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Derek Mackay
Cabinet Secretary for Finance and Constitution
Scottish Government

2nd February 2017

Dear Cabinet Secretary,

Thank you for your letter, following our discussions on the Scottish Budget.

As you know, Scottish Green MSPs were elected on a manifesto to campaign on fair funding for public services. We committed to taking a constructive approach where possible, but to be critical and challenging where needed.

From the beginning of this budget process it was clear that the decision to cut Local Authority budgets would be an extremely damaging outcome of the Government's finance decisions.

Local Authorities deliver services that matter to people every day and are vital to tackling poverty and reducing inequality. Councils run our primary and secondary schools, provide social care and home care to thousands and deliver essential services like transport, libraries, social work, additional support for learning teachers, rape

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crisis centres, funerals and cremations, healthy food in schools, adult education, swimming pools, sports facilities. This list goes on.

While we acknowledge what you have described as forms of “additional support”, we believe that any fair assessment of the situation shows a very significant real terms cut to the core budgets being provided for councils. We believe cuts to these local services are unnecessary and unacceptable. The Scottish Government’s budget has gone up, and the Parliament now has the power to set its own income tax rates and bands. Our manifesto described our progressive tax proposals to reduce tax on lower earners while raising more from those most able to pay.

Without ever demanding that you accept our whole manifesto, we have persistently made the case to you for tax changes in this direction, and we remain strongly of the view that a more progressive use of taxation is justified, and will be necessary.

However we also acknowledge the lengths you have gone to, in reaching the minimum figure we believe is necessary to increase the funding settlement for local government. While we would prefer to see this generated from fair taxation, your provision of the additional £160m will make a significant difference in protecting services in every community in Scotland.

No party gained a majority in the Scottish Parliament elections, and therefore no party has the right to implement its manifesto in full. In this light, we recognise that the offer you have made represents the largest single inter-party budget revision since devolution.

One of our central objectives in these budget negotiations was to ensure that public services are protected and we believe that £160m will allow Local Authorities to safeguard very significant services.

A second objective was to set Scotland on a course of progressive tax changes that help tackle poverty and inequality in our society. In this regard we remain a very long way apart; you recognise this in your letter.

Your decision to abandon your proposed inflation-based increase to the higher rate threshold, which would have resulted in a small tax cut for high earners, represents the most modest adjustment possible in your tax plans. Maintaining the higher rate threshold at £43,000 and refusing even to consider a 1p increase to the higher rate itself, does not match our ambitions. Its effect is to maintain the status quo, and we are convinced that this position cannot be sustained throughout the current parliament.

Given the central importance of protecting local services, on balance we are able to confirm that the changes you have offered are sufficient to allow us to support the Budget Bill at stage 1. Assuming that the appropriate amendments are made to the

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Budget at stage 2 and to the Local Government Finance settlement, we will again support the Bill at stage 3 and the Local Government Finance Order.

Given our continued differences on income tax, we will not be able to vote in favour of your rate resolution, however to ensure that the budget is able to pass including the additional funding for local government, we will not oppose the resolution.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Patrick Harvie', written in a cursive style.

Patrick Harvie MSP