



Review of Local Governance: COSLA Submission

COSLA Submission to Local Governance Review

1. Executive summary

COSLA welcome the opportunity to set out our vision of how local governance is essential to achieving better and more equal outcomes for everyone in Scotland.

Our submission is based not only on the views of Leaders within Local Government but also on discussions we held with other public bodies who were invited to submit their proposals for alternative governance arrangements at local, regional and national level. Here we set out our case for the three vital and interdependent empowerments - community, functional and fiscal.

There is an urgency now across the country to achieve improved outcomes for all people and communities. It is clear that it is fundamentally better for decisions about our aspirations to be made by those that are most affected by them. Scotland is a diverse country: what works in our cities will not suit remote rural communities, just as the priorities in our towns will not be the same as those on our islands. In making the voice of local people heard across all public services, we can address the huge social and financial costs of persistent inequality in this country.

It is clear that the 3 strands of empowerment – community, functional and fiscal – must be delivered together and that collaboration across sectors and spheres of government is a necessity not an option.

We have identified a number of recommendations throughout our submission which can be summarised in 7 key requirements which will deliver the social change required to improve the lives of people in every community in Scotland.

- 1) Local Authorities should have the power of general competence
- 2) There should be a legal duty to promote subsidiarity across public bodies – allowing local democratic accountability for all public services
- 3) Where appropriate and desired, Local Authorities should be able to request to collaborate and integrate with other services to deliver a truly place based approach to public services
- 4) New powers are needed to transfer responsibilities and competences to local communities including Community Councils where appropriate and desired
- 5) It is entirely appropriate and correct that service delivery will look different across the different areas of Scotland and there should be no attempt to standardise services at a national level
- 6) A fiscal framework analogous with that between the UK and Scottish Governments would contribute to a rebalancing of the relationship and provide greater transparency
- 7) There should be a removal of all ring fencing which restricts local discretion

List of Recommendations

Community Empowerment

1. There should be a legal duty to promote subsidiarity across public bodies
2. The right to participate at local level across all public sectors should be enshrined in practice as well as in law
3. Community empowerment should be linked to the equalities and human rights agendas
4. Greater clarity on the respective roles and relationships of representative democracy and participatory democracy
5. May be a need for a new code of conduct for councillors
6. Consideration needs to be given on how Participatory Budgeting should be scaled up across public bodies involved in local governance
7. Community empowerment must be inclusive and ensure that all citizens and communities have equal access to power
8. The form community empowerment takes should not be determined solely by local government or other public bodies
9. The financing of community empowerment needs to be considered as part of the broader demands for fiscal empowerment
10. New powers are needed to transfer responsibilities and competences to local communities including Community Councils where appropriate and desired
11. Strengthening council area committees and ensuring other public bodies link with these should be considered
12. Incentives are required to ensure there is more collaboration across public bodies in engaging with communities
13. Elected member and staff development in using deliberative processes is essential
14. Longer term budget planning / multiyear settlements to assist with community planning and provide stability and predictability
15. Reconsideration of the law will be required to enable greater decentralisation to empower Community Councils and other community organisations
16. Empowering community councils will require evidence of the fulfilment of their duties in Section 51 of the Local Government (Scotland) Act 1973 which outlines the purposes of Community Councils, 'to ascertain, co-ordinate and express to the local authorities for its area, and to public authorities, the views of the community which it represents...'
17. Use of technology should be explored in the development on Participatory Budgeting and other forms of public engagement
18. There should be a legal duty on all public sector bodies to support and resource open government
19. More incentives should be used to encourage place-based approaches which embrace a range of local bodies
20. More work is required to understand the most appropriate forms of co-location, how and when it works best and how co-location can be incentivised across public bodies.

Functional Empowerment

21. There needs to be clarity on the respective roles and relationships between central and local government – local government needs to have a greater role as a rule maker, not simply a rule taker. Account must also be taken to the relationship between local government and other public bodies operating at a local level
22. All local authorities in Scotland should have the power to request additional powers from central government

23. There should be a review of national standards and targets to reflect diversity across Scotland
24. Local authorities should have the power of general competence (which would incorporate fiscal empowerment)
25. Where appropriate and desired, local authorities should be able to request to collaborate with other authorities, including other public bodies, and where a case can be made, Scottish Government should assist in this process
26. Local democratic accountability should be extended into other parts of the public sector
27. There is a need to build on the progress in collaboration that has already been achieved – incentives should be created
28. Scotland should be brought into line with England and allow NHS transfers without incurring VAT
29. Performance frameworks should be reviewed – more local input into performance management regimes
30. A review of the current economic leavers available to local government is necessary
31. The implications of City and other Deals for local governance requires greater attention with further developments more closely aligned with the outcomes of the Review
32. There is a need to be able to access and use information relevant to inform policy making – SG should work with Local Authorities and others to facilitate improvements in this data analytics and data sharing

Fiscal Empowerment

33. Fiscal empowerment needs to be understood in the context of local government responsibilities, services provided as well as functional geography
34. Local government has a role to play in sustainable economic growth and should be a partner with Scottish Government in the interdependent enterprise reflected in new fiscal powers
35. A fiscal framework analogous with that between the UK and Scottish Governments would contribute to a rebalancing of the relationship and provide greater transparency
36. There should be a formal commitment that any new legislative duties imposed on local authorities will be properly funded
37. There should be a review of the range of ring fencing which restricts local discretion
38. Consideration needs to be given to the various taxation options being canvassed for additional revenue raising sources, taking accounts of the costs involved and benefits accruing
39. An examination of how best to develop local wealth building aligned with community empowerment is needed
40. There is a need to link policy outcomes with delivery tools to ensure that agreed outcomes are delivered
41. The pooling of financial resources should be aligned with pooling other local assets and with community empowerment
42. There should be greater flexibility in borrowing and lending following the approach available to local authorities in England and Wales

2. Introduction

Our key theme is the need for **empowerment** and the huge opportunity that this review presents to empower citizens and communities across Scotland. This has driven this submission to the Review of Local Governance. Indeed, our key critique of local government's position within the current system of Scottish governance is local government's relative disempowerment. Disempowered citizens and communities become dispirited, discontented and angry. These conditions lead to the rise of populism with the mobilisation of the 'left behinds' elsewhere but Scotland cannot expect to be immune. At an individual level, it has health, including mental health implications. Public health improvements require the empowerment of individuals and communities. Local governance requires empowerment to facilitate citizen and community empowerment. We are calling for the increasing demands on local government services to be matched by greater empowerment so that councils and their partners have all of the capability and capacity to act to protect and strengthen the communities they serve.

That is why we are clear that any reform should empower individuals, communities and local authorities across Scotland. This will require reforms which we discuss below under three headings: community empowerment, functional empowerment, and fiscal empowerment.

Our evidence gathering also suggests that our governance arrangements were designed for a different era and have evolved in a manner that is making it increasingly difficult to achieve the outcomes on which there is a consensus for across Scotland. In many instances the thinking behind reforms such as the establishment and development of Community Planning Partnerships and more recently Integrated Joint Boards (IJBs) suggest a direction of travel and key lessons for reform that conform with thinking within the local government community. Another recent development has been the emergence of City, Islands and Regional Deals. These developments have value in providing additional funding but there remains more to do to ensure that the governance of these takes account of local communities and wider implications for local government. While progress is being made, we are clear that the scale and pace of change needs to intensify, and to achieve that we need to look again at a much more locally focused approach to governance across all parts of government, not just councils, and across all of the public services which communities rely on.

The changes required cannot be brought about by proclamation. There has long been a demand for a major change in how we deliver public services and improve life chances for all but progress has been slow. We need to move beyond the rhetoric of change to ensuring change happens. This will require leadership, genuine partnership and incentives. Bold statements of intent and agreement on outcomes now need to be backed up with action. This will require additional resources. It cannot be done within existing resources. Scottish local governance may be in a more fortunate position than in England but is heading in the same direction. A change of direction is essential.

3. Case for reform

The origins of our system of local governance lie in a different era. This review is a welcome opportunity to improve local governance for this era. The demands on public services are changing with changes in Scottish society, economy, the system of government and citizen expectations.

Scotland remains a deeply unequal society. The attainment gap, for example, remains an enduring problem requiring a variety of interventions by a wide range of public and other bodies. And while the growing elderly Scottish population is a cause of celebration and continues to make a considerable contribution in our communities, it also means increased demands for services, especially those that require greater collaboration across services.

