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Derek Mackay MSP  
Cabinet Secretary for Finance, Economy and Fair Work  
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31 January 2019

Dear Cabinet Secretary,

Thank you for your letter, following our discussions about the budget process for 2019/20.

As we set out at the end of last year's budget process, we argued that progress on local tax reform was a pre-condition for budget negotiations for this coming year. I am pleased that progress has indeed been made, and would like to welcome the commitments in your letter.

We look forward to cross party engagement on the question of how to implement the recommendation of the Commission on Local Tax Reform, that the present Council Tax system must end, and to the development of legislation for publication later in this session of Parliament. Additionally, commitments to the principle of a Visitor Levy and a workplace parking levy are welcome, along with increasing the plastic bag levy and your commitment to a levy on disposable cups. We will work to ensure that all these measures are implemented as soon as possible.

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The long term funding settlement for local government from 2020/21 will be broadly welcomed, and if this can be developed in an inclusive and constructive spirit this will help to end the recent problem of Scottish budgets becoming little more than annual debates about the funding of local government. The proposal to devolve control of NDR empty property relief is also welcome, and we will engage with this alongside the wider case for reform of non-domestic property tax.

As the Scottish Government's own Poverty and Inequality Commission has again reminded you in their publication today, the previous lack of bold steps on local tax reform has been a very serious missed opportunity, and the commitments you have made today will get this agenda back on track.

Looking to the budget settlement for 19/20 itself, we continue to argue that modest changes to national taxation policy would have made the task of protecting public services easier, and could have been done in a way which would have been quite consistent with the policies adopted last year and the objectives of increasing revenue and reducing inequality.

However we recognise that you have worked to find alternative ways of closing the gap of £237m, which COSLA has identified in the core, unringfenced resource. Taken together the new money you have made available, the additional flexibility provided around social care funding, the reduced pension contribution costs to local government and the revenue raising capacity which local government is able to use, these measures will close this gap.

We also welcome your commitment to funding a teacher pay deal, and will respect whatever choice the workforce makes in the forthcoming ballot. We will continue to back the EIS campaign for a fair settlement, whether this offer is accepted or if a further offer is necessary.

This will, of course, not solve every challenge local government is facing. Rising demand for services and the justified expectations of public sector workers to see restoration of the lost value of their pay levels are among the challenges which will continue to grow. This is precisely why local government should not be left so vulnerable to annual funding arguments; the local tax reform agenda is absolutely necessary and long overdue to end this situation and to give councils the ability to make financial choices which are right for their own circumstance.

In response to the grave concerns expressed by colleagues in local government across the political spectrum, this package will make a welcome difference to the damaging position in the budget as it was originally published.

On this basis the Scottish Green MSPs will vote in favour of the budget at Stage 1, in favour of amendments to implement these changes at Stage 2, and in favour of the budget at Stage 3 if those amendments pass. We will allow the local government finance order, and the non-domestic rates order to pass.

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We remain of the view that you have far more capacity to build on the taxation policy adopted last year, and we will therefore abstain on the Scottish Rate Resolution.

A handwritten signature in black ink, appearing to read 'Patrick Harvie'.

**Patrick Harvie MSP**