960, INQ000182997, INQ000591004, INQ000590952, INQ000590951, INQ000182998, INQ000591005, INQ000590967, and INQ000590993.

4.3 The newly self-employed hardship fund was announced by the Scottish Government in April 2020 and was administered by local government. The initial amount of the fund was £20.4 million and a further £15million was made available in November 2020, with COSLA Leaders being provided with an update on the fund at this point (Exhibit ND6/66). Eligibility criteria were set by Scottish Government. Local Authorities were provided with the opportunity to provide feedback on the guidance for the scheme to ensure it could be deployed effectively. This feedback was provided via the Project Group. There was also good communication between the Scottish Government, COSLA and Local Authority officers despite the challenging conditions. These good lines of communication helped when preparing the guidance ahead of political approval through COSLA Leaders. COSLA was also provided with advance notice of the Ministerial announcement of the scheme. On the morning of 17 November 2020 the Scottish Government advised COSLA that there would be a Ministerial announcement announcing the creation of the scheme later that afternoon. As we had this notice COSLA's officers were able to act quickly and communicate with senior Local Authority officers, through SOLACE and Directors of Finance groups, to make them aware. Nonetheless, resourcing the delivery and administration of these funds was a challenge for Local Authorities, and funding to cover administration costs was required from Scottish Government.

4.4 The furlough support was a grant provided to top up funding to those businesses forced to close in the five health board areas under the Covid 'Brake Restrictions' in the autumn of 2020. (Exhibit ND6/56 INQ000300812). The fund consisted of £9m with the grant offer being received from Scottish Government in October 2020 and the fund closing in December 2020.

4.5 Funding to support travel networks such as the Covid-19 Support Grant, Covid-19 Support Grant-Restart and the Network support grant provided by the Scottish Government were distributed via Transport Scotland and COSLA did not have a role in the administration or distribution of these schemes.

4.6 In relation to funds distributed by local government, COSLA agreed these would be distributed to and by local authorities through SDG processes as outlined earlier in this statement.

4.7 The Business Support Steering Group, as outlined earlier in this statement, was the principal forum used to communicate with the Scottish Government on the various funds and grants put in place to support businesses during the pandemic.

4.8 There was also the joint project group, as outlined above. Both of these forums helped to ensure that there was effective, regular communication between COSLA and Scottish Government however short timescales between announcements, and implementation could be challenging. In terms of delivery, ensuring that there was clear guidance on eligibility criteria was vital and that application methods were communicated clearly.

4.9 COSLA Leaders received regular updates on the business support grants at their meetings through the finance papers exhibited earlier in this statement (ND6/44 to ND6/69). Standalone papers concerning business grants were also taken to Leaders, Exhibits ND6/14 INQ000300888 and ND6/85 to ND6/88 INQ000590943, INQ000300864, INQ000300911, INQ000300917.

5. Non-Domestic Rates Relief

5.1 COSLA did not have a role in the design of the business rate relief schemes or the targeting of the support to particular sectors and not to others. This was the role of Scottish Government. COSLA did not request a role in the design of this scheme.

5.2 The business rate relief schemes were implemented though the existing non-domestic rate systems. The Scottish Government communicated information on these through the Local Government Finance Circulars (Exhibit ND6/17 –ND6/

34 INQ000182932, INQ000182996, INQ000591006, INQ000587030, INQ000587031, INQ000590998, INQ000587198, INQ000590968, INQ000591002, INQ000590960, INQ000182997, INQ000591004, INQ000590952, INQ000590951, INQ000182998, INQ000591005, INQ000590967, and INQ000590993).

5.3 COSLA had no direct involvement in the implementation and delivery of the business rates relief schemes. The scheme was designed in order to support the sectors most affected by the pandemic with retail, hospitality and leisure businesses receiving 100% relief given their inability to operate. The scheme, which was introduced early in the pandemic, was subsequently renewed at the start of the financial year 2021/22 and then again in 2022/23 although the support was reduced and restricted to the first 3 months of the financial year given the improving situation. Exhibit ND6/89 INQ000591014 provides a summary of the support offered to businesses by the Scottish Government throughout the relevant period.