There have been many reforms in response to these changes from Scottish and local government and other public bodies across Scotland over the last generation, but these responses have necessarily been piecemeal. They suggest clear directions of travel for reform, but we now need a more comprehensive review to increase the pace and scale of reform.

Principles

Major reforms of the past have been guided by key principles. Fifty years ago, the Royal Commission on Local Government in Scotland (Wheatley) identified four guiding principles: power; effectiveness; local democracy; and local involvement. Twenty years ago, an all-party Consultative Steering Group (CSG) was established prior to the establishment of the Scottish Parliament which set out four key principles:

- **The Scottish Parliament should embody and reflect the sharing of power between the people of Scotland, the legislators and the Scottish Executive;**
- **The Scottish Executive should be accountable to the Scottish Parliament and the Parliament and the Executive should be accountable to the people of Scotland;**
- **The Scottish Parliament should be accessible, open, responsive and develop procedures which make possible a participative approach to the development, consideration and scrutiny of policy and legislation;**
- **The Scottish Parliament in its operation and its appointments should recognise the need to promote equal opportunities for all**

The Parliament itself adopted these principles in June 1999. One of the CSG proposals was the Parliament should regularly measure its achievements against these principles. Implicit in these principles is a strong role of local government with an emphasis on collaboration. In its 2002 review of the principles, the Procedures Committee noted that, 'The most powerful political focus for many Scottish people is one rooted in local issues'.ⁱ

In January 1998, the Scottish Secretary appointed a Commission under Sir Neil McIntosh, former chief executive of Strathclyde Regional Council,

- To consider how to build the most effective relations between local government and the Scottish Parliament and Scottish Executive; and,
- to consider how councils can best make themselves responsive and democratically accountable to the communities they serve.

The Commission reported in June 1999, a month after the first elections to the Scottish Parliament. Its recommendations are worth revisiting. The McIntosh Commission maintained that:

- relations between local and Scottish central government should be based on **mutual respect** and **parity of esteem**, given their common democratic mandate,
- emphasised that the **principle of subsidiarity** ought to inform relations
- and **that in the event of greater centralisation then the onus was on the Scottish Parliament to demonstrate the benefits that would accrue**,
- the **principle of subsidiarity** went beyond local government and reached down into local communities.

It made a series of recommendations including a **Covenant between the Scottish Parliament and Scotland's 32 local authorities**, the creation of a **Joint Conference where Parliamentarians and local government representatives** could hold dialogue on the basis of equality, the introduction of a **power of general competence for local government**, a **formal working agreement between local government and Scottish Ministers**, an **independent enquiry into local government finance**. It proposed that local government should **always be considered in any review of other bodies** delivering public services and when new services are to be designed. Efforts should be made to **ensure as wide participation** and access to decision-making of a wider cross-section of the public. It recommended retaining Community Councils and encouraged greater consultation with consideration given to resourcing Community Councils, developing civic education and suggested that **Community Councils should undertake 'renewal'** and consideration be given to **engagement with young people** including the possibility of extending the vote to 16 year olds to Community Councils (see Appendix 1 for recommendations). These recommendations are even more remain relevant today.

Eight years ago, the Commission on the Future Delivery of Public Services (Christie) commented in its report, 'The public service system is often fragmented, complex and opaque, hampering the joint working between organisations which we consider to be essential. As a whole, the system can be 'top down' and unresponsive to the needs of individuals and communities. It lacks accountability and is often characterised by a short-termism that makes it difficult to prioritise preventative approaches. Addressing these systemic defects will require a fundamental overhaul of the relationships within and between those institutions and agencies – public, third sector and private – responsible for designing and delivering public services' (Report of the Christie Commission, 2011, p.viii). Christie identified four 'Pillars' that should inform future working:

- Reforms must aim to **empower individuals and communities** receiving public services by involving them in the design and delivery of the services they use.
- Public service providers must be required to work much more closely in **partnership, to integrate service provision** and thus improve the outcomes they achieve.
- Priority given to expenditure on public services which **prevents negative outcomes** from arising.
- The whole system of public services - public, third and private sectors - must become **more efficient by reducing duplication and sharing services** wherever possible.

A consensus emerged around Christie's critique and recommendations. Councils and other public bodies have embraced these principles but it is clear that progress has been slow.

Christie was complemented by the Commission on Local Democracy in 2014 which set out key principles to guide reform:

The principle of sovereignty: *democratic power lies with people and communities who give some of that power to governments and local governments, not the other way round*

The principle of subsidiarity: *decisions should be taken as close to communities as possible, and local governance has to be right shape and form for the people and the places it serves*

The principle of transparency: *democratic decisions should be clear and understandable to communities, with clean lines of accountability back to communities*

The principle of participation: *all communities must be able to participate in the decision making that affects their lives and their communities*

The principle of spheres not tiers of governance: *different parts of the democratic system should have distinct jobs to do that are set out in 'competencies', rather than depend on powers being handed down from 'higher' levels of governance*

The principle of interdependency: *every part of the democratic system has to support the others, and none can be, or should seek to be, self-contained and self-sufficient*

The principle of wellbeing: *the purpose of all democracy is to improve opportunities and outcomes for the individuals and communities that empower it (The Commission on Strengthening Local Democracy Report, August 2014).*

The combined principles, reflecting the importance of interdependence, are a useful guide for this review.

Principles and objectives

	PRINCIPLES			
Wheatley	Power	Effectiveness	Local Democracy	Local Involvement
Consultative Steering Group/Scottish Parliament	Power-sharing	Accountability	Accessibility	Equal Opportunities
McIntosh	Provision of Public Services	Local Democracy		
Christie	Empowering Individuals and Communities	Partnership and Integration	Prevent Negative Outcomes	Efficiency
Commission on Local Democracy	Sovereignty with the people	Subsidiarity	Transparency	Participation
	Spheres not tiers	Interdependency	Wellbeing	

It is also important to place this reform within the wider objectives of our interdependent system. The human rights approach to policy is central. All decisions must give proper consideration to human rights; all actions, policies and services must be compatible with human rights; policies and laws should be applied consistently with human rights; and public servants should respect human rights. The public health agenda should also inform this review. This involves the 'promotion and protection of health and well-being, preventing ill-health and prolonging life through the organised efforts of society'. The report of the Public Health Review Group in 2015 highlighted the need for clarity on organisational roles; stronger leadership around public health; a public health strategy for Scotland; and greater partnership work across all sectors. The themes emerging from both the human rights and public health agendas resonate with the themes of the local governance review. The stated objectives of Public Health Reform have informed COSLA's view on local governance reform:

- contributes to a healthier Scotland by reducing health inequalities and avoidable differences in healthy life expectancy across Scotland,
- creates a culture for health in Scotland where public services are focused on preventing ill health and supporting individuals to make healthier choices and adopt and maintain healthy behaviours,
- uses technology to drive change, utilising data and intelligence to improve our understanding of Scotland's public health challenges to plan and deliver services in a different way,
- empowers individuals and communities by involving them in the design and delivery of services and co-producing solutions to local population health challenges,
- delivers services that are evidence based and can have the biggest impact on improving healthy life expectancy and reducing inequalities,
- protects the nation from public health hazards by creating a system that is effective in identifying, preparing and responding to public health emergencies and challenges.

There are matters that will require uniformity of provision across Scotland, other matters that should aim to result in common outcomes but how these outcomes are to be achieved will differ across Scotland and there will be considerable scope for local areas setting their own priorities. This review is an opportunity to consider the relationships and boundaries between these different issues.

The Scottish Government has a key role in determining outcomes and the overall framework of priorities including ensuring that the rights of all citizens are respected. But local government must be able to deliver in the way that is appropriate for its communities. The top-down, indeed paternalist, approach has failed to reduce inequalities. There is now a need for meaningful partnership working, empowering citizens and communities in which local government has a far greater role is now needed. The persistence of inequalities requires a different approach.

Progress

There has been much progress including many examples of innovation at local level across Scotland, but progress has been slow. This review offers an opportunity to make changes that will lead to improved outcomes. The rhetoric for change now needs to be matched by action. There has been insufficient collaboration across sectors and little evidence of the 'radical shift towards preventative spending' Christie called for. The current system of local governance remains silo-based, top-down and reactive. Local government has been disempowered, unable to fulfil its potential in what must be a collaborative effort by central and local government to reducing inequalities.

