FINANCE COMMITTEE
INQUIRY INTO THE DEVOLUTION OF FURTHER FISCAL POWERS
SUBMISSION FROM COSLA

Introduction
COSLA welcomes the opportunity to give written evidence to the Finance Committee on devolution of further fiscal powers to the Scottish Parliament. Fiscal devolution is at the forefront of COSLA’s thinking and has been for some while now. This well pre-dates the outcome of the Scottish referendum which has led to the current Smith Commission looking at the further powers that should be devolved to the Scottish Parliament.

In presenting this submission, COSLA would like to focus on the work which has been done setting out our arguments for significantly increased fiscal powers to Scottish local government and local decision making. This is because we strongly believe that the fiscal decisions which affect our local communities should be made locally. It is not simply a case of saying what powers come to Scotland through the Scottish Parliament, it is where quite rightly the powers to make decisions about Scotland’s future wellbeing should lie. Local Government is at the core of the governance of Scotland’s affairs and is best placed to make many of the important decisions about how we best support our local communities to flourish.

Strengthening local democracy and increasing fiscal powers to local government
In our submission we wish to bring to the Committee’s attention the three key pieces of work which are driving forward our call for a change in the way Scotland is governed and that devolution of fiscal powers must flow through to local decision making. These are:

COSLA’s Local Government Funding Review
COSLA has previously shared its Local Government Funding Review with the Committee, this having been undertaken in 2013. This sets out COSLA’s ambition at the time, in light of the Scottish constitutional debate and the powers to Scotland provided in the Scotland Act 2012, for greater fiscal control at the local level. This flowed very much from the conclusions outlined in the Christie Commission report on the future delivery of public services. Critically the funding review identified the return of Non Domestic Rates to local control as the primary means by which the balance of fiscal autonomy could shift substantially toward local government, along with a call for a revaluation of Council Tax and the ability to raise additional revenue through discretionary local taxes.

For the Committee’s convenience, the link to the Review is below:
http://www.cosla.gov.uk/search/node/funding%20review

The Commission for Strengthening Local Democracy
The Commission, which was established by COSLA but independent of it, explored in its report “Effective Democracy: Reconnecting with Communities” published in August 2014, a local government vision which focussed on improving local democracy as the route to improving lives in communities.

COSLA endorsed the Commission’s recommendations which call for greater local democratic control and decision making. This includes wider local fiscal control of the whole suite of property taxes (council tax, business rates, the Land and Buildings Transaction tax), as well as the ability for setting and raising taxes locally where there is a
community will to do so. As a minimum 50% of local income should come through local taxation as opposed to 18% currently. The link to the Commission’s report is below: http://www.localdemocracy.info/2014/08/14/time-to-rebuild-scottish-democracy-what-the-referendum-decides/

**The Smith Commission**

COSLA has responded to the Smith Commission setting out local government’s aspirations for the outcome of the Committee’s work. COSLA firmly believes that there is a unique opportunity for further empowering local communities and greater local democratic control arising from the devolution of further powers to Scotland.

COSLA’s response therefore urges the Smith Commission to consider not just devolution to Scotland but how power can be placed closer to communities. A key driver in strengthening local democracy in Scotland is for local government to have full fiscal autonomy over local decisions, rather than the current centralisation of fiscal powers to the Scottish Government. COSLA’s response can be found at the link below: https://www.smith-commission.scot/resources/

In considering these three areas of work, it is important that the Committee understands the timeline by which COSLA has driven forward its thinking. The Local Government Funding Review kicked off our thinking and set out a position as it was then. Critically this set out our stall that decisions affecting our local communities are best made locally. The Commission explored many of these issues further and its conclusions very much chime with and add to the arguments which COSLA was already making. The Smith Commission adds another dimension which we see as an opportunity to build further and more fundamentally on our thinking around where power should lie in Scotland.

We therefore see these pieces of work as complementing and strengthening our thinking but, more importantly, the current climate allows us to seize the opportunity to drive through our arguments for the radical changes over local democratic control and fiscal empowerment that we are seeking.

**COSLA’s seven principles**

The Commission for Strengthening Local Democracy sets out seven overriding principles which must underpin Scotland’s democratic future. COSLA has endorsed these principles and we strongly believe that these principles must drive where fiscal powers, including further devolved powers, should lie. The principles underpin COSLA’s response to the Smith Commission. The principles are as follows:

1. **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.

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

3. **The principle of transparency**: democratic governance should be clear and understandable to communities, with clean lines of accountability.
4. **The principle of participation**: all communities must be able to participate in the decision making that affects their lives and their communities.

5. **The principle of spheres not tiers of governance**: different spheres of democratic governance 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.

6. **The principle of interdependency**: every sphere of governance has to support the others, and none can be, or should seek to be, self-contained and self-sufficient.

7. **The principle of wellbeing**: the purpose of all democratic governance is to improve opportunities and outcomes for the individuals and communities that empower it.

COSLA would welcome the Committee’s adoption of these principles as a guiding force in its inquiry into the devolution of further financial powers to the Scottish Parliament.

**Task Group**

COSLA has recently established a political task group to drive forward the fiscal empowerment agenda for local government. The Task Group is at the early stages of its work but it has a clear remit to move to a position of action, based on the Local Government Funding Review and Local Government Commission recommendations, as well as the representation to the Smith Commission.

This will involve working out, in real detail, what local government wishes to see happen in relation to local government funding and fiscal autonomy. The task group will look to work across the public sector to develop consensus on areas of mutual interest, with a view to developing and implementing a lobbying strategy to seek to achieve our desired changes. Critically the task group’s work will be informed by the changing environment, in particular as knowledge develops on what further devolved powers are coming to Scotland.

Whilst the Task Group will be reporting back through COSLA’s political structure, we are more than happy to share our conclusions in future engagements with the Committee.

**Conclusion**

COSLA has provided the Committee with a high level summary of our thinking on the devolution of further fiscal powers to the Scottish Parliament. We hope that the Committee understands that, in our view, this does not stop there and that powers need to flow through to the local democratic level. The purpose of providing a summary is to give the Committee a flavour of where we have come from and where we would like to go. This is set out more completely in the three key pieces of work, for which we have provided the links, and we would encourage the Committee to take the opportunity to read these, in order to gain a fuller understanding of the depth of our thinking.