5.4 The Scottish Government used data held in relation to the rateable value of property types when estimating the funding levels required for the scheme. In practice, this meant that, in COSLA's view, the scheme was initially operated without sufficient granular knowledge about the targets of support. This is because a description of property type can only ever provide limited information about the actual business that operates (if one operates at all) from that property. Meaning that the Scottish Government estimates of the type and numbers of businesses to be targeted for support at the start of the pandemic were often inaccurate and this made estimating the level of funding required to support businesses challenging. Around October 2020. more accurate information was obtained by combining the data held in relation to on Domestic Rates systems with Local Authorities' local knowledge of the businesses in their areas, supplemented through engagement with sector and industry groups. The more accurate information helped to improve estimates and understand more detail about the range and types of businesses who would be eligible for support. Issues logs were employed by the Business Support group to help deal with outliers and the more complicated cases where a particular businesses activities did not fit with the eligibility criteria. Exhibit ND6/90 INQ000590962

5.5 There was not sufficient information known, at the time the policy was designed, regarding the small businesses who were the targets of support. As a result, there was a lack of clarity regarding the range and number of businesses that would require support. Obtaining accurate data on self-employed, micro and small businesses, which represents the vast majority of the total business population in Scotland, is challenging. Scottish Government information appeared to be based on official statistical estimates of numbers of businesses and sector information. HMRC may have been able to provide more accurate data in this area but we are not aware if this was provided to the Scottish Government. Local Authorities augmented Scottish Government data with their own databases (Non-Domestic Rates and Licensing) to provide a more accurate local picture.

5.6 Initially the connection between the policy making and the practical issues to enable delivery of the scheme were not ideal, however, the Rates Relief and Grant Payments to Businesses Project Group and the Business Support Steering Group played a significant role in improving this situation. They enabled feedback from local authorities to the Scottish Government on how policy goals and the scheme criteria could be adjusted to account for practical operational issues and be delivered at pace. The Scottish Government were receptive to suggestions and all parties involved sought to balance policy goals with practical delivery of the schemes.

5.7 The creation of the Project Group and the Business Support Steering Group helped ensure that schemes that were delivered had the intended impact.

6. Local Authority Distributed Funds

6.1 Exhibit ND6/91 INQ000590963 is a spreadsheet that provides details of the various sector-specific funds that were distributed by local government.

Consultation, communication and coproduction

6.2 The notice COSLA received about proposals to implement funds prior to implementation varied depending on the scheme and the point in time of the

pandemic. For the majority of funds there was good communication and awareness through the Steering and Project Groups discussed earlier in this statement. On occasion, funds or fund extensions would be announced by the Scottish Government with either no notice or extremely short notice, such as the Business Support Transition fund example provided in para 3.13 of this statement. Such instances created challenges and such challenges were raised with Scottish Government through the COSLA Spokesperson for Resources. It is important to also note that at some points multiple grant schemes were being set up concurrently. Exhibit ND6/92 INQ000591012 shows the position in December 2020 in relation to proposed new funds to be administered by local authorities.

6.3 The early announcement of funds before the details were finalised led to additional pressures on Scottish Government, COSLA and the local authority officers to resolve issues in line with details that had been announced. It also created high levels of expectations amongst businesses about when funds would reach them and led to increased enquiries from businesses, which put further resource pressures on local authority officers. An example of this is the First Minister's announcement of 21st December 2021 of additional business support funds ahead of additional business restrictions to come into effect from 27th December 2021. In effect, this required Local Government to deliver eight schemes on behalf of Scottish Government, including a £66m fund for support of hospitality businesses. The Scottish Government, COSLA and Local Authority officers worked closely and quickly on designing additional checks and declaration forms required for businesses to receive the funds and on providing "offer of grant" letters and guidance to Local Authorities. This work was completed in the first week ofJanuary 2022 and Local Authorities made arrangements to pay businesses in good time. Unfortunately, the language in communications and statements from the Scottish Government gave businesses the impression that these payments would be made faster than it was possible to administer them and this led to a significant increase in enquiries and complaints from businesses, as well as MPs MSPs on the businesses' behalf about why payments were delayed. This added additional workload and stress to officers administering the schemes, as well as to businesses who were fearful that they had missed a payment they were due to receive.

6.4 Consultation with COSLA on the funds was primarily undertaken through the Project Group and the Business Steering Group discussed earlier. Updates and information were provided to COSLA Senior Management Team and raised with elected members through COSLA Spokespersons. Reports and updates were taken to COSLA Leaders' meetings throughout the period. (Exhibits ND 6/14 INQ000300888 , ND6/81 **INQ000300819** and ND6/86-88 INQ000300864, INQ000300911, INQ000300917)

6.5 As mentioned above, both the Project and Steering Groups were effective means of providing feedback to the Scottish Government on the practical and operational implementation of the various grant funds. Matters of a political nature would be raised by the appropriate COSLA spokesperson during their regular meeting with the Scottish Ministers.