Considerable effort has already gone into empowering communities to realize previously untapped potential. There has been considerable experience of community empowerment in recent years and much has been learned from the success of participatory budgeting and asset transfers. Novel forms of community engagement have been adopted across Scotland, and there is enthusiasm about how this can be developed and extended further.

There has been growing awareness of the assets that exist in our communities. Scotland has witnessed exceptional levels of political engagement in recent years with growing evidence that much vitality and potential exists in our local communities. The Community Empowerment Act 2015 involved an important step towards greater community empowerment by extending the community right to buy land, allowing communities to request to buy, lease, manage or use land and buildings belonging to local authorities, Scottish public bodies or Scottish Ministers.

The revised **National Performance Framework** (NPF) acknowledged the interdependence required to improve outcomes. The focus on outcomes and identification of priorities across services has encouraged collaboration. Community Planning Partnerships have evolved to become more significant collaborations and now include third sector and other bodies with a focus on agreed outcomes. Integrated Joint Boards (IJBs), Community Justice Partnerships (CJBs) are further examples of collaboration and partnership. The Public Bodies (Joint Working) (Scotland) Act 2014 requires local authorities and NHS boards to integrate the governance, planning and resourcing of adult social care services and key health services, by establishing an 'Integration Authority' (IA) with some local discretion as to the precise form the IA should take. The NPF attempts to overcome short-term policy making and shift the focus from inputs and outputs to outcomes. But this long-term approach is undermined by other short-term processes.

Problems

But more needs to be done. The experience of the last eight years allows us to review progress and consider what is needed to increase the pace and scale of change. Our system is highly centralised. Our evidence suggests that four key developments that have been evident in our system of local governance over many decades remain present:

- Centralisation**
- Uniformity**
- Symmetry**
- Consolidation into larger units**

Centralisation has been the most striking and consistent feature of Scottish governance. This has been a gradual process and is not attributable to one political government or political party. Nevertheless, Local authorities have increasingly become **rule-takers** and less **rule-makers**. There has been no single moment but a long series of decisions dating back over time as successive central governments have sucked power upwards, limiting local autonomy. On many measures, Scotland is now one of the most centralised countries in Europe. This review is an opportunity to turn that round.

Allied to centralisation has been the tendency towards **uniformity**, treating all parts of Scotland alike. **Symmetry** has been the twin of uniformity. Scottish local government has become increasingly symmetrical with all parts treated the same in successive waves of reform. This contrasts sharply with the establishment and evolution of the system of devolution in the components of the UK which acknowledges diversity. Policies made at the centre have sought to achieve equity by insisting on uniform standards uniformly applied, policy inputs and using targets which elsewhere in Europe would be reflecting by local authorities determining local priorities and the most appropriate means of achieving goals.

This has proved counter-productive failed to reduce inequalities or address many deep-rooted problems.

Expected efficiency gains lay behind the **consolidation** of local authorities into larger units. These have in turn given rise to a tendency towards imposing institutional symmetry on Scotland. The northern and western isles apart, the clear trend has been to impose the same structure across Scotland. It is now becoming recognised that this way of working does not necessarily fit the diversity of communities we have, and the Review of Local Governance is a significant opportunity to reflect that in policy making and practice.

Local government has been key to local governance. Over much of the twentieth century it evolved from a complex system of *ad hoc* governance with a variety of different services provided for and accountable to separate local bodies into a system of *ad omnia* authorities in which services were integrated under one or at least fewer public authority at local level. In essence, a system of local silo governance was replaced by a system that was more integrated. The *ad omnia* approach was recognition of the importance of collaboration and the problems of silo-based policy-making. But over time, local government has lost many **competences** as power has been centralised and we have edged back towards silo-based policy-making. Latterly, central government has encouraged more integration to local level of the range of public services, including many which were previously the responsibility of local government. In other words, there has been some limited effort to reverse a process of disempowering local government through collaboration but retaining central control and a significant measure of silos.

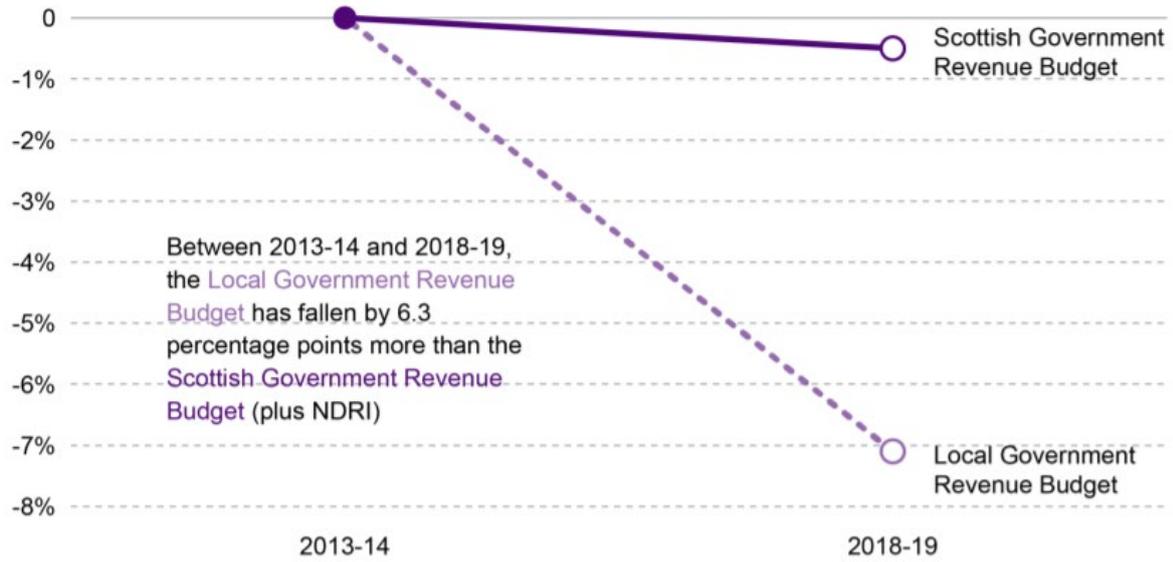
Much debate continues to be expressed in terms of *levels* or *tiers* of government. This is unhelpful for two reasons. First, it encourages a hierarchical view in which one level or tier is seen as superior to another. This runs contrary to **mutual respect** and **parity of esteem** outlined by the McIntosh review. Secondly, this outlook often accompanies perceptions that each level or tier is discrete, or independent of other tiers, rather than inter-dependent. The Review of Local Governance has the potential to turn this around for good – building on the importance of partnership. This acknowledged in the revised National Performance Framework (NPF) which explicitly recognises the mutually supportive roles of both central and local spheres of government.

Pressure on local government budgets has increased substantially over the last eight years. There is a need for an enduring, stable fiscal settlement for Scotland as a whole including for local government. The balance of funding is determined at each Scottish Budget by the Scottish Government with only around 17% raised through local Council Tax. On the current trajectory, Scottish local authorities will have to make deep cuts in budgets and be unable to deliver core services at some point in the coming years.

The right of local authorities to adequate financial resources of their own is a key principle of local autonomy, enshrined in Article 9 of the European Charter of Local Self-Government. The capacity to generate revenue has been described as an ‘excellent indicator’ of financial autonomy in a recent resolution passed by the Congress of Local and Regional Authorities of the Council of Europe (CG35 (2018) Final 8 November 2018). There is a need to ensure that the share of revenues raised locally is commensurate with competences, enabling local authorities to provide services suited to the needs of their communities.

Scotland currently has the lowest level of local income-raising fiscal powers allocated to local government across the whole of Europe. Local government funding has reduced at a faster rate than other areas of the Scottish public sector as noted by Audit Scotland in its 2017/18 local government financial overview, ‘Between 2013/14 and 2017/18, funding from the Scottish Government to local government decreased at a faster rate, 6.92 per cent, than the Scottish Government revenue budget at 1.65 per cent.’ This is despite the fact that local

government is unique in delivering services to every citizen and household in every part of Scotland.



Source: SPICe, Local Government Finance: Budget 2019-20 and provisional allocations to local authorities

4. Community empowerment

***'Community empowerment refers to the process of enabling communities to increase control over their lives. "Communities" are groups of people that may or may not be spatially connected, but who share common interests, concerns or identities.'* World Health Organisation**

What do we want to achieve?

The key aims for community empowerment should be to:

- create cohesive, confident, thriving and resilient communities;
- spread involvement more widely;
- reach out to those individual and communities who are seldom heard.

As part of this review, Argyll and Bute Council embarked on a 'Big Listen'. From April to June 2018, a community engagement team from Argyll and Bute Council led by their Chief Executive, visited many of their islands and mainland communities to hear directly from communities on their thoughts in the future of public services. This involved a series of focus groups which discussed their experiences of involvement in decision making processes; exploring the themes of increasing community involvement and specific areas of interest; what they mean by 'local'; and what changes people would like to see. These events took place on the islands of Coll, Mill, Islay, Bute and Jura and also in Campbelltown, Lochgilphead, Helensburgh, Dunoon and Oban on the mainland as well as an online 'webchat'.

Subsidiarity should be the guiding principle. Subsidiarity means that decisions should be made at the most appropriate level with the assumption that decisions should be made nearest to the citizen unless a convincing case is made for a more centralised approach. There should be a legal duty to promote subsidiarity across public bodies.

Just as disempowered local government undermines local democracy, disempowered communities undermine Scotland's people. **The right to participate at local level across all public services should be enshrined in practice as well as in law.** The formal right to engage without meaningful opportunities is no right.

Community empowerment should be linked to **the equalities and human rights agendas.**

Old style top-down paternalism stands in the way of community empowerment. **The shift required will involve cultural change as well as institutional reform.** The top-down environment prevalent in Scottish governance is an impediment. The different priorities and reporting mechanisms in Scotland's cluttered institutional landscape is confusing and off-putting.

The COSLA Commission on local democracy saw **representative democracy and participatory democracy as complementary.** There are inevitably tensions in this relationship and **greater clarity on the respective roles and relationships** is required. Issues of accountability and legal responsibilities will invariably take precedence in the current legislative framework. Nonetheless, the role of the local elected councillor plays has evolved over time and the councillor is now expected to engage with communities to a greater extent than a generation ago. This should be formally acknowledged in the expectation's communities have of councillors but also in support available to councillors, and in the process of building trust. There may be a need for a new code of conduct for councillors.

Participatory budgeting (PB) has been a success and consideration needs to be given on how **PB should scaled up across public bodies involved in local governance.** Lessons

learned from participatory budgeting, place-based approaches and other forms of community empowerment should be shared and continuously refreshed with easy access to appropriate evidence and advice. International experience should be made available in this way too. The experience of participatory budgeting offers important lessons in the relationship between you and representative and participatory democracy that might be applied more broadly.

Community empowerment should be continuous. The form it may take should not be determined by local government or other public bodies. Some communities may want control of local budgets, but others seek an input into some stage or stages of decision-making. The rich diversity of Scotland's communities needs to be respected. **Community empowerment must be inclusive and ensure that all citizens and communities have equal access to power.** The complex nature of overlapping, shifting communities needs to be taken into account.

Communities are not static. Their boundaries may be porous and flexible. There are communities of place and communities of interest. People live in multiple overlapping communities. This makes the translation of communities into formal institutional structures difficult. But this does not mean that community empowerment cannot be achieved, only that its achievement should take on a different form from and complement structures of local governance. **The form community empowerment may take should not be determined solely by local government or other public bodies.** The rich diversity needs to be recognised and respected.

Resourcing community empowerment properly requires additional time and additional money. So too does it require the powers locally to make meaningful tax and spend decisions. The pressure on existing local government funds means that alternative and additional sources of funding will be required. The financing of community empowerment needs to be considered as part of the broader demands for fiscal empowerment. This might include consideration of extending and mainstreaming participatory budgeting across public services, identifying and hypothecating new revenue streams, increasing central government grants. Councils are often the first point of contact for community bodies seeking support, but the resourcing should be shared across local governance.

New powers are needed to **transfer responsibilities and competences to local communities including Community Councils where appropriate and desired** with necessary changes to existing structures of public services (see complementary regionalisation proposal).

Western Isles Council has used Participatory Budgeting to engage with communities in Uist and Barra around the redesign of the local public bus services which has enabled local people to decide which bus service to commission to provide transport in their areas. Before any voting took place, various engagements were held, and a questionnaire was distributed, to help get a sense of the communities' priorities. Further events were then held where people voted on different service options and how these would be weighted in the procurement process. The final procurement decisions were made by panels of local people. The participatory budgeting process has brought about an increase in customers using the bus service as well as bringing benefits in terms of a more responsive service and community members knowing more about how procurement processes work in the public sector.

Community empowerment requires removing barriers to greater involvement, building community confidence and demonstrating that participation is worthwhile. All communities may have the formal right to participate but not all communities have the same **capacity** to participate. Some communities are more resilient than others. Building resilience is important. Not everyone is able to get involved or get involved to the same extent. In some cases, professional support is required but, in all cases, support is essential to ensure not only

that **all have the right to participate but all have the same capacity to participate.**

Closing this capability gap is important in any serious effort to empower local communities. Building community capacity is key. The form of community empowerment can only be determined through deliberation and will take different forms for different communities and at different times. Community empowerment must necessarily reflect differences in communities. One size no more fits all in community empowerment than it does in any aspect of local democracy. Strengthening council area committees and ensure other public bodies link with these should be considered.

East Ayrshire Vibrant Communities. In 2013 we established Vibrant Communities, identifying around 100 employees, from across Council services, who played a direct role in supporting our communities and we brought them together into one team. We saved £600,000 and delivered a new, modern approach to supporting, empowering and regenerating our communities. Importantly, this is not just a team, this is a philosophy that operates across the Council. Each community follows a similar process, which includes preparing a community profile and developing and distributing surveys to all households. The response to community engagement surveys has been high and the required return rate of 40% has been achieved in all communities, where the process has been undertaken.

Communities do not live in silos but often experience services delivered by silos. There is considerable support in principle for greater collaboration, but this needs to be backed up by policies to ensure that collaboration is scaled up. **Incentives are required to ensure that there is more collaboration across public bodies in engaging with communities.** Examples of good practice exist, and lessons need to be learned from these, and so that they become the standard for the future.

In Perth and Kinross, the Health and Social Care Partnership integrates social care services delivered by the Council with clinical care delivered by NHS Tayside. Other Councils in Scotland, including Perth and Kinross, are pursuing wider Regional Collaboratives on key services including education (the Regional Improvement Collaborative) and economic development which is integral to the Tay Cities Deal.

Resourcing community empowerment must take account of the need to ensure that communities have the opportunity to avail themselves of necessary information. **Community empowerment requires an informed community.**

Edinburgh Council engaged with the public through two different approaches in 2018. The Council presented all of its current spending in each service area to stakeholders using the Budget Simulator. The tool allowed users to see how much is spent on a service, to vary spending in that service area, and to see the consequences of making those changes. Particular policy choices were also offered, which allowed users to reduce the budget deficit if they were willing to accept changes to services. A running total was kept ensuring that users meet the financial challenge faced by the organisation, they were then able to submit and make comments on their submitted budget.

Edinburgh Council also designed a real world, group exercise which communicated budget information while allowing stakeholders to act as a team to agree priorities and balance the budget. This approach used game theory to give people individual agency, then move them to consider the needs of a wider community. Feedback from these group sessions indicated that almost all participants found the sessions valuable, and 41% of participants changed their views as a result of taking part.

Community empowerment should not be seen simply as the responsibility of a specialist element in any public body but embedded throughout local governance. **Elected member and staff development in using deliberative processes** is essential.

Current timescales and short-term budgeting do not facilitate community empowerment. Timescales need to be addressed both to recognise that community empowerment takes time, applications for funding can be challenging and short-term funding disincentivises community involvement. A move towards **longer-term planning will assist in community empowerment.**

Legal and financial accountability make it difficult to delegate decision-making to community councils or other groups. **Empowering Community Councils and other community organisations will require reconsideration of the law to enable greater decentralisation.** We also recommend revisiting the McIntosh Report's recommendation that Community Councils should undertake a process of renewal, specifically addressing their own representative nature and how effectively they establish public opinion within their own area; how they involve and establish links with other communities of interest; and how they involve young people in their work and in their organisation.

A key challenge for local authorities and those supported by local authorities including third sector organisations and local communities is long-term policy making including efforts to shift to prevention requiring multi-year budgeting. **Multi-year settlements would provide more stability and predictability.** Fiscal framework – we should have one for local government and public services - Medium term – set percentage of block for local government – hypothecated share.