Scheme Design

6.6 COSLA and representatives from local authorities contributed to the design of schemes primarily through the Project Group and Steering Group discussed earlier. This included, reviewing proposals, discussing objectives / goals of policy, consulting with local authorities on practicality and operational delivery issues and resources, providing feedback, local information, and suggested changes that could be made to enable funds to be delivered in time. An example of this would be the discussions around the hospitality top up grants announced in December 2021 (Exhibit ND6/14 INQ000300888)

6.7 The fact that the Project and Steering Groups included representation from Scottish Government, COSLA and local authorities helped to mitigate and reduce any disconnect between policy and local implementation. The groups provided effective forums for discussion, consultation and communication around proposed funds. Exhibit ND6/90 INQ000590962 is an example of an issues log used by the Project Group to identify and address issues.

6.8 As the pandemic evolved, the frequency of regular meetings of the Project Group and Steering Group varied according to need, ranging from several times a day to once a week and bi-weekly. The approach to consultation improved over time,

with the Scottish Government increasingly recognising the valuable role that COSLA and local authorities played as a source of reliable information on business numbers, local issues, and as the only effective delivery vehicle for the large range and volume of grant schemes. Consistency of approach and operational knowledge was retained through the Project and Steering Groups.

6.9 Local Authorities supported the identification of the businesses in their areas that would require support, in terms of both numbers and the types of businesses. The Scottish Government made good efforts to target support, augmenting their estimates through consultation with relevant sector and industry bodies as well as with local authorities. COSLA, through the Project and Steering Groups, and the Scottish Local Authority Economic Development ("SLAED") network, consulted with its members to understand the impact and issues of targeted schemes and fed information back to the Scottish Government who were receptive to the data. Through the Project Group, fund criteria and estimates were discussed and adjusted.

6.10 The eligibility criteria and design of schemes took in to account regional variations where applicable and adjustments or separate schemes were used to address these. An example would be the Strategic Framework Business Fund. It was recognised that it did not take account of the impact being felt on businesses in Island Council areas. A separate additional fund (Island Equivalent Payments) was introduced to take account of this.

6.11 The systems adopted for scheme design could have been improved in order that the funds could meet the particular needs of local issues. This could have been done by increasing flexibility by providing additional discretionary funds to individual local authorities to target specific locally important sectors and businesses. As the pandemic progressed learning was taken from this and the Local Authority Discretionary Fund was announced by the Scottish Government on 17th November 2020. (Exhibit ND6/85 INQ000590943). In May 2021 the Business Support Steering Group received a presentation from Scottish Government on the lessons learned in providing business support, ND6/93 INQ000590965.

6.12 The approach in the example above for the Island Equivalent Payments

recognised the challenges faced by businesses in council areas who were affected by restrictions imposed in neighbouring areas and regions even when not directly affected by those decisions. COSLA facilitated discussions with Island Council areas and the Scottish Government to ensure that the scheme took account of local issues and needs. The additional grant fund was a fair and reasonable way to address the issues alongside the wider programme of grant funds.

Administrative Capacity

6.13 COSLA was acutely aware of the need to ensure that it had appropriate funding and administrative resources available to deliver the support based on the demands of the schemes. Communication channels and regular consultation with Local Authorities and relevant groups (e.g. SLAED, Institute of Revenues, Rating and Valuations ("IRRV")) were undertaken to ensure that there was capacity to deliver the support. Local government was also conscious that it was the only delivery vehicle capable of getting the essential support to businesses at the pace required. The Scottish Government had previously sought to use the Enterprise Agencies (e.g Highlands and Islands Enterprise) but they were not able to meet the requirements.

6.14 The number of grant schemes that were delivered over the relevant period, and the amount of money involved, represented a unique challenge. Local Authority Economic Development, Non Domestic Rates and Finance teams do not have a large number of staff in comparison to other service areas but have the skills and knowledge to support businesses and deliver grant programmes. These small teams had the challenge of delivering multiple large-scale grant programmes over a very short period, whilst dealing with the challenges of the pandemic. Fortunately, usual work of colleagues in these areas was on hold, and Councils were able to bring in staff from other areas and use additional funding from Scottish Government to pay for overtime of staff to manage the grant programmes within the challenging delivery schedule.