Section 51 of the Local Government(Scotland) Act 1973 outlines the purposes of Community Councils, 'to ascertain, co-ordinate and express to the local authorities for its area, and to public authorities, the views of the community which it represents, in relation to matters for which those authorities are responsible, and to take such action in the interests of that community as appears to it to be expedient and practicable'. It is not always clear how communities are consulted by Community Councils. **Empowering community councils will require evidence of the fulfilment of these duties.**

Orkney Islands Council has been undertaking a pilot project, *Empowering Communities*, which is testing the potential for community councils to participate in the design and delivery of a number of services currently provided by the Council. The idea has been developed in consultation with community councils, community groups and partnership agencies. Orkney Islands Council is looking to build on this pilot project. Orkney Islands Council believes that devolution should be asymmetrical and envisages one community body, suitably resourced and potentially with charitable status, carrying out the work of community councils, development trusts and other community organisations.

The **use of information technology should be explored** in the development of participatory budgeting and other forms of public engagement with experience shared.

Midlothian Council has undertaken work to deliver better outcomes for its customers through the delivery of digital services and ICT based solutions. Examples of this work, in Midlothian, include: new technology is being used to support older and vulnerable people living at home for longer; telecare (also known as community alarms) help people live independently in their own homes and allows a quick response if they need help; rents and council tax payments are now made payable online as would be expected from any modern private sector agency; school meals are now cashless with direct bank transfers from patterns to schools; staff development is undertaken using shared online systems with CPP partners and, most recently, plans are being made to use Massive Open Online Courses (MOOC's) to deliver better access to learning with partners.

Open Government is necessary for effective community empowerment. Communities need information decisions if they have the information to make choices. There should be a **legal duty on all public sector bodies to support and resource open government**. Knowledge is key and community empowerment and support is required to provide communities with impartial and independent information where required.

North Ayrshire's Locality Planning approach is both comprehensive and strategic. There are Locality Partnerships for every locality which involve local councillors, CPP, Community Councils and other community representatives. A data-led area profile informs the agreement of key priorities by all partners. Thereafter CPP and community bodies align and deliver services and actions in a coordinated manner to promote these priorities.

A variation on the **Parish Council model** that operates in England might be appropriate in Scotland taking account of different places, devolving powers and funding to the most sensible geographic area. Decentralization and devolution of decision making could utilize the existing powers conferred by the Community Empowerment (Scotland) Act 2015 and could include communities of interest and existing communities of place (including Community Councils and Community Development Trusts) in preference to the establishment of a new tier of local governance, or new local bodies.

More incentives should be used to encourage **place-based approaches** which embrace a range of local bodies.

Co-location has proved valuable both from the citizen's perspective and in providing greater efficiency and collaboration. More work is required to **understand the most appropriate forms of co-location, how and when it works best and how co-location can be incentivised across public bodies**.

5. Functional Empowerment

Functional empowerment refers to institutions and processes best capable of delivering services; addressing competences, scale, partnership and integration.

What do we want to achieve?

The key aims for functional empowerment for local governance should be to:

- apply the principle of subsidiarity and appropriate scale;
- make it more collaborative and integrated embracing community empowerment;
- make it less complex, more easily understood;
- make it more flexible and responsive;
- create a more permissive and enabling system of local governance.

Our system of governance, based on old ideas of hierarchical government, has struggled to cope with new pressures and take advantage of new opportunities. The key need is to build on the existing governance architecture and distribution of powers and responsibilities to meet the challenges of the twenty-first century. The interdependent system remains **top-down and requires to be rebalanced**. There is little appetite for wholesale reorganisation of local governance along the lines brought about under the Local Government (Scotland) Act 1973 or Local Government (Scotland) Act, 1994. But there is a need for reform that reflects Scotland's diverse communities, needs and preferences. This means that the system of local governance will increasingly become asymmetric. For example, this asymmetric approach has long been recognised in the three Island Councils through to the Islands Act, 2018. Extending this more widely across Scotland might mean that a single public authority model is adopted in some parts of Scotland and distinct arrangements exist for (some of) Scotland's cities for example. To be effective, there has to be flexibility to determine the model that best suits local communities and legal powers which enable Councils, Community Planning Partnerships and national bodies to collaborate, integrate or share services where appropriate.

Just as there is a need for clarity on the respective roles and relationships of representative and participatory democracy, there needs to be clarity on the respective roles and relationships between central and local government. The imbalance in that relationship needs to be addressed. Local government needs to have a greater role as a **rule maker**, not simply a **rule taker**. Account must also be taken of the relationship between local government and other public bodies operating at local level.

The Islands (Scotland) Act 2018

Clause 7 of the Islands Act involved a 'duty to have regard island communities'. An equivalent duty to have regard to the diversity of local communities should exist in law for local governance. The Islands (Scotland) Act 2018 also includes a provision for islands councils to made additional powers requests (section 15 and 21), allowing these local authorities to ask that additional functions, duties and responsibilities should be transferred to the authority.

All local authorities in Scotland should have the power to request additional powers from central government. Ministers would be obliged to consider each application and explain the reasoning behind any decision taken in response.

There should be a **review of national standards and targets** to reflect diversity across Scotland. While there are many areas where uniformity is necessary, for example related to the human rights agenda, these should be distinguished from areas where common outcomes are desired but achievable through different means and where local priorities should be accepted. The redevelopment of the National Performance Framework has already provided

a powerful platform on which to deliver this change. The next challenge is to ensure that this approach is reflected in the reality of public services across the country.

The European Charter of Local Self-Government of the Congress of the Council of Europe

The European Charter of Local Self-Government should be adopted. States ratifying the Charter are committed to guaranteeing the autonomy of local authorities with the provision of local self-government recognised in legislation with local authorities elected by universal suffrage. Scotland and the UK is currently the only member of the Council of Europe yet to recognise the charter in domestic law.

Local authorities should have the power of general competence (which would incorporate fiscal empowerment) to allow local authorities to achieve improved outcomes for communities. This would replace the more restrictive power of well-being in the Local Government in Scotland Act 2003, and echo powers already in place in England. This will ensure that local authorities can become more responsible for a broader range of matters in their areas, and as entrepreneurial as possible in their approaches to addressing the local challenges and opportunities they face.

As the Wheatley Commission noted forty years ago, the most appropriate scale differs depending on services being provided. The appropriate scale also differs across Scotland taking account of demographic and topographic considerations. This creates challenges for collaboration and coterminosity. While there is a pressing need for greater decentralisation, the case for regional dimension is acknowledged. A bottom-up approach to regionalisation should be considered in all instances. **Where appropriate and desired, local authorities should be able to request to collaborate with other authorities, including other public bodies, and where a case can be made, Scottish Government should assist in this process.** This would complement the power to transfer potential responsibilities and competences to Community Councils and local communities.

Local democratic accountability should be extended into other parts of the public sector. Too often local councillors and councils are approached by citizens to raise concerns about matters outwith local government jurisdiction as local government is more visible and there are no other democratically accountable politicians at local level than councillors.

There is a need to build on the progress in collaboration that has already been achieved. Impediments including different **planning cycles and budgetary processes should be examined with a view to making collaboration easier.** Incentives should be created to encourage more collaboration across public bodies operating locally to build on existing Community Planning Partnerships (see fiscal empowerment below). The guidance on collaboration in the Community Empowerment Act should be clarified and tightened.

The National Health Service in Scotland is unable to recover the VAT costs of contributions made to local authorities creating a barrier to certain types of collaboration. This contrasts with the situation in England and Wales where the NHS is able to recover VAT costs. **Scotland should be brought into line with England and allow NHS transfers without incurring VAT.**

The plethora of performance frameworks should be reviewed. Targets are still set nationally and too often our public bodies are expected to 'hit the target even if it means missing the point'. Eight years on from Christie's criticism of HEAT targets and they remain in place making the shift to prevention difficult and undermining much good work. There should be **more local input into performance management regimes.** Local authorities should have greater scope to determine how outcomes are achieved. Public servants should be

more empowered staff to identify need and intervene with appropriate resources in achieving improved outcomes.

Local Government has a role in inclusive and sustainable economic growth along with other bodies including Scottish Enterprise, Skills Development Scotland, Scottish Development International. It has lost powers previously held in this area and thus unable to make the contribution that is needed in our communities. **A review of the current economic levers available to local government is necessary** to ensure the local government is empowered to play a fuller partnership role with central government, especially given the increased importance for sums available for public expenditure of sustainable economic growth in the new fiscal environment following the recommendations of the Smith Commission in 2014.

Current boundaries do not conform with economic development needs. Aggregation may be needed in some cases for some economic functions. But central to empowering local authorities will be drawing down powers and resources. Cooperation in the creation of City, Islands and other 'Deals' reflects the financial incentives involved. Our key recommendations are that:

- reform is voluntary and agreed by individual local authorities,
- reform also involves the transfer of responsibility and resources from Scottish Government e.g. in the case of transport reform this could be the maintenance of trunk roads,
- reform leads to strong governance with clear links to the delivery of other regional policy e.g. spatial planning and economic development.

Tayside Contracts is a commercially based local authority contracting organisation providing catering, cleaning, roads maintenance, vehicle maintenance and winter maintenance throughout Angus, Dundee and Perth and Kinross. They are a commercial trading arm of the Councils and employ approximately 2500 people. Tayside Contracts operates under a Joint Committee comprising of elected members from each constituent council. A key attribute of Tayside Contracts is their partnership working and the efficiencies they have achieved through collaboration.

City and other Deals have proved important in leveraging in additional resources and incentivising collaboration. These developed in an ad hoc manner and separate from other policy developments. **The implications of these deals for local governance requires greater attention with further developments more closely aligned with the outcomes of this review.**

In order to drive inclusive economic growth, Perth and Kinross, Dundee, Angus and Fife Councils have collaborated on a city deal bid. New governance arrangements have been developed in the form of a joint committee and there is significant private sector involvement in the arrangements. Our joint executive's meeting is also leading a review of economic development across the Tay Cities Region and held a Rapid Improvement Event earlier this month. We explored the opportunity for integrated economic development, planning and transport services as a first phase of a designed three year integration programme. We recognise however that there is a need for a partnership approach to inclusive economic growth and part of our ask in the reform will be for devolved governance for aspects of the work of Scottish Enterprise, Skills Development Scotland and our regional transport partnership TACTRAN in order to deliver a truly joined up approach. We have now developed joint arrangements for tourism to support growth and inclusive growth is high on our agenda within the city deal ask of government. Excellent links have been established with both the University and College sectors to build on our efforts for inclusive growth. However, it is our view that there will always be a locally based place approach required to augment what is established through an integrated regional approach as land sits within local authority

boundaries. We are confident we can manage the interface between local and regional and indeed national levels of government with respect to the land use in particular.

Local government and other public bodies hold vast amounts of information relevant to informed policy making. There is a need to be able to access and use this data in policy making. This will require the development of skills and more data sharing than at present. **The Scottish Government should work with local authorities and others to facilitate improvements in this data analytics and data sharing.**

The Tayside Plan for Children, Young People and Families has been produced by the Community Planning Partnerships of Angus, Dundee and Perth and Kinross. The plan focuses on reducing inequalities and improving outcomes for all of Tayside's children. It sets out the joint vision and priorities of three local unitary authorities, NHS Tayside and other local and national partners and is informed by the views of children and families. The structure also includes the Tayside Regional Improvement Collaborative for education, placing the RIC within a wider children's services system. They have agreed outcomes, indicators and activities to be delivered over the short, medium and longer term, ensuring sustainability and transformational change. By working together, sharing knowledge and co-creating they hope to shift resources and prevent negative outcomes.

6. Fiscal Empowerment

***'Without appropriate fiscal empowerment, the autonomy of sub-national governments cannot be substantiated and, in this way, the full potential of decentralization cannot be realized.'* World Bank.**

What do we want to achieve?

The key aims for fiscal empowerment for local governance:

- Fairness – Scotland's tax system must be fair and related to a person's ability to pay: everyone benefits from public services and all those who can contribute are expected to do so.
- Transparency – It should be clear how liabilities are arrived at to support certainty for tax payers. It is also important that there is clarity so that tax payers know what generated revenue is spent on.
- Sustainability - Any local taxation system must provide local government with a degree of certainty around current and future funding levels. An effective balance must be delivered between central and local government funding, and local taxation.
- Localism - A local taxation system must have the freedom to raise and expend resource in a way that recognises the local needs, priorities and circumstances of Scotland's diverse communities.
- Efficiency – tax policies should be easy to administer, promoting high collection rates and minimal avoidance.

Eight years ago, the Commission on the Delivery of Public Services (Christie) noted that the 'pressure on budgets is intense and public spending is not expected to return to 2010 levels in real terms for 16 years. In addition, new demographic and social pressures will entail a huge increase in the demand for public services. The economic downturn will also intensify and prolong demand.' There has been no let up in the pressure on public services. A growing elderly population, challenges associated with welfare reform, ambition to close the attainment gap in education all contribute to pressure on local government while local authority budgets have been cut.

There have been a number of enquiries into local finance since the establishment of the Scottish Parliament. Each has provided ample evidence on the need for reform and reasoned arguments for change. What has eluded each attempt at reform has been the political will to reform. We have now reached the point when reform can no longer be put off. **The pressure on local government finances has increased and is set to increase further making the present system of finance unsustainable.**

Enquiries since devolution that have considered local taxation

1998: Commission on Local Government and the Scottish Parliament (McIntosh)
Called for an immediate independent inquiry into local government finance (para.57)

2006: Local Government Finance Review Committee (Burt)
Proposed a flat rate percentage property tax regularly revalued based on capital values – rejected in Scotland but adopted in Northern Ireland.

2014: Commission on Strengthening Local Democracy
Full review of following propositions: local govt should be able to raise at least 50% of income locally; control whole suite of property taxes (Council Tax, Business Rates, Land and Property Transaction); general competence to set and raise new taxes.

2015: Commission on Local Tax Reform
Programme of reform introduced over time involving: multiple forms of tax (property, land and income but also reflecting local circumstances the possibility of environmental, resource, sales, tourist taxes) required including recurrent tax on property; change should be more progressive than current council tax; transitional arrangements required; review of central grants; further consideration of land value tax; longer term consideration of local income tax and possibility of local government having a share of Scottish Rate of Income Tax in interim.

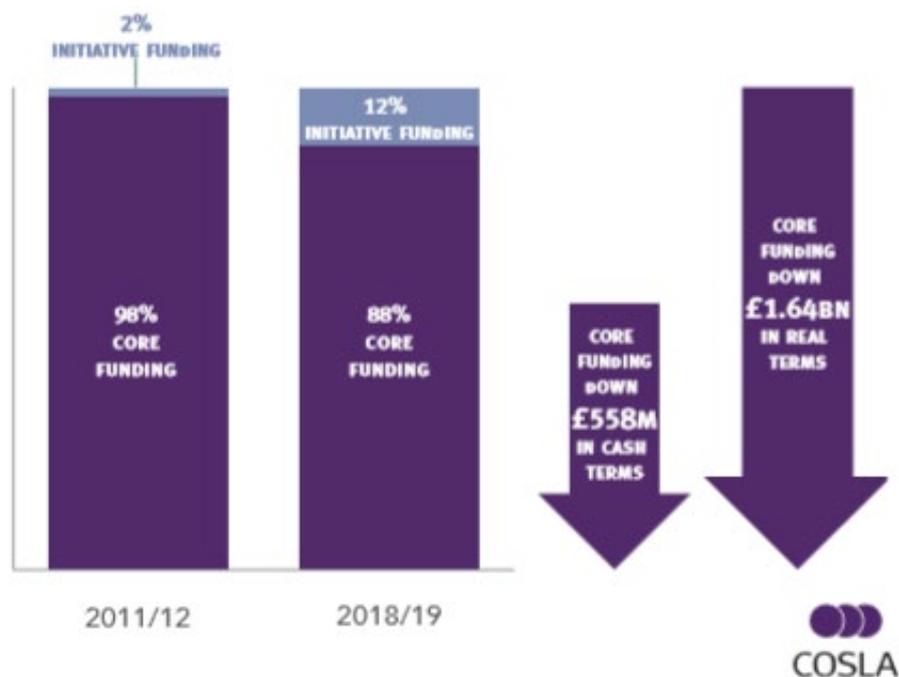
Past experience, fear that voters will balk at any change especially fuelled by populist campaign against reform and the fear of unintended and unforeseen implications of fiscal reform have also conspired to undermine reform efforts. Various reviews and enquiries have been held over the years and there is no shortage of comparative evidence. What appears absent is an *alternative package* that commands sufficient support. There may be more support for elements of reform. **Budgetary reform tends to be incremental for good reason, testing the water and taking account of unforeseen consequences.** A mix of economic, fiscal and political considerations need to be taken into account with the last often proving most challenging. The changes required will not be delivered overnight but a timetabled process of change is required.