6.15 Through the Project Group and Steering Group, discussed earlier, COSLA was able to highlight resource challenges with the Scottish Government and work to mitigate these by either seeking to adjust the design of schemes or the start dates or deadlines of schemes to ensure resources could be effectively managed and deployed. This relationship improved over the period and meant that Scottish

Government was aware of these issues when considering new grant fund design and deployment.

Implementation and delivery

6.16 For each scheme that was implemented guidance was provided. The Scottish Government produced initial draft guidance which was then brought through the Project Group and Steering Group who collectively reviewed the guidance and made suggested changes to the scheme details and/or the guidance to enable effective deployment. For the majority of grant funds scheme guidance was available to councils as a draft prior to the go-live date, and the final version of the guidance was issued to Local Authorities as appendices or schedules with Offer of Grant Letters detailing the funding being made available.

6.17 COSLA officers played a key role in communicating scheme guidance, along with SLAED colleagues and local authorities, ensuring information was available ahead of schemes going live. For example, the Offer of Grant Letters for the Covid Business Support Transition Fund and Scottish Business Restart Grant and guidance were issued to Local Authority Chief Executives and Directors of Finance in the evening on Friday 9th April 2021. This was then cascaded to operational teams administering the funds on the morning of Monday 12th April with payment to be arranged by 21st April. This was a tight and challenging timescale but existing processes and communication channels enabled effective delivery.

6.18 Changes and variations to funds or conditions were normally raised and discussed through the Project and Steering Groups. They would then be communicated to COSLA Leaders through reports or email updates. Once agreed, changes were communicated to local authorities through minutes of variation to the original offer of grant letters. For example, a change was made to the eligibility criteria of the Taxi and Private Hire Vehicles Support Fund to include new drivers/operators who were eligible but had failed to claim. This was agreed and an updated minute of variation to the grant offer letter issued as well as updated guidance which was issued in March 2022.

6.19 COSLA was able to review and provide feedback on guidance through the established Project Group and Steering Group. Both these forums proved effective and valuable for consultation and communication. Providing large scale grant schemes at pace inevitably led to issues arising as the scheme eligibility criteria covered a wide range of businesses and activities. For the vast majority of applicants the criteria worked well. Issues logs were established to deal with common themes and the Scottish Government sought to address these issues. There were also instances where applicants' business activities did not clearly meet the criteria and local intelligence and professional judgement were required to determine whether a business should be eligible. Examples of this would be snooker Halls who argued that they should receive a higher rate of grant because they were technically restaurants who had some snooker tables attached, and pubs arguing they provided food and table service and qualified for a higher grant when they may not have. On occasion officers would have local knowledge to check or dispute the claims, and on occasion would have to calculate activity based on rates information about the floor space.

Payments

6.20 Payments for the majority of schemes were made via local authorities through existing Non Domestic Rates systems and payment channels or from details provided by applicants.

6.21 COSLA are not in a position to comment on whether there were any issues with the distribution of the payments at speed during the pandemic nor whether there were any issues regarding the infrastructure available to local authorities to make the payments and process them quickly as it does not hold any relevant data in relation to these matters.

Risk of fraud and error

6.22 COSLA, through the Project Group and Steering Group, and along with the Scottish Government considered the potential risk of fraudulent or erroneous claims as part of the overall scheme design, and sought to mitigate these. In addition, the scheme design included mechanisms for local authorities to recover any funds that were paid to applicants through fraud and/or error. There was also communication with Local Authority colleagues that specialised in fraud and risk,

this was done through established internal audit and counter fraud teams who could provide advice on how to identify potential fraudulent claims. For example, in Orkney it was easy to identify if a business was locally based through bank sort codes but this was not the case in other areas.

6.23 We consider that the steps that were taken to mitigate fraud and error were appropriate. These steps involved reconciliation with existing datasets such as the Non Domestic Rates Register as well as reconciliation between different schemes. These were balanced against the need to deploy support at pace to ensure funds reached businesses as soon as possible and we were aware that additional steps and/or checks would take longer, create more administration and lead to delays in payments which could have been catastrophic for businesses who were claiming legitimately.

Unintended gaps

6.24 It was the responsibility of the Scottish Government, as part of the design of schemes, to consider whether any specific groups were likely to be excluded. As discussed earlier, COSLA, through the Project & Steering Groups provided comment as part of the review of schemes.

Underspend/overspend

6.25 The initial allocations for funds were based on Scottish Government's own data on the number of businesses and sector breakdowns. These proved to be inaccurate when compared with data available from the Non Domestic Rates registers and other local sources. COSLA is not in a position to comment on how the assessment of potential eligibility was determined, this was undertaken by Scottish Government.

6.26 COSLA and Local Authorities were able to comment and provide feedback on the allocations and assessments through the Project Group. Scottish Government were receptive to the information and data provided and used this to augment their own data.

6.27 COSLA and local authorities worked through the Project Group to establish effective communication channels with local authorities, and facilitated reviews of spending and discussions of issues around potential under/overspend.

6.28 The Scottish Government was then able to work with individual local authorities to address individual issues. Individual local authorities are best placed to respond to how this process worked in practice but there was regular communication and agreement to provide top up funds where required. Likewise, local authorities agreed to return underspent funds to the Scottish Government. For example, Fife Council had discussions with the Scottish Government with regards to the provision of top up funding for overpayments made through Business Support Grants, and the return of an underspend from the Business Ventilation Grant.

6.29 These types of issues could be avoided in the future through the establishment of a more accurate official database of businesses that Scottish Government had access to. This would improve the ability to obtain a more accurate estimate of the number of businesses and funds required for any future grant programmes.

Other aspects of implementation and delivery

6.30 Overall, the collective efforts of COSLA, Local Authorities and Scottish Government were successful in deploying large scale business support grant schemes at pace which provided essential funding to businesses during an extremely challenging period.

6.31 The Project and Steering Groups provided a model where national and local government could work effectively to discuss policy objectives, review these in line with operational delivery options, refine criteria and establish multiple concurrent schemes which could be deployed quickly to get funding to businesses at pace. This was a good example of Scottish Government, COSLA and Local Government working effectively together.

6.32 The need to have clear eligibility criteria and guidance as quickly as possible became apparent as schemes were rolled out. The grants that did not have these were at risk of creating backlogs of questions over applications. The initial funding schemes rolled out in March 2020 (£10k and £25K grants to small and medium sized businesses based on rates information already held and 100% Rates Relief for the Retail, Hospitality and Leisure sectors for 12 months from 01/04/2020). Guidance on eligibility was not published for another two weeks, leading to backlogs and large volumes of enquiries. The issues log, Exhibit ND6/69, relating to the Business Closure and Hardship fund, shows the volume of issues that could occur when a scheme was introduced at pace.

6.33 Public communication from the Scottish Ministers in relation to the grant schemes proved one of the most challenging areas. Despite good communication channels with the Scottish Government, public statements by Ministers led to schemes being announced before full details and guidance had been finalised. Announcements also raised undue expectations with businesses about when schemes would go live or payments made, which would have a detrimental effect on local authority resources to deliver and council contact centres would be inundated with enquiries from businesses quoting press coverage of Ministerial statements, this was particularly the case with the initial funds announced in March 2020.

6.34 On reflection, COSLA considers that some businesses or individuals were either over or under-compensated. The business grant schemes were designed at a challenging pace with the objective of getting essential funding to businesses as soon as possible. This meant that strategic choices were required on how to best deploy the grants quickly. The majority of grant funds (e.g. Strategic Framework Business Grant) used existing information and payment channels from the Non Domestic Rates register. This was the best and quickest method to route payment to the majority of eligible businesses, but did not rely on any means-tested or intensive application process, as this would have delayed payments being made, and created additional resource challenges for local authorities in delivering the schemes. This approach meant that structurally the grants would be paid to businesses who were eligible but who may not have

required the grant payments, and others who may have required more compensation than they were eligible to receive.

7. Support for Workers

7.1 COSLA had very limited involvement with the development of grants to support "workers". This area was led principally by Scottish Government with some limited input from local authorities through the SLAED network.

8. Lessons Learned

8.1 COSLA has not carried out any reviews or lessons learned exercises on the matters contained in the provisional scope of this module of the Inquiry. As we have noted throughout this statement, the existing structures and processes relating to the distribution of funds to local government in Scotland operated effectively throughout the relevant period. The pace of change throughout the period created difficulties in terms of implementation times and communication with businesses. COSLA operated throughout this period without any additional resource and relied on the goodwill of staff to take on additional duties and to cope with a significant increase in workload.

8.2 As outlined in para 2.22 of this statement COSLA would recommend that the Scottish Government make the required changes to the funding of local government in Scotland. This would ensure that Councils in Scotland was in a better position to deal with the economic issues being faced in their area as a result of a pandemic.

Statement of Truth

I believe that the facts stated in this witness statement are true. I understand that proceedings may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief of its truth.

PD

Signed: ___ _____

Dated: 20/5/25