'..although tax autonomy varies widely across countries, most sub-central governments have considerable discretion over their own taxes. On average, the tax revenue share with full or partial discretion amounts to more than 50 percent for state and almost 70 per cent for local government.' Hansjörg Blöchliger and Josette Rabesona, 'The Fiscal autonomy of sub-central governments: an update', OECD working papers on Fiscal Federalism, No20, 2015, p.4.

Fiscal empowerment needs to be understood in the context of local government responsibilities, services provided as well as functional geography (activities and interactions within the local authority area). Any changes in the functions of local government will have to take account of its fiscal implications. Increasing community empowerment will require additional resources. Functional empowerment is inextricably linked to fiscal empowerment and consideration of such implications will be required for any proposals to increase local authority responsibilities. Decisions on the fiscal arrangements are taken by the Scottish Government. While local authorities may be consulted, the final arbiter is Holyrood. This undermines a key principle of the Consultative Steering Group (adopted by the Scottish

parliament) of sharing power and recommendations of the McIntosh Report on relations between local government and the Scottish Parliament.

Changes in Scottish Government funding means that sustainable economic growth has become more important than previously. Scotland's relative economic position will have an impact on its tax take. **Local government has a role to play in sustainable economic growth and should be a partner with Scottish Government in this interdependent enterprise reflected in new fiscal powers.**



Source: [COSLA: Fair Funding for Essential Services](#)

A fiscal framework analogous with that between UK and Scottish Governments would contribute to a rebalancing the relationship and provide greater transparency. This would involve a formal statement guaranteeing a fair and transparent mechanism for adjusting the grant to reflect the responsibilities of councils and functional geography. It would also identify other sources of revenue available to local government, provide support either through existing or new institutions to assess the implications of using such sources. It would seek to move funding onto a three year settlement to provide for greater stability and predictability. It would outline policies that would statutorily be required to be financed with costings. The absence of a statutory framework governing the financing of local government creates an imbalance in the relationship between central and local government. This contradicts both the founding principles of the Scottish Parliament and the proposals of the McIntosh Commission.

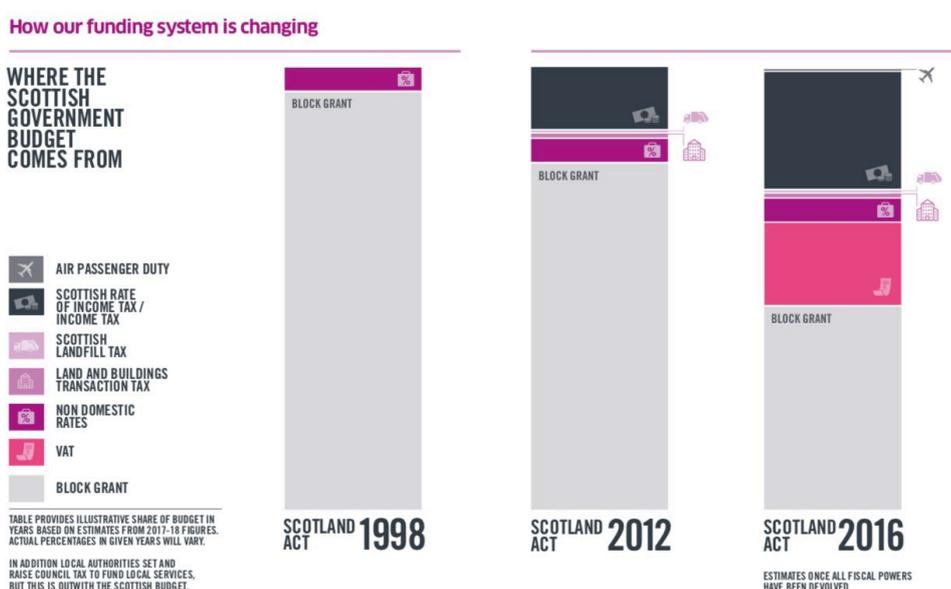
The funding model agreed in the fiscal framework guarantees a fair and transparent mechanism for adjusting the block grant to reflect the introduction of newly devolved revenues and the transfer of responsibility for social security to the Scottish Government.
Fiscal Framework factsheet, Scottish Government, Nov 2017
<https://www.gov.scot/publications/fiscal-framework-factsheet/>

There should be a **formal commitment that any new legislative duties imposed on local authorities will be properly funded.**

There should be a **review of the range of ring-fencing which restricts local discretion.** The introduction of the Pupil Equity Funding (PEF), Attainment Fund, and Pupil-Teacher ratios

were motivated by a shared desire to improve Scottish education and close the attainment gap but fails to acknowledge that there are different ways to achieve these goals and reflects the long-evident tendency to approach policy in a uniform, symmetrical and centralising fashion. Ring fencing distorts local governance, fails to appreciate the possibility that more appropriate and effective approaches are available. It also fails to take account of how the policy fits with other policy developments at local level.

Central government grants subsidise the cost of services provided by local government and equalise to address fiscal disparities. There will always be a need for some grant but the proportion of local government finance provided by grant has grown. This means that the proportion which local government is responsible that is raised locally has diminished underlining local fiscal responsibility. **Just as the devolved Parliament has become more fiscally responsible, so too should local government become more fiscally responsible.** The shrinking ability of local government to raise its own revenue means that any real terms cuts imposed by central government require to be made up for from a narrow base.



Source: Scottish Government, *Scotland's Finances, Key facts and figures June 2018*.

Taxation and fees for services have a number of functions: raising revenue for services; regulatory by altering behaviour through (dis)incentivising activities; and redistributing wealth. Introducing new taxation can have unintended consequences and will have costs and the interaction of these is important in any reform. It will be important to approach any reforms with due care and be evidence based. But it should be noted that a broader range of sources of revenue need not result in increased revenue but will provide more tools and allow the incidence of taxation (ie on whom the tax falls, the distribution of its impact) to be taken into account by providing more choice. The Burt Committee which reported on Local Government Finance in 2006 noted that 23 out of the 28 states were considered in that enquiry had multiple local taxes (though Burt did not opt for this approach). Comparative analysis then found:

- income taxes, property taxes and sales taxes are the most common sources;
- local income taxes are of exceptional importance in Scandinavian countries;
- local property taxes tend to be important in English speaking countries;
- although local sales taxes are quite common, their form of implementation very rarely allows local authorities much discretion over tax rates.

But there are other sources that can be considered and have been raised in discussions with local authorities:

- Transient Visitor Tax;
- Parking Levy Scheme;
- Road pricing;
- community lottery;
- pollution tax;
- increased commercialisation though this can create problems of accountability;
- devolution of the Crown Estate.

Consideration needs to be given to the various options being canvassed for additional revenue raising sources, taking account of the costs involved and benefits accruing.

What is clear is that alternative sources will be relevant in different local authorities but some steps in the direction of providing new sources of revenue needs to begin. It the success of the introduction of congestion charging London and implementation of a workplace parking levy in Nottingham is notable.

We need a better understanding of the impact of the totality of public spending in our local communities. Much public spend directed at local communities leaks out of the intended target areas. Lessons can be learned from other areas, notably the Local Wealth Building model adopted in Preston. **An examination of how best to develop local wealth building aligned with community empowerment is needed.**

Four key strategies in the Centre for Local Economic Strategies LOCAL WEALTH BUILDING MODEL

- **Progressive procurement** Progressive procurement can develop dense a local supply chain of local enterprises, SMEs, employee owned businesses, social enterprises, cooperatives and other forms of community ownership. This type of procurement is locally enriching because these types of businesses are more likely to support local employment and have greater propensity to retain wealth and surplus locally.
- **Employment.** Often the biggest employers in a place, the approach that Anchors take to employment can have a defining effect on the employment prospects and incomes of local people. Recruitment from lower income areas, commitment to paying the living wage and building progression routes for workers are all examples of the actions anchors can take to stimulate the local economy and bring social improvements to local communities
- **Land and assets** Anchors are often major land holders and can support equitable land development (through establishment of Community Land Trusts) and development of under-utilised assets for community use. In terms of financial investments, directing pension funds to local investment priorities can bring transformative capital to locally rooted enterprises.
- **Democratic ownership of the local economy.** At the heart of Local Wealth Building is the principle that wealth is broadly held. Cooperatives, mutually owned businesses, SMEs, municipally owned companies and local banks enable the wealth generated in a community to stay in that locality and place a vital role in counteracting the extraction of wealth

Source: Centre for Local Economic Strategies

Democratic ownership of the local economy. At the heart of Local Wealth Building is the principle that wealth is broadly held. Cooperatives, mutually owned businesses, SMEs, municipally owned companies and local banks enable the wealth generated in a community to stay in that locality and play a vital role in counteracting the extraction of wealth. Source: Centre for Local Economic Strategies.

While Community Planning Partnerships have agreed common outcomes, there are no mechanisms to pool financial resources in pursuit of these goals. **There is a need to link policy outcomes with delivery tools to ensure that agreed outcomes are delivered.** Pooling financial resources is a necessary part of any serious collaborative endeavour.

The **pooling of financial resources should also be aligned with pooling other local assets and with community empowerment.** There should be a presumption in favour of collaborative asset-based approaches across public services. This links with the co-location discussed above. Evidence shows that joint capital investment has merit but there are impediments in Scotland with regard to the NHS, Police and Fire and Rescue.

The Fairer Fife Commission noted that over £1.8bn is spent on public services in Fife each year. Yet, partner and internal budget boundaries are reasons why the prevention agenda, critical to the delivery of improved outcomes for communities, is proving difficult to deliver.

Borrowing provides for flexibility in financial management and there should be **greater flexibility in borrowing and lending** following the approach available to local authorities in England and Wales.

Appendix 1

McIntosh Review recommendations:

Relations with Parliament and Ministers

1. The Parliament and the 32 councils should commit themselves to a joint agreement - which we call a Covenant - setting out the basis of their working relationship. (Paragraph 34)
2. Parliament and local government should set up a standing Joint Conference to be a place where parliamentarians and local government representatives may hold a dialogue on a basis of equality. (34)
3. A formal working agreement should be established between local government and the Scottish Ministers. (45)
4. Legislation should be introduced to provide councils with a statutory power of general competence. (52)
5. An independent inquiry into local government finance should be instituted immediately. (57)
6. The option of transfer to local government should always be considered in any review of other bodies delivering public services; and likewise where new services are developed, prior consideration should always be given to whether local government should be their vehicle, subject to consideration of efficiency and cost effectiveness. (62)

Electing the council

7. The rules and arrangements for conduct of local elections should be reviewed, with the general aim of simplifying procedures for the public and improving access (66) and with particular reference to -
 - A rolling electoral register
 - More accessible polling places
 - Wider and easier access to postal voting
 - Electronic voting
8. Councils should be elected for a four-year term. (70) This should take effect at the elections due to be held in 2005, midway through the second Parliament. (72,74)

The electoral system

9. Proportional representation should be introduced for local government elections. A review should be set up immediately, to identify the most appropriate voting system for Scottish local government, with a view to legislation which should take effect in time to govern the next council elections in 2002. (89)
10. The criteria to be used in determining the system or systems of PR to be adopted for Scottish local government should be (89) -
 - proportionality
 - the councillor-ward link
 - fair provision for independents
 - allowance for geographical diversity and
 - a close fit between council wards and natural communities.
11. Of the possible electoral systems, AMS, STV and AV Top-up should be given particular consideration. (89)

12. The legislation governing the Local Government Boundary Commission should be reviewed with a view to providing greater flexibility in determining ward boundaries. (89)

The conduct of council business

13. Every council should carry out a review of its management of business and working practices, under the guiding principles of accountability and accessibility (94). A prime aim of these reviews should be to set on a formal, open and accountable footing the political leadership within the council, in whatever form is most appropriate to the circumstances of the individual council, so that policy proposals and matters for decision by the council should be subject to open debate, and so that the council may scrutinise the actions of the leadership and hold it to account for its performance. (103)
14. Councils should give particular consideration to formalising the political leadership as an executive, but should also be able to consider other options. (106, 110)
15. We do not consider that it is necessary at present to legislate to permit delegation to a single councillor nor direct election of a council leader; but we consider that the latter option should be kept in view, in the light of developments which may take place elsewhere in Great Britain. (112, 113)
16. The political parties should review their advice to local parties on the application of the party whip to council business, so as to ensure that it is not applied inappropriately or indiscriminately (123). Councils should incorporate in their standing orders rules to the effect that where whipping is applied in council business it should be declared at the commencement of the relevant discussions and minuted for public information and record. (124)
17. The reviews should also involve a close and critical examination of the nature, volume and timing of business; all with a view to organising the business so that a wider cross-section of the community could realistically consider taking on the responsibilities of council membership. (128)
18. As part of their general review of their business all councils should produce a job description for members. (131)

19. A pay and conditions package for councillors should be drawn up for the approval of the Parliament, to be implemented on completion of councils' internal reviews. Remuneration for councillors should in future be subject to independent review. (134)

20. Scottish Ministers and COSLA should jointly address the issue of the provision and resourcing of future arrangements for member training and personal development. (142)

21. COSLA should draw up a mutual protocol of understanding, governing the relationship between elected members and officers. (146)

22. Subject to appropriate safeguards, employees other than the most senior and those in politically sensitive posts should be permitted to stand for election and to serve as elected members. (152)

The voice of the people

23. The system of community councils should be retained and should be regarded as a valuable asset to the democratic life of Scotland. Their role should be seen within the wider context of the area approach being adopted by many councils, as a means of obtaining the fullest possible consultation at local level. (165)

24. Local authorities, in conjunction with their reviews of their management arrangements should also review their local consultation arrangements with particular reference to the issue of meaningful consultation and feedback of information to community and voluntary organisations. Community councils should be involved in this review process. Local authorities should also address (166) -

- The general resourcing of community councils, including not only levels of financial support but also the provision of and access to accommodation, equipment and office facilities.

- Improvements in electoral arrangements, taking into account examples of good practice already evident, and including use of postal ballots and electronic voting.

- The development of civic education.

25. Community councils, for their part, should undertake a process of renewal, specifically addressing their own representative nature and how effectively they establish public opinion within their own area; how they involve and establish links with other communities of interest; and how they involve young people in their work and in their organisation. The possibility of extending the vote in community council elections to 16 year olds should be given particular consideration. (167)

26. The Association of Scottish Community Councils should be provided with a level of core funding sufficient for the development of that body to play a full role in the representation of community council interests and in the dissemination of best practice. (168)

27. Parliament and local authorities alike should give further study to the development of civic education. (172)

What should happen next

28. The Joint Conference should be established, and every council should give a commitment to the self-review process, by 1 January 2000. Councils should complete their reviews by the end of that year. (177)

29. Councils' self-reviews should be formally assessed and validated, so that Parliament and public can have confidence that the process has been carried out thoroughly and in good faith. To this end, a panel of advisers should be appointed, by Ministers jointly with COSLA and subject to the approval of the Parliament, to scrutinise the results of the reviews and to report to Ministers, and through them to the Parliament. The panel should include strong representation from local government, both elected members and officers, and also a strong independent element. (180)

30. Our final recommendation is that all those to whom the recommendations are addressed view them as a whole: we have deliberately designed them as a package, whose elements are intended to work together and reinforce each other. (183)

Appendix 2 **Methodology**

COSLA's submission is based on extensive engagement with its members and local partners across Scotland. An initial survey of Scotland's 32 local authorities was conducted over the Summer of 2018 to identify key issues that members needed to be addressed in this review.

This was followed by a series of workshops across Scotland to explore emerging themes with local elected members, local government staff, and other partners. These included workshops on specific issues (cities; with SOLAR, fiscal empowerment; single public authorities; and participatory budgeting) with a number of individual local authorities, and more general workshops at which the issues under review and ideas for reform were discussed.

Workshops for Elected Members and Staff from Councils and Partners

Glasgow	1pm, Wednesday 28 November, City Halls, Candleriggs
Perth	1pm, Wednesday 5 December, Perth and Kinross Council Offices, 2 High Street
Inverness	1pm, Tuesday 4 December, venue to be confirmed
Edinburgh	1pm, Monday 17 December, COSLA Offices, Haymarket
Aberdeen	1pm, Tuesday 18 December, Aberdeenshire Council Offices, Woodhill House

ⁱ <http://archive.scottish.parliament.uk/business/committees/historic/procedures/or-02/pr02-csgdraft01-01.htm>, para.